

power **growth** precision



MAXIM
Power Corp

Consolidated Financial Statements of

MAXIM POWER CORP.

Years ended December 31, 2007 and 2006
(audited)



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Maxim Power Corp. as at December 31, 2007 and 2006 and the consolidated statements of operations and retained earnings, comprehensive income and cash flows for the years 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada

March 28, 2008



Form 52-109F1 – Certification of Annual Filings

I, John R. Bobenic, the Maxim Power Corp. Chief Executive Officer, certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Maxim Power Corp., (the issuer) for the period ending December 31, 2007;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - a. Designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
 - b. Designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP;
 - c. Evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation ; and
5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: March 28, 2008

"Signed"

John R. Bobenic
Chief Executive Officer



Form 52-109F1 – Certification of Annual Filings

I, Michael R. Mayder, the Maxim Power Corp. Chief Financial Officer, certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Maxim Power Corp., (the issuer) for the period ending December 31, 2007;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - a. Designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
 - b. Designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP;
 - c. Evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation ; and
5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: March 28, 2008

"Signed"

Michael R. Mayder
Vice President Finance & CFO

MAXIM POWER CORP.

Consolidated Balance Sheets

As at December 31, 2007 and 2006
(In Thousands of Dollars)

	2007	2006
Assets		
Current assets:		
Cash (note 3 (a))	\$ 20,167	\$ 22,955
Accounts receivable	36,972	34,836
Prepaid expenses, deposits and other	913	2,128
Inventory (note 6)	1,141	2,398
Current assets of discontinued operations (note 5)	-	80
	<u>59,193</u>	<u>62,397</u>
Property, plant and equipment (note 7)	150,454	143,355
Deferred costs (note 8)	8,420	7,212
Future tax asset (note 18)	4,132	1,625
Intangibles (note 9)	23,908	13,748
Goodwill	15,632	15,632
	<u>\$ 261,739</u>	<u>\$ 243,969</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 30,899	\$ 24,081
Income taxes payable	5,720	4,738
Current portion of long-term debt (note 11)	2,847	3,606
Current portion of capital lease obligations (note 12)	3,528	2,149
Current portion of cash flow indenture (note 13)	-	6,250
Current portion of long-term contracts (note 14)	1,310	1,851
Current portion of future income tax liability (note 18)	7,651	7,088
	<u>51,955</u>	<u>49,763</u>
Long-term debt (note 11)	46,397	47,956
Capital lease obligations (note 12)	12,613	8,252
Cash flow indenture (note 13)	-	1,126
Long-term contracts (note 14)	662	3,282
Asset retirement obligation (note 15)	763	787
Future income tax liability (note 18)	9,593	6,205
Deferred revenue	-	82
Non-controlling interest	-	48
Shareholders' equity:		
Share capital (note 16)	93,674	90,628
Contributed surplus (note 16)	2,819	1,749
Accumulated other comprehensive (loss) income (note 4)	(6,226)	3
Retained earnings	49,489	34,088
	<u>43,263</u>	<u>34,091</u>
	<u>139,756</u>	<u>126,468</u>
Commitments (note 17)		
Subsequent event (note 24)		
	<u>\$ 261,739</u>	<u>\$ 243,969</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(Signed) _____ Director (Signed) _____ Director

MAXIM POWER CORP.

Consolidated Statements of Operations and Retained Earnings

Years ended December 31, 2007 and 2006
(In Thousands of Dollars)

	2007	2006
Revenue:		
Electricity sales	\$ 124,762	\$ 111,237
Expenses:		
Plant operations	79,754	66,046
General and administration	4,776	6,103
Depreciation and amortization	13,789	8,560
	98,319	80,709
Income before the following items	26,443	30,528
Interest expense to:		
long-term debt	3,722	2,614
capital lease obligation	928	434
long-term contract	181	83
other	199	225
Interest income	(508)	(607)
Foreign exchange loss (gain)	156	52
Income before income taxes from continuing operations	21,765	27,727
Income taxes (note 18):		
Current	9,396	4,781
Future	(2,880)	2,356
	6,516	7,137
Non-controlling interest	(48)	48
Net income from continuing operations	15,297	20,542
Net income (loss) from discontinued operations (note 5)	104	(636)
Net income for the year	15,401	19,906
Retained earnings, beginning of year	34,088	14,245
Normal course issuer bid	-	(63)
Retained earnings, end of year	49,489	34,088
Basic and diluted income per share – continuing operations	\$ 0.35	\$ 0.47
Basic and diluted loss per share – discontinued operations	\$ 0.00	\$ (0.02)
Basic and diluted income per share	\$ 0.35	\$ 0.45

Consolidated Statement of Comprehensive Income
Twelve months ended December 31, 2007 and 2006
(In Thousands of Dollars)

	2007	2006
Net income for the period	\$ 15,401	\$ 19,906
Other comprehensive income, net of tax:		
Unrealized (losses) gains on translation of self-sustaining operations	(6,229)	2,687
Comprehensive income	\$ 9,172	\$ 22,593

See accompanying notes to consolidated financial statements.

MAXIM POWER CORP.

Consolidated Statement of Cash Flows

Years ended December 31, 2007 and 2006
(In Thousands of Dollars)

	2007	2006
Cash provided by (used in):		
Operations:		
Net income from continuing operations	\$ 15,297	\$ 20,542
Items not involving cash:		
Depreciation and amortization	13,789	8,560
Amortization of deferred financing costs	802	-
Foreign exchange loss (gain)	105	(17)
Non-controlling interest	(48)	48
Asset retirement obligation	(24)	466
Fair value of stock based compensation	1,928	1,488
Future income tax	(2,880)	2,356
	28,969	33,443
Change in non-cash working capital (note 19)	6,521	(9,670)
Cash flows from continuing operations	35,490	23,773
Income (loss) from discontinued operations	104	(636)
Items not involving cash:		
Depreciation and amortization	-	728
Loss on sale of discontinued operations	(137)	195
Equity loss	-	16
Change in non-cash working capital	33	(225)
Cash flows from discontinued operations	-	78
	35,490	23,851
Financing:		
Issuance of long-term debt	18,436	10,063
Repayments of long-term debt	(14,698)	(3,909)
Issuance of common shares	2,327	821
Normal course issuer bid	-	(115)
Repayment of lease obligation	(3,977)	(966)
	2,088	5,894
Investing:		
Property, plant and equipment	(6,590)	(19,334)
Proceeds on disposition of assets	262	-
Acquisitions, net of cash acquired (note 10)	(21,858)	(3,783)
Acquisition of non-controlling interest	-	(493)
Deferred costs	(4,087)	(4,466)
Repayment of cash flow indenture	(7,325)	(4,863)
Cash flows used in investing in continuing operations	(39,598)	(32,939)
Proceeds on sale of discontinued operations	137	3,156
	(39,461)	(29,783)
Foreign exchange gain (loss)	(905)	(316)
Increase (decrease) in cash	(2,788)	(354)
Cash, beginning of year	22,955	23,309
Cash, end of year	\$ 20,167	\$ 22,955

See accompanying notes to consolidated financial statements.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

1. Basis of Presentation

The consolidated financial statements have been prepared by Maxim Power Corp's ("MAXIM" or "Corporation") management in accordance with accounting principles generally accepted in Canada. Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of these consolidated financial statements requires the use of estimates and assumptions which have been made with careful judgment. In the opinion of management, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized in note 2 and note 3.

The Corporation consolidates the accounts of its 95% (2006 – 95%) interest in Basin Creek Holdco LLC, 90% (2006 – 90%) interest in Pouchon Cogen S.A.R.L. and 50% (2006 – 50%) interest in Mirail Cogen S.A.R.L.. Using this method, the Corporation has reflected 100% of the accounts of these entities in its consolidated financial statements with a deduction provided for the non-controlling interest's proportion of the accounts.

2. Change in Accounting Policies

Effective January 1, 2007, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook accounting requirements for Comprehensive Income (Section 1530); Hedges (Section 3865); Financial Instruments – Recognition and Measurement (Section 3855), Financial Instruments – Disclosure and Presentation (Section 3861) and Equity (Section 3251). Effective October 1, 2007, the Corporation adopted the new recommendations of the CICA Handbook for Financial Instruments – Disclosures (Section 3862); Financial Instruments – Presentation (Section 3863) which replaced earlier adopted Financial Instruments – Disclosure and Presentation (Section 3861). In addition, effective October 1, 2007, the Corporation adopted the requirements for Inventories (Section 3031) and Capital Disclosures (Section 1535).

(a) Comprehensive income

Comprehensive income is the change in shareholders' equity during the period from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income which are excluded from net income calculated in accordance with generally accepted accounting principles. The new standards require the presentation of comprehensive income and its components in a financial statement with the same prominence as other financial statements which constitute a complete set of financial statements.

(b) Equity

The new standards on the presentation of equity and changes in equity require a separate presentation of the components of equity, including retained earnings, accumulated other comprehensive income, contributed surplus, share capital and reserves, and the changes therein. As a result of this change in accounting, the Corporation has included a statement of accumulated other comprehensive income in the notes to the consolidated financial statements (see note 4). The comparative statements have been restated for foreign currency translation of self-sustaining foreign operations to reflect application of the transitional provisions of this section.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 2

Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

2. Change in Accounting Policies (*continued*)

(c) Financial instruments

Under the new standards, all financial instruments, including all derivatives, are measured at fair value upon initial recognition and are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including financial and non-financial derivatives and embedded derivatives, unless exempted from derivative accounting treatment as a normal purchase and sale in the case of non-financial derivatives, are included on the consolidated balance sheet and subsequently measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost based on the effective interest rate method. The effective interest method is a method of allocating interest income or interest expense over the relevant period based on a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount at initial recognition ("effective interest rate"). Changes in fair value are recognized in the statement of operations, except for available-for-sale financial instruments which are recognized in the statement of comprehensive income on a net of tax basis or certain financial instruments that are part of a designated hedging relationship that qualify for special accounting treatment in accordance with CICA handbook section 3865 on hedges.

Upon adoption of these new standards, the Corporation designated cash as held for trading assets, measured at fair value. Accounts receivable are classified as loans and receivables, measured at amortized cost. Accounts payable and accrued liabilities, cash flow indenture, long-term debt, and income taxes payable are designated as other financial liabilities, measured at amortized cost. Management did not identify any material embedded derivatives, which require separate recognition and measurement under the new accounting standards. The Corporation had neither available-for-sale, nor held-to-maturity instruments during the period ended December 31, 2007.

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial instrument. Under the new standards, the Corporation began offsetting long-term debt transaction costs against the associated debt and began amortizing these costs using the effective interest rate method. At January 1, 2007, this resulted in a reduction of \$1,934 to the carrying value of long-term debt. Previously, these costs were amortized straight-line over the life of the debt. In addition, the purchases and sale of financial assets are accounted for at the settlement date.

The new CICA handbook sections on financial instruments have been adopted on a prospective basis, in accordance with the transitional provisions of those sections. However, there has been no impact on these consolidated financial statements for the adoption of these new sections, except for a reclassification of long-term debt transaction costs against long-term debt.

(d) Hedges

The new standards on hedges apply when a designated hedging relationship qualifies for hedge accounting and the option of applying hedge accounting is chosen. The Corporation does not apply hedge accounting and therefore there is no impact on these consolidated financial statements of this new policy.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 3

Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

2. Change in Accounting Policies *(continued)*

(e) Inventories

Effective October 1, 2007, the Corporation adopted CICA Handbook requirements for inventories (Section 3031). The Corporation has adopted this standard retroactively in accordance with the transitional provisions of the section. The new requirements do not have an impact on the consolidated financial statements (see note 3(b)).

(f) Capital Disclosures

Effective October 1, 2007, the Corporation adopted CICA Handbook Section 1535 – Capital Disclosures. The new section requires disclosures of information about an entity's objectives, policies and processes for managing capital (see note 22).

3. Significant Accounting Policies

(a) Cash

Cash is primarily comprised of cash and restricted cash. At December 31, 2007, MAXIM has restricted cash of \$711 (2006 - \$2,709). The majority of the restricted cash amount was the result of providing cash collateral to various organizations to secure credit.

(b) Inventory

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

(c) Revenue recognition

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

Revenues from non-contracted generation of electricity are comprised of energy payments at market price for electricity produced and is recognized upon delivery.

(d) Property, plant and equipment

The Corporation records property, plant and equipment at cost. Property, plant and equipment include costs to purchase and construct assets, and other costs associated with acquisitions and preparing assets for their intended use. Costs for acquisitions are recorded at fair market value at the date of acquisition. The costs associated with construction include materials, labour, interest and allocated costs.

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 4

Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

3. Significant Accounting Policies *(continued)*

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

Generating facilities	10-22 years straight-line
Office furniture and equipment	20-30% declining balance/straight-line
Equipment under capital lease	12-24 years straight-line

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 at either the economic life of the asset or over the initial term of the lease. If the ownership of the asset passes to the Corporation at the end of the lease or if the lease contains a bargain purchase option, the asset is amortized over its economic life. Otherwise, capital lease assets are depreciated over the initial term of the lease.

Long-lived assets, including property, plant and equipment and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

(e) Deferred charges

Deferred charges primarily consist of costs associated with development projects and acquisitions. These costs include third party charges as well as specific direct costs. Development projects are capitalized once technical feasibility is established and if the recovery of the cost is reasonably regarded as assured. The acquisition costs become part of the purchase price allocation and are allocated to each financial statement item under the fair value calculation. If the development project or acquisition is not pursued, these costs are expensed.

(f) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on fair values. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is 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 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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 5

Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

3. Significant Accounting Policies (*continued*)

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 of the carrying amount over the fair value of goodwill.

(g) Foreign currency translation

The Corporation's French and American subsidiaries 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. Revenue and expenses are translated using average exchange rates for the period. Translation adjustments, net of tax, are reflected in other comprehensive income and accumulated other comprehensive income in shareholders' equity.

(h) 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.

(i) Per share amounts

The Corporation follows the treasury stock method of accounting for per share amounts. Under this method, basic income or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding for the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options or other dilutive instruments were exercised 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.

(j) Stock based compensation

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.

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Notes to Consolidated Financial Statements, Page 6

Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

3. Significant Accounting Policies (continued)

(k) Asset retirement obligations

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.

(l) Measurement uncertainty

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

(m) New accounting pronouncements

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. Accounting standards for public companies in Canada are expected to converge with the International Financial Reporting Standards (IFRS) as at January 1, 2011. The Company continues to assess the impact of these standards on the consolidated financial statements.

4. Accumulated Other Comprehensive Income

The composition of accumulated other comprehensive income is as follows:

	2007	2006
Balance, January 1	\$ 3	\$ (2,684)
Unrealized (losses) gains on translation of net foreign operations	(6,229)	2,687
Balance, December 31	\$ (6,226)	\$ 3

5. Discontinued Operations

On March 29, 2006, the Corporation entered into binding purchase and sale agreements for the sale of its wholly-owned European subsidiaries, Maxim Power GmbH (Austria) and Maxim Power GmbH (Germany), for total proceeds of \$1,913 (1,350 Euro). The sale was completed on April 15, 2006 with receipt of proceeds. On March 15, 2007, the Corporation completed the sale of

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 7

Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

5. Discontinued Operations *(continued)*

another European subsidiary, Maxim Greenpower GmbH, for total proceeds of \$253 (177 Euro). The disposition of the European projects resulted in a loss of \$439 and income of \$137, which have been included in Net income (loss) from discontinued operations in 2006 and 2007, respectively.

Effective March 31, 2006, MAXIM and its joint venture partner in Cambodia decided to sell their existing operations in Cambodia, concurrent with the June 30, 2006 expiration of the Cambodian power purchase agreement. The generating equipment and spare inventory was sold for gross proceeds of \$2,486 (US\$2,200) of which MAXIM received 50%. The sale was completed on October 12, 2006.

As part of the disposition and wind-up of the Cambodian operations, MAXIM and its joint venture partner sold the ordinary shares of its Cambodian companies, Jupiter Power Asia Co., Ltd. ("JPA") and Jupiter Power (Cambodia) Co. ("JPC"), Ltd. effectively rationalizing the remaining assets and liabilities in Cambodia, for nominal proceeds on January 25, 2007. The disposition of the generating equipment, spare inventory and rationalization of the remaining assets resulted in a gain of \$244 which has been included in the Net loss from discontinued operations in 2006. MAXIM does not anticipate further disposition and wind-up costs related to its former operations in Cambodia. MAXIM and its joint venture partner have dissolved Jupiter Power Holdings (Bermuda) Ltd. ("JPH"), formerly the parent company to JPA and JPC on August 14, 2007.

A summary of the European and Cambodian assets and liabilities classified as discontinued operations is as follows:

	2007	2006
Cash	\$ -	\$ 80
Total assets	-	80
Total liabilities	\$ -	\$ -

A summary of discontinued operations in Europe and Cambodia is as follows:

	2007	2006
Electricity sales	\$ -	\$ 6,250
Plant operations	-	(5,291)
General and administration	-	(595)
Depreciation and amortization	-	(728)
Loss before other items	-	(364)
Interest income (expense)	-	20
Equity loss	-	(16)
Foreign exchange gain (loss)	-	(43)
Income (loss) on sale of discontinued operations	137	(195)
Income (loss) before income taxes	137	(598)
Income tax expense	(33)	(38)
Net income (loss) from discontinued operations	\$ 104	\$ (636)

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 8

Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

6. Inventory

	2007	2006
Coal	\$ 717	\$ 1,784
Fuel oil	424	614
Total inventory	\$ 1,141	\$ 2,398

The cost of inventories recognized as an expense in plant operations during the period was \$17,229 (2006 - \$16,628).

7. Property, Plant and Equipment

December 31, 2007	Cost	Accumulated Depreciation	Net book value
Land	\$ 4,252	\$ -	\$ 4,252
Generating facilities	130,313	20,885	109,428
Office furniture and equipment	1,033	338	695
Spare parts	7,079	-	7,079
Capital leases	31,312	2,312	29,000
	\$ 173,989	\$ 23,535	\$ 150,454

December 31, 2006	Cost	Accumulated Depreciation	Net book value
Land	\$ 4,750	\$ -	\$ 4,750
Generating facilities	131,602	12,156	119,446
Office furniture and equipment	956	232	724
Spare parts	4,601	-	4,601
Capital leases	14,393	559	13,834
	\$ 156,302	\$ 12,947	\$ 143,355

- (a) At December 31, 2007, property, plant and equipment includes the net book value of \$29,000 (2006 - \$13,834) related to the twelve capital lease assets in France and the Hartland capital lease asset in British Columbia. The twelve lease assets in France have a combined cost of \$29,726 (2006 - \$12,807), accumulated amortization of \$2,083 (2006 - \$413) and a net book value of \$27,643 (2006 - \$12,394). The Hartland capital lease asset has cost of \$1,586 (2006 - \$1,586), accumulated amortization of \$229 (2006 - \$146) and net book value of \$1,357 (2006 - \$1,440).
- (b) At December 31, 2007, property, plant and equipment includes the cost of \$34,928 (2006 - \$41,062) and accumulated depreciation of \$2,754 (2006 - \$1,193) for 52 megawatts of capacity related to the Corporation's gas-fired Basin Creek generating facility. On March 23, 2005, the Corporation entered into a long-term Capacity and Energy Sale Agreement ("CESA") for Basin Creek. The CESA is structured as a tolling agreement, obligating the other party to pay a fixed monthly capacity fee. The initial term of the arrangement is 20 years with two five year options to extend the agreement. The tolling revenue in 2007 was \$3,958.

MAXIM POWER CORP.

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Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

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

- (c) At December 31, 2007, property, plant and equipment includes the cost of \$11,324 (2006 - \$11,324) and accumulated depreciation of \$1,779 (2006 - \$1,132) 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. The initial term of the arrangement is 10 years with an option to extend it for a further 15 years or acquire the asset. The tolling revenue in 2007 was \$2,465.
- (d) During 2006, the Corporation capitalized the interest expense of \$1,490 incurred during the construction of the 51.8 megawatt Basin Creek project in Butte, Montana. No interest expense was capitalized during 2007 as Basin Creek became operational in May 2006.

8. Deferred Costs

December 31, 2007	Costs	Net Addition	Transferred to long-term debt	Net book value
Acquisition costs	\$ 1,330	\$ 1,332	\$ -	\$ 2,662
Development costs	3,948	1,810	-	5,758
Financing costs	1,994	(60)	1,934	-
	\$ 7,272	\$ 3,082	\$ 1,934	\$ 8,420

December 31, 2006	Costs	Net Addition	Transferred to long-term debt	Net book value
Acquisition costs	\$ 658	\$ 672	\$ -	\$ 1,330
Development costs	536	3,412	-	3,948
Financing costs	1,994	(60)	-	1,934
	\$ 3,188	\$ 4,024	\$ -	\$ 7,212

9. Intangibles

December 31, 2007	Costs	Addition	Accumulated Amortization	Net book value
Coal supply contract	\$ 6,000	\$ -	\$ 1,832	\$ 4,168
Power sale contract	9,092	13,229	1,177	21,144
Unrealized foreign exchange	22	(1,426)	-	(1,404)
	\$ 15,114	\$ 11,803	\$ 3,009	\$ 23,908

December 31, 2006	Costs	Addition	Accumulated Amortization	Net book value
Coal supply contract	\$ 6,000	\$ -	\$ 1,166	\$ 4,834
Power sale contract	2,355	6,737	200	8,892
Unrealized foreign exchange	-	22	-	22
	\$ 8,355	\$ 6,759	\$ 1,366	\$ 13,748

MAXIM POWER CORP.

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Years ended December 31, 2007 and 2006

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9. Intangibles (continued)

In connection with acquiring the remaining partnership units of Milner Power Limited Partnership ("MPLP"), MAXIM recorded \$6 million of fair market value related to the coal supply contract. The fair value is amortized over the life of the contract, which is 9 years. During the year, \$667 (2006 - \$667) was recorded as an expense in depreciation and amortization.

In addition, MAXIM, through its French subsidiaries, acquired long-term power sales contracts with Electricite de France ("EdF") which are amortized over the remaining lives of the contracts (15-24 years). During 2007, \$976 (2006 - \$176) was recorded as an expense in depreciation and amortization.

10. Acquisitions

(a) 2007

On February 28, 2007, MAXIM acquired 100% of the common shares of six French cogeneration companies ("Soffimat"). Further on August 2, 2007, MAXIM acquired 100% of the common shares of a French cogeneration company, SPDCE SARL ("SPDCE") and on August 23, 2007 MAXIM acquired the assets which constitute a business of another French cogeneration facility, West Energy SARL ("West Energy").

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

	Soffimat	SPDCE	West Energy
Current assets	\$ 6,189	\$ 138	\$ -
Property, plant and equipment	4,272	56	2,203
Intangibles	13,143	-	86
Equipment under capital leases	16,326	1,185	-
Future income tax asset	-	5	-
	39,930	1,384	2,289
Bank indebtedness, net of cash	(158)	(21)	-
Other current liabilities	(5,778)	(358)	(1,614)
Capital lease obligation	(9,191)	(1,001)	-
Future income tax liability	(3,803)	-	-
	(18,930)	(1,380)	(1,614)
Total cash consideration including acquisition costs	\$ 21,000	\$ 4	\$ 675

The amounts recorded on West Energy and SPDCE acquisitions above are based upon preliminary information available to management as of the date of this report. The above amounts are subject to change if the information obtained by management changes up to one year subsequent to the date of the acquisition.

MAXIM POWER CORP.

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Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

10. Acquisitions (*continued*)

(b) 2006

MAXIM acquired 100% ownership of Capitol District Energy Centre Cogeneration Association ("CDECCA") on September 30, 2006 and two French companies, Canteleu Cogen SARL ("Canteleu") and Balleycourt Cogen SARL ("Balleycourt") on July 19, 2006 and October 19, 2006, respectively. Each acquisition was accounted for at fair value using the purchase method of accounting and operating results from acquired facilities were recognized subsequent to the date of the acquisition. The total purchase consideration, including acquisition costs, for each acquisition has been allocated as follows:

	CDECCA	Canteleu	Balleycourt
Cash acquired	\$ 2,231	\$ 23	\$ -
Other working capital	475	139	122
Property, plant and equipment	3,145	1,253	414
Intangibles	-	959	5,778
Equipment under capital leases	-	4,060	4,204
	5,851	6,434	10,518
Accounts payable and accrued liabilities	(662)	(999)	(1,063)
Capital lease obligation	-	(3,769)	(2,475)
Long-term contracts	(4,017)	-	-
Other	(1,172)	-	-
Future income tax liability	-	(416)	(2,193)
	(5,851)	(5,184)	(5,731)
Total cash consideration including acquisition costs	\$ -	\$ 1,250	\$ 4,787

11. Long-term Debt

	2007	2006
Canadian projects (note 11(a))	\$ 18,646	\$ 11,939
United States project (note 11(b))	26,594	31,980
European projects (note 11(c))	6,132	7,643
	51,372	51,562
Less deferred financing costs	2,128	-
Net long-term debt	49,244	51,562
Less current portion	2,847	3,606
	\$ 46,397	\$ 47,956

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Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

11. Long-term Debt (continued)

- (a) On July 5, 2007 the Corporation entered into a new credit facility with the Bank of Montreal ("BMO") and settled its existing BMO facilities C and E. Letters of credit previously drawn on existing facilities A and D are now drawn on new facility A and previously restricted cash is now released. The new loan agreement is comprised of three facilities as follows:

Facility A	\$	10,000
Facility B		35,000
Facility C		2,500
	\$	47,500

Facility A is a demand revolving facility which bears interest at either the bank's prime interest rate plus 0.50%-0.75% or the bank's US base interest rate plus 0.50%-0.75%. Bankers' acceptances under this facility bear a stamping fee at +1.75% - +2.00% per annum and letters of credit and letters of guarantee, up to an aggregate face amount of \$3,000 bear interest at 1.00% - 1.25% per annum. At December 31, 2007, the Corporation had issued \$1,554 (2006 - \$2,787) letters of credit.

Facility B is a 5 year non-revolving reducing term loan facility which bears interest at either the bank's prime interest rate plus 0.75% - 1.00% or at the bank's fixed rate term loan interest rate plus 2.00% - 2.25%. Bankers' acceptances issued under this facility bear a stamping fee of +2.00% - +2.25% per annum. Monthly principal and interest payments of \$208 are based on an 8 year amortization period that commenced on August 31, 2007. There is a standby fee on the unused portion of this facility of 0.25% and no further advances will be available after June 30, 2008. On July 5, 2007, the Corporation borrowed \$20,000 under Facility B and used the proceeds to repay amounts outstanding under the previous BMO Facilities as well as to pay certain current liabilities. At December 31, 2007, the Corporation had an outstanding balance of \$18,646 under this facility. Subsequent to December 31, 2007, the Corporation drew an additional amount of \$14,927 on this facility.

Facility C is a risk management facility for hedging interest rate swaps and foreign exchange exposure. At December 31, 2007 this facility was not utilized.

The Corporation has granted security, which includes a general security agreement constituting a first priority security interest on all of its present and after acquired property and assets in Canada and the United States ("US") (excluding the Basin Creek generation facility), a \$45,000 fixed and floating charge demand debenture on Canadian assets and a \$10,000 fixed and floating charge demand debenture on US assets. The Corporation also pledged as collateral its limited partnership interest in Milner Power Limited Partnership and Maxim Power (USA), Inc.

- (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"). The construction and term loan was 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 during the construction phase. Quarterly payments of interest and commitment fees were required during the construction phase. On July 13, 2005, the principal amount was reduced by US\$1,000 for an irrevocable letter of credit issued under a natural gas transportation agreement.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 13

Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

11. Long-term Debt (*continued*)

On June 30, 2006, the construction and term loan balance of US\$28,000 was converted to a term loan. The term loan has a fixed interest rate of 6.95% per annum and will mature on June 30, 2026. Quarterly principal and interest repayments began on September 30, 2006. At December 31, 2007, Basin Creek had an outstanding balance of US\$26,827 (2006 – US\$27,441).

Basin Creek has pledged a mortgage on its property and assignment of major contracts as collateral for the loan. In addition, Basin Creek Holdco, L.L.C. has pledged its membership interest as collateral for the loan.

(c) The Corporation has three bank term loans associated with projects in operation in France at December 31, 2007 as follows:

(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 the loan. At December 31, 2007, Pouchon had an outstanding loan balance of 860 Euro (2006 - 1,040 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 27 principal and interest repayments over the term of loan. At December 31, 2007, Mirail had an outstanding loan balance of 780 Euro (2006 - 940 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 27 principal and interest repayments over the term of the loan. At December 31, 2007, Bataneres had an outstanding loan balance of 2,610 Euro (2006 - 2,990 Euro).

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

The Corporation’s anticipated repayment obligations as at December 31, 2007 on the above loans over the next 5 years are as follows:

2008	\$	3,298
2009		3,337
2010		3,483
2011		3,638
2012		3,758
Remaining		33,858
	\$	51,372

12. Capital Leases

MAXIM, through its French subsidiaries, has acquired twelve capital lease obligations related to production equipment of which three had been retired as at December 31, 2007. The remaining nine capital lease obligations bear variable interest at Euribor plus 1.6% or fixed interest in the range of 4.00% - 7.24%, with either quarterly or monthly repayments, and are amortized over a period of 8 to 12 years. Upon termination of the leases, there is a bargain purchase option in each of the leases.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 14

Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

12. Capital Leases (*continued*)

MAXIM entered into an agreement with the Capital Regional District ("CRD") to lease equipment at Hartland in 2004. The capital lease obligation bears interest at 6.5% per annum, is repayable on a monthly basis and is amortized over a 20 year term. Upon termination of the lease, the Corporation shall return the equipment to CRD or dispose of the equipment at the CRD's expense.

Future minimum payments under the ten capital leases at December 31, 2007 are as follows:

2008	\$	4,418
2009		4,309
2010		4,889
2011		2,162
2012		1,428
Remaining		2,060
Total minimum lease payments		19,266
Amounts representing interest		(3,125)
Present value of net minimum lease payments		16,141
Less: current portion		(3,528)
		\$ 12,613

13. Cash Flow Indenture

Under the terms of the acquisition agreement, MPLP had 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 were 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. The obligation was non-interest bearing and MPLP had pledged a second charge on its accounts receivable as collateral for the payments due under the cash flow indenture. At June 30, 2007, the obligation was fully settled and all pledged assets have been released.

14. Long-term Contracts

In conjunction with the acquisition of CDECCA on September 30, 2006, MAXIM assumed three contractual obligations related to natural gas distribution and transportation. The natural gas distribution contract will expire in February 2009, one of the transportation contracts expired in September 2007, and the other one expires in September 2011. At December 31, 2007, the natural gas distribution contract was \$1,366 (2006 - \$3,245) of which \$1,164 (2006 - \$1,437) was classified as current portion of long-term contracts and the natural gas transportation contracts was \$606 (2006 - \$1,888) of which \$146 (2006 - \$414) was also classified as current portion of long-term contracts.

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Years ended December 31, 2007 and 2006

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14. Long-term Contracts (continued)

Future minimum payments under long-term contracts at December 31, 2007 are as follows:

2008	\$	1,310
2009		359
2010		169
2011		134
2012		-
		1,972
Less: current portion		(1,310)
	\$	662

15. Asset Retirement Obligations

The Corporation's asset retirement obligations relate to the retirement of its electrical generating facilities. The asset retirement obligations have been recorded as a liability at fair value, assuming a credit adjusted risk free rate of 7% (2006 - 7%). The total undiscounted amounts of estimated obligations are approximately \$2,369 (2006 - \$2,640) and are expected to be incurred in 14 to 24 years from the date of these consolidated financial statements.

	2007		2006	
Balance, January 1	\$	787	\$	321
Liabilities incurred		-		436
Accretion expense		54		28
Revaluation of foreign currency liabilities		(78)		2
Balance, December 31	\$	763	\$	787

16. Share Capital

(a) Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares

(b) Issued:

Share capital:

	2007		2006	
	Number	Amount	Number	Amount
Common shares of Maxim Power Corp.				
Opening balance	43,905,468	\$ 90,628	43,758,709	\$ 89,670
Stock options exercised	474,516	3,046	188,800	1,006
Normal course issuer bid (note 16c)	-	-	(25,000)	(48)
Common share consolidation adjustment	-	-	(17,041)	-
Common shares, December 31	44,379,984	93,674	43,905,468	90,628
Contributed surplus				
Opening balance		1,749		661
Fair value of stock based compensation		1,790		1,273
Stock options exercised		(720)		(185)
Contributed surplus, December 31		2,819		1,749
Balance, December 31	44,379,984	\$ 96,493	43,905,468	\$ 92,377

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Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

16. Share Capital (continued)

On April 13, 2006, the common shares of MAXIM were consolidated on a ten to one basis. The common share data and per share information were restated to reflect the impact of the share consolidation.

(c) Normal course issuer bid:

MAXIM received approval from the Toronto Stock Exchange to commence a normal course issuer bid on October 5, 2006. At MAXIM's discretion, the Corporation could purchase up to 2,190,000 (approximately 5% of its outstanding common shares) of its common shares through the facilities of the Exchange at the prevailing market price during a 12 month period commencing on October 10, 2006. The bid officially terminated on October 9, 2007. The acquired common shares were cancelled and returned to treasury. During 2006, MAXIM acquired and cancelled 25,000 of its common shares under the normal course issuer bid. No shares were acquired and cancelled during 2007.

(d) 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:

	Number	2007 Weighted average exercise price	Number	2006 Weighted average exercise price
Opening balance	2,864,050	\$ 4.88	1,749,550	\$ 5.81
Exercised	(474,516)	(4.90)	(188,800)	(4.36)
Forfeited	(439,667)	(5.04)	(84,000)	(6.00)
Expired	-	-	(243,200)	(8.93)
Granted	1,282,000	6.68	1,630,500	4.48
Balance, December 31	3,231,867	\$ 5.56	2,864,050	\$ 4.88

Details of the stock options outstanding at December 31, 2007 are as follows:

Range of Exercise Prices	Options Outstanding at December 31, 2007			Options Exercisable at December 31, 2007		
	Number of Options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price	
\$2.00 to \$3.50	74,833	0.3	\$ 2.20	74,833	\$ 2.20	
\$3.51 to \$5.99	1,158,500	3.4	\$ 4.24	433,833	\$ 4.21	
\$6.00 to \$8.00	1,998,534	4.1	\$ 6.46	460,352	\$ 6.06	
	3,231,867	3.7	\$ 5.56	969,018	\$ 4.94	

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Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

16. Share Capital (continued)

Details of the stock options outstanding at December 31, 2006 are as follows:

Range of Exercise Prices	Options Outstanding at December 31, 2006			Options Exercisable at December 31, 2006	
	Number of Options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
\$2.00 to \$3.50	121,083	2.0	\$ 2.20	121,083	\$ 2.20
\$3.51 to \$5.99	1,598,417	4.8	\$ 4.21	88,269	\$ 4.01
\$6.00 to \$8.00	1,144,550	3.7	\$ 6.10	447,349	\$ 6.02
	2,864,050	4.3	\$ 4.88	656,701	\$ 5.05

The Corporation accounts for its stock option plan using the fair value method. Under this method, at December 31, 2007, \$1,928 (2006 - \$1,488) of costs are recorded as expense for 2007 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, 2007 as follows:

	2007	2006
Risk free interest rate (%)	3.93	3.00
Time to expiration (years)	5.00	5.00
Volatility (%)	50.00	50.00
Expected dividend	-	-

In 2007, the Corporation granted 1,282,000 (2006 - 1,630,500) stock options to purchase common shares at an average price of \$6.68 (2006 - \$4.48) under the Corporation's stock option plan and the weighted average fair value of each option was calculated to be \$3.22 (2006 - \$1.60). The Corporation used the Black-Scholes option pricing model and the assumptions above to calculate the weighted average fair value.

(e) Income per share

The weighted average number of shares outstanding for purposes of calculating basic income per share at December 31, 2007 was 44,185,969, and 43,881,855 at December 31, 2006.

For the December 31, 2007 fully diluted income per share calculation, 294,820 (2006 - 168,581) shares were added to the average number of common shares outstanding during the year for the dilutive effects of exercisable stock options.

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(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

17. Commitments

- (a) Milner Power Limited Partnership ("MPLP") has agreed to cease operations of the HR Milner power station no later than December 31, 2015 or earlier should there be 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.

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 purchase 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 5 years. The remaining purchase commitment for the next year is \$16,607.
- (c) Pursuant to a direct sales transaction agreements with Powerex Corp. ("Powerex") dated November 27, 2007 and December 20, 2007, Milner Power Limited Partnership ("MPLP") is committed to sell a combined 50 MW of power to Powerex for the period January 1, 2008 to March 26, 2008, and June 1, 2008 to December 31, 2008 at a fixed price per megawatt hour, subject to production level at Milner being adequate to satisfy this volume.
- (d) All French projects have original 12 year sales contracts with Electricite de France ("EDF"). 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 gas purchase contracts. Gaz de France is the gas supplier for the majority of the gas purchase contracts. In addition, all French projects have operating and maintenance contracts with La Societe Forclum.
- (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 20 years. The Corporation has also entered into 20 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 15 year landfill gas supply 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. At Hartland, the Corporation also entered into a 20 year contract to sell electricity to BC Hydro at fixed hourly rates for actual electricity produced. The operations and maintenance contract is with Finning at fixed rates based on the hours of electrical production.

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17. Commitments (continued)

- (g) The Corporation entered into a tolling agreement effective September 1, 2004 related to APP. The tolling agreement is a 10 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 15 years.
- (h) The Corporation, through its subsidiary, Basin Creek Equity Partners, L.L.C. ("BCEP") entered into a capacity and energy sales ("CESA") agreement with NorthWestern Energy ("NorthWestern"), where BCEP will provide its entire generating capacity to NorthWestern. The CESA agreement is a 20 year contract which commenced on July 1, 2006 and BCEP will receive a fixed capacity fee and reimbursement of its actual operating expenses. NorthWestern is entitled to a reduction of the fixed capacity fee where the forced outage hours exceed 250 hours in an operating year. There were no reductions in 2007 and 2006.
- (i) The Corporation has committed to the cost of certain replacement parts, materials and labour to be used during 2008 annual turnaround at the HR Milner power station. The total cost of the parts, materials and labour committed to at December 31, 2007 and subsequently to December 31, 2007 is \$8,810 and \$2,200, respectively. As at December 31, 2007, the balance of \$315 had been settled.
- (j) The minimum annual office lease commitment for each of the next five fiscal years is as follows:

2008	\$	268
2009	\$	292
2010	\$	292
2011	\$	49
2012	\$	-

18. 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, 2007 at 32.12% (2006 – 32.50%) to income before income taxes.

A reconciliation of the differences is as follows:

	2007	2006
Computed income taxes	\$ 6,991	\$ 9,011
Increase (decrease) in taxes:		
Differences in effective foreign tax rates and Canadian future tax reduction	(875)	(757)
Change in valuation allowance	(217)	(1,410)
Other	617	293
	\$ 6,516	\$ 7,137

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18. Income Taxes (continued)

The components of the future tax liability are as follows:

	2007	2006
Future income tax liability:		
Non-capital loss carry forwards	\$ 12,834	\$ 6,089
Net-capital loss carry forwards	43	511
Capital assets	(16,862)	(8,724)
Valuation allowance	(2,091)	(2,308)
Partnership deferral	(7,651)	(7,088)
Other	615	(148)
	(13,112)	(11,668)
Less: current portion	7,651	7,088
Less: future tax asset	(4,132)	(1,625)
	\$ (9,593)	\$ (6,205)

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

	Canadian	Foreign	Total
2010	\$ 42	\$ -	\$ 42
2011	-	-	-
2012	-	-	-
After 2013	6,677	24,773	31,450
	\$ 6,719	\$ 24,773	\$ 31,492

19. Change in Non-Cash Working Capital

	2007	2006
Operations:		
Accounts receivable	\$ 4,271	\$ (14,180)
Prepaid expenses, deposits and other	1,215	(1,542)
Inventory	1,257	(18)
Other assets	(156)	-
Accounts payable and accrued liabilities	(932)	1,486
Income taxes payable	948	4,738
Deferred revenue	(82)	(154)
	\$ 6,521	\$ (9,670)

The following cash payments have been made to December 31, 2007:

	2007	2006
Taxes	\$ 8,869	\$ 12
Interest	\$ 4,602	\$ 3,090

MAXIM POWER CORP.

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Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

20. Segmented Information

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

	2007		2006	
	Revenue	Income (loss) before the following items*	Revenue	Income (loss) before the following items*
Canada	\$ 74,287	\$ 26,746	\$ 77,522	\$ 30,287
United States	19,685	(1,284)	8,817	(2,539)
France	30,790	981	24,898	2,780
Total	\$ 124,762	\$ 26,443	\$ 111,237	\$ 30,528

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

The location of the Corporation's property, plant and equipment, excluding discontinued operations, are as follows:

	2007			
	Acquisitions	PP&E Additions	Depreciation and Amortization	Total Assets
Canada	\$ -	\$ 3,140	\$ 5,969	\$ 110,630
United States	-	2,976	2,109	48,420
France	21,858	24	5,711	102,689
Unrealized gain (loss) on translation	-	450	-	-
Total	\$ 21,858	\$ 6,590	\$ 13,789	\$ 261,739

	2006			
	Acquisitions	PP&E Additions	Depreciation and Amortization	Total Assets
Canada	\$ -	\$ 8,312	\$ 4,791	\$ 120,511
United States	(2,231)	11,402	1,520	59,030
France	6,014	-	2,249	64,348
Unrealized gain (loss) on translation	-	(380)	-	-
Discontinued	-	-	-	80
Total	\$ 3,783	\$ 19,334	\$ 8,560	\$ 243,969

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

	2007	2006
Canada	\$ 15,632	\$ 15,632
United States	-	-
France	-	-
Total	\$ 15,632	\$ 15,632

MAXIM POWER CORP.

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Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

21. Financial Risk Management

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

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

(a) Credit risk

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

Trade receivables are predominantly with government sponsored entities. In Canada, the majority of Alberta power sales are to the Alberta Electric System Operator and in British Columbia are completed under agreements with the British Columbia Hydro and Power Authority. Power sales in the United States are conducted with ISO New England. In France, power sales are completed under various power purchase agreements with Electricité de France.

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

The aging of trade receivables at the reporting date was:

	2007			2006		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	\$ 31,885	\$ -	\$ 31,885	\$34,381	\$ -	\$34,381
Past due 1-30 days	4,950	-	4,950	421	-	421
Past due 31-120 days	31	-	31	-	-	-
More than one year	482	376	106	34	-	34
Total	\$ 37,348	\$ 376	\$ 36,972	\$34,836	\$ -	\$34,836

The impairment loss recognized during the year relates to an end user customer in France. During the year, it became evident that the Corporation would not fully collect the amounts owed. Accounts receivable at December 31, 2007 were substantially collected subsequent to year end.

MAXIM POWER CORP.

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Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

21. Financial Risk Management (continued)

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they fall due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analysis. The Corporation maintains a revolving credit facility with a maximum draw of 90% of allowable Canadian accounts receivable and 75% of allowable US accounts receivable balance or \$10 million. At year end 2007, MAXIM has drawn \$1,554 (2006 - \$2,787) as letters of credit against this facility.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

December 31, 2007	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2009 - 2010	2011 - 2012	Thereafter
Secured bank loans	\$ 49,244	\$ 79,362	\$ 3,600	\$ 2,929	\$ 12,849	\$ 12,504	\$ 47,480
Capital lease payments	16,141	19,266	2,606	1,812	9,198	3,589	2,061
Long-term contracts	1,972	2,117	703	703	572	139	-
Purchase obligation	-	27,303	18,999	8,304	-	-	-
Capital lease obligation	-	901	123	145	584	49	-
Trade and other payables	30,899	30,899	30,899	-	-	-	-
Total	\$ 98,256	\$ 159,848	\$ 56,930	\$ 13,893	\$ 23,203	\$ 16,281	\$ 49,541

December 31, 2006	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2008 - 2009	2010 - 2011	Thereafter
Secured bank loans	\$ 51,562	\$ 84,784	\$ 3,829	\$ 3,187	\$ 14,197	\$ 11,005	\$ 52,566
Capital lease payments	10,401	12,895	1,638	1,216	4,951	3,189	1,901
Cash flow indenture	7,376	7,376	3,125	3,125	1,126	-	-
Long-term contracts	5,133	5,712	1,076	1,076	2,818	742	-
Purchase obligation	-	32,822	8,107	8,107	16,608	-	-
Capital lease obligation	-	176	76	76	24	-	-
Trade and other payables	24,081	24,081	24,081	-	-	-	-
Total	\$ 98,553	\$ 167,846	\$ 41,932	\$ 16,787	\$ 39,724	\$ 14,936	\$ 54,467

(c) Market risk

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

MAXIM POWER CORP.

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Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

21. Financial Risk Management (continued)

(i) Foreign currency exchange risk

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

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

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

The following table summarizes the foreign currency financial instruments as at December 31, 2007:

	US Dollars		Euros	
	2007	2006	2007	2006
Cash	\$ 2,579	\$ 3,052	3,390	1,521
Accounts receivable	923	1,321	16,665	10,862
Accounts payable	(2,628)	(2,631)	(14,825)	(9,590)
Long-term debt	(25,427)	(27,441)	(4,250)	(4,970)
Capital lease obligation	-	-	(9,666)	(5,701)
Long-term contract	(1,322)	(1,589)	-	-
Net financial instruments	\$ (25,875)	\$ (27,288)	(8,686)	(7,878)

The following significant exchange rates applied during the year:

	2007		2006	
	Average rate	Reporting date closing	Average rate	Reporting date closing
USD	\$ 1.074	\$ 0.991	\$ 1.134	\$ 1.165
Euro	\$ 1.469	\$ 1.443	\$ 1.424	\$ 1.538

Based on fluctuations observed in prior years, the Canadian dollar could increase or decrease at December 31, 2007 by \$0.17 compared to US dollars (2006 - \$Nil) and \$0.09 (2006 - \$0.16) compared to the Euro. At December 31, 2007, if the Canadian dollar strengthens by these amounts, the impact on the financial statements would be to decrease other comprehensive income by \$11,390 (2006 - \$3,338) and increase net income by \$553 (2006 - \$80). If the Canadian dollar weakens by these amounts the impact on the financial statements would be to increase other comprehensive income by \$11,390 (2006 - \$3,338) and decrease net income by \$9 (2006 - \$42). This analysis assumes that all other variables, in particular interest rates and commodity prices, remain constant. The analysis is performed on the same basis for 2006.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 25

Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

21. Financial Risk Management (continued)

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Corporation. Project financing for Basin Creek and ten capital lease obligations are non-recourse to MAXIM and at a fixed rate. The remaining debt and capital leases are at variable rates of interest.

	2007		2006	
	Long-term debt	Capital lease obligations	Long-term debt	Capital lease obligations
Fixed rate	\$ 45,240	\$ 10,492	\$ 37,045	\$ 10,401
Variable rate	\$ 6,132	\$ 5,649	\$ 14,517	\$ -

In 2007, the weighted average 3 month Euribor rate fluctuated by 57 basis points (2006 – 60 basis points) during the year and the weighted average Canadian Bank rate fluctuated by 13 basis points (2006 – 18 basis points).

A decrease of 57 basis points in Euribor and 13 basis points in the Canadian Bank rate at December 31, 2007 (2006 – 60 and 18 basis points, respectively) would resolve in an increase to net income of \$41 (2006 - \$35) and other comprehensive income of \$1 in 2007, but decrease to other comprehensive income by \$3 in 2006. An increase of 57 basis points in Euribor and 13 basis points in the Canadian Bank rate at December 31, 2007 (2006 – 60 and 18 basis points, respectively) would have the opposite effect on other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates and commodity prices, remain constant. The analysis is performed on the same basis for 2006.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity, natural gas and coal. MAXIM reduces its exposure to the volatility of market prices related to electricity sales by selling a portion of its generation production at a fixed price per megawatt hour produced or made available. Under certain contracts, the selling price of electricity varies according to changes in natural gas price providing an operating hedge against changes in natural gas price. In addition, the Corporation entered into a one minor fixed forward price gas contract, but otherwise the Corporation does not hedge its exposure to gas price volatility. The Corporation manages the risk of coal price fluctuation through entry into a long-term coal supply contract to purchase a significant portion of its coal requirements at a fixed price.

Based on fluctuations observed in prior years, the average spot price of electricity could increase or decrease at December 31, 2007 by \$13 per MWh (2006 - \$17 per MWh). If the average electricity price was to strengthen by these amounts, the increase to other comprehensive income would be \$31 (2006 – decrease by \$7) and net income would be \$6,660 (2006 - \$8,548). A weakening of the average electricity price by these amounts would have the opposite effect on other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2006.

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Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

21. Financial Risk Management (*continued*)

Based on fluctuations observed in prior years, the average spot price of natural gas could increase or decrease at December 31, 2007 by \$0.20 per gigajoule (2006 - \$1.56). If the average natural gas price was to decrease by these amounts, the increase in other comprehensive income would be \$11 (2006 – decrease by \$8) and net income would be \$151 (2006 - \$501). If the average natural gas price was to increase by these amounts, it would have the opposite effect to other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, electricity prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2006.

Based on fluctuations observed in prior years, the average spot price of coal could increase or decrease at December 31, 2007 by \$0.07 per gigajoule (2006 - \$0.02). If the average coal price decreased by these amounts, the increase to net income would be \$123 (2006 - \$13) with no impact on other comprehensive income for 2007 and 2006. If the average coal price increased by these amounts, it would have the opposite effect on net income and no impact on other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates, electricity prices, natural gas prices and interest rates remain constant. The analysis is performed on the same basis for 2006.

(d) Operating risk:

The ability of the power plants to generate power is a determinant of the Corporation's profitability. Regular maintenance programs and insurance mitigate the risk of potential equipment failure and the consequential loss of revenue. The Corporation has no obligations under its contracts to deliver minimum levels of power, except for 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 revenue received by MAXIM.

MAXIM's operations are impacted by seasonality. All French facilities operate annually from November through March only. Power plants in the United States are peak power facilities and operate more frequently when heating and cooling requirements increase. Canadian operations are impacted when annual maintenance programs are performed. The annual maintenance programs are normally completed during the second quarter of each year when hourly power prices are typically lower than other times during the year.

(e) Fair value of financial instruments:

Financial instruments included in the balance sheet are measured at fair value upon initial recognition and approximate their fair value at December 31, 2007. The carrying amount of financial instruments classified as current approximates fair value due to their short-term to maturity. Long-term debt was initially measured at fair value and subsequently recorded at amortized cost using the effective interest rate method. The carrying value of long-term debt and capital lease obligations approximates their fair value at December 31, 2007 due to insignificant movements of interest rates throughout the year.

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

MAXIM POWER CORP.

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Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

22. Capital Disclosures

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

The Corporation's objectives when managing capital are:

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

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

The Corporation considers the following items capital of the company:

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

The following table represents the net capital of the Corporation:

	2007	2006
Long-term debt net of cash	45,218	39,008
Shareholders' equity	139,640	126,468
Total capital	\$ 184,858	\$ 165,476

The Corporation has the following externally imposed requirements on its capital as a result of its credit facilities:

- (a) net funded debt to net earnings before interest, taxes, amortization and depreciation from certain assets shall not be greater than 2 to 1;
- (b) debt service coverage ratio shall not be less than 1.40 to 1;
- (c) the Corporation's equity balance shall not be less than \$110,000; and
- (d) the funded debt to capital ratio shall not be greater than 0.60 to 1.

During the year, the Corporation complied with all of the externally imposed capital restrictions.

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

23. Related Party Transactions

During the year, the Corporation received certain legal services from a company that was related to a former director of the Corporation. These transactions are in the normal course of operations on normal market terms and are measured at exchange amounts. The fee for legal services totaled \$395 (2006 - \$171) of which \$201 (2006 - \$76) was charged to income and \$194 (2006 - \$95) was charged to deferred costs. At December 31, 2007, the Corporation had \$135 (2006 - \$1) in accounts payable as a result of these transactions.

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Years ended December 31, 2007 and 2006

(Amounts in thousands of dollars except as otherwise noted, and shares and per share amounts)

24. Subsequent Event

On March 25, 2008, Comax France S.A.S., MAXIM's wholly-owned French subsidiary, entered into an agreement to purchase a cogeneration plant in France for total consideration of \$3,428 (2,160 Euro) including acquisition costs. The cogeneration plant has a capacity of 7 megawatts electrical and 7 megawatts thermal. The acquisition was funded through MAXIM's internal cash to the extent of \$286 (180 Euro) and through the assumption of capital lease obligations of \$3,142 (1,980 Euro).

The allocation of the purchase price to the acquired assets and liabilities will be finalized after certain post-closing adjustments have been completed and the fair values of the assets and liabilities have been finalized.

25. Comparative Figures

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") dated March 28, 2008, should be read in conjunction with the audited annual consolidated financial statements for Maxim Power Corp. ("MAXIM" or "Corporation") for the fiscal year ended December 31, 2007.

OVERALL PERFORMANCE

In 2007, MAXIM outperformed the 2006 record operating results in terms of revenue, megawatt hours generated ("MWh"), earnings before interest, taxes and depreciation (see Non-GAAP measure – "EBITDA") and cash flow provided by operations. The key highlights were 2007 revenue of \$124.8 million, an increase of \$13.6 million or 12.2%, over 2006 revenue of \$111.2 million and 2007 cash flow provided by operations of \$35.5 million which was \$11.6 million or 48.5% higher than 2006 cash flow provided by operations of \$23.9 million. Generation was 1,158,389 MWh, up 37,960 MWh or 3.4% over 2006 MWh generation of 1,120,429 MWh and EBITDA of \$40.2 million which was \$1.1 million or 2.9% higher than 2006 EBITDA of \$39.1 million.

2007 net income decreased by \$4.5 million, from \$19.9 million in 2006 to \$15.4 million. The decrease was due to lower average Alberta power prices and higher levels of interest and depreciation expense from MAXIM's acquisitions in 2007 and 2006.

MAXIM increased its revenue despite a lower 2007 average Alberta power price. The average Alberta power price was \$67 per MWh in 2007 compared to \$80 per MWh in 2006. In North America, a portion of Milner's generation was sold at fixed prices above the 2007 average price. MAXIM also benefited from the full year impact of acquisitions and market adjustments occurring during 2006. MAXIM received a full year of capacity payments from its two power plants operating within the ISO New England market and benefited from a full year of operations from the Basin Creek and Capitol District Energy Centre ("CDECCA") facilities. In France, MAXIM acquired 45 MW of generation capacity (eight facilities) during 2007 which increased revenue from France operations starting November 1, 2007, the start of the new French cogeneration season.

MAXIM's generation increase of 37,960 MWh in 2007 was attributable to Milner's improved performance of 5.2% and a full year of electrical production from CDECCA. MAXIM optimized its operations in France with the additional 45 MW of generation offset by designating a greater number of the French facilities to operate in dispatch mode rather than the continuous cogeneration mode.

MAXIM continued to capitalize on its strategy to carry out Milner's annual turnaround during the second quarter of the year. The second quarter of 2007 and 2006 produced the lowest quarterly average Alberta power prices for those respective years. Cash flows provided by operations increased year over year, from \$23.9 million in 2006 to \$35.5 million in 2007 but the increase was not as pronounced for the last six months of 2007 as that for EBITDA due to higher interest expense resulting from higher debt during 2007 than 2006.

During 2007, MAXIM continued its strategy of growth by acquiring 45 MW of capacity through the addition of eight power plants in France for cash consideration of \$24.7 million and assumption of capital lease obligations of \$10.2 million. The \$24.7 million of cash was funded from MAXIM's internal cash flow. At December 31, 2007, MAXIM operates a total of 32 power plants with generating capacity of 492 MW.

MAXIM successfully increased its Canadian credit facilities from \$26.5 million to \$47.5 million on July 5, 2007. The increased credit facilities will allow MAXIM to further pursue the development of the Mine 14 coal project and support other capital expenditures and development costs. MAXIM also retired the Milner cash flow indenture obligation in 2007. MAXIM repaid \$7.3 million during 2007 and retired the original \$15.0 million cash flow indenture obligation in less than four years.

SELECTED ANNUAL FINANCIAL INFORMATION⁽¹⁾

(\$000's except per share amounts)	2007	2006	2005
Revenue	124,762	111,237	73,999
EBITDA	40,232	39,088	26,269
Net income – continuing operations	15,297	20,542	14,132
Basic and diluted net income per share – continuing operations	\$ 0.35	\$ 0.47	\$ 0.40
Net income (loss) – discontinued operations	104	(636)	(2,565)
Basic and diluted net loss per share – discontinued operations	\$ 0.00	\$ (0.02)	\$ (0.07)
Net income for the year	15,401	19,906	11,567
Basic and diluted net income per share	\$ 0.35	\$ 0.45	\$ 0.33
Cash flows provided by operations	35,490	23,851	21,415
Total assets	261,739	243,696	196,829
Total long-term financial liabilities	60,435	61,403	52,918

⁽¹⁾ Selected annual financial information was derived from the audited consolidated financial statements for the most recent years with certain comparative figures reclassified to conform with the financial presentation adopted for the present year and is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), except EBITDA. EBITDA is provided to assist management and investors in determining the Corporation's cash flow provided by operations before interest and does not have any meaning prescribed in Canadian GAAP and may not be comparable to similar measures presented by other companies. Refer to Non-GAAP measures - EBITDA for the reconciliation between this non-GAAP financial measure and comparable measures calculated in accordance with Canadian GAAP.

The year over year increases in revenue and EBITDA reflects MAXIM's growth in generating capacity since 2005. MAXIM has increased its generating capacity from 370 MW at December 31, 2005 to 492 MW at December 31, 2007. The increased generating capacity was through acquisitions totaling 77 MW in 2006 and 45 MW in 2007. In addition to the acquisitions, MAXIM benefited from the full-year impact at Basin Creek, which began commercial operation on May 17, 2006.

Comparing 2007 over 2006, decreases in 2007 net income are primarily attributed to decreased Alberta average power prices which were \$13 per MWh lower in 2007 than 2006, increased interest charges related to capital lease obligations from French acquisitions, and additional depreciation expense from acquisitions. 2006 net income from continuing operations was \$6.4 million higher than 2005 due to average Alberta power prices increasing by \$10 per MWh in 2006 over 2005, increased MWh production of 5.9% at Milner, the start-up of Basin Creek and a full year of operations from MAXIM's acquisition of seven French cogeneration plants acquired in June, 2005.

The 2005 net loss from discontinued operations of \$2.6 million was the result of MAXIM disposing its projects located in Austria, Slovenia and Germany for proceeds of 1.35 million Euro. The 2006 net loss from discontinued operations of \$0.6 million was primarily the result of MAXIM and its joint venture partner deciding to sell their operations in Cambodia for gross proceeds of US\$2.2 million with the June 30, 2006 expiration of the Cambodian power purchase agreement. Net income of \$0.1 million was realized from 2007 discontinued operations with the disposition of remaining German business development projects.

On a Milner standalone basis and comparison of 2007 over 2006, Milner recorded \$66.6 million of revenue in 2007 compared to \$69.5 million in 2006. The decrease was the result of lower average 2007 Alberta power price, \$67 per MWh versus \$80 per MWh in 2006, but mitigated by a 5.2% increase in

MWh production and revenue from fixed price contracts at rates that exceeded the average Alberta power price. The average 2007 Alberta power price, \$67 per MWh, was the lowest price during the last three fiscal years. The impact of decreased 2007 average Alberta power price resulted in decreases of \$2.3 million EBITDA compared to 2006. Milner has increased its production over the last three years, from 836,852 MWh in 2005, to 886,512 MWh in 2006 and to 932,750 MWh in 2007. In addition, Milner increased its generation sold under fixed price arrangements in 2007 by 6.5 MW.

The increase of \$47.2 million in total assets in 2006, from \$196.8 million in 2005 to \$244.0 million in 2006 reflected MAXIM's acquisitions in France and the United States and the completion of construction of its Basin Creek project. The increase of \$17.8 million in 2007 total assets over 2006 was attributed to MAXIM's acquisition of 45 MW of cogeneration capacity in France during 2007. Corresponding with the increased total assets, total long-term liabilities increased \$8.5 million in 2006 over 2005 as a result of completion of construction at Basin Creek and assumption of capital lease obligations from the acquisition of two French facilities. The 2007 decrease of \$1.0 million was attributed to the retirement of the cash flow indenture balance of \$7.4 million and repayment of long-term contracts partially offset by additional French capital lease obligations from the 2007 French acquisitions.

RESULTS OF OPERATIONS

Summary of 2007 and 2006 generation by location (MWh)

Facility	2007 MWh	% of 2007 MWh	2006 MWh	% of 2006 MWh
Canada – Milner power plant	932,750	80.5	886,512	81.0
Canada – other plants	93,164	8.1	81,342	7.4
United States	54,802	4.7	17,222	1.6
France	77,673	6.7	109,228	10.0
Total – Continuing Operations	1,158,389	100	1,094,304	100
Discontinued Operations	-	-	26,125	-
Total MWh Generation	1,158,389	100	1,120,429	100

- The table excludes Basin Creek and 25 MW Alberta Power Project ("APP") as both facilities provide capacity in exchange for monthly capacity payments.

MAXIM's generation capacity at December 31, 2007 was 492 MW which was comprised as follows: 193 MW in Canada (9 projects), 177 MW in the United States (3 projects) and 122 MW in France (20 projects). At December 31, 2006, MAXIM's generation capacity was 447 MW.

Revenue

During 2007 MAXIM acquired 45 MW of generating capacity in France and switched certain facilities to dispatch mode, which resulted in the 2007 increases and decreases to the categories of combined fixed capacity and sale of electricity and electricity sales at fixed prices per MWh. The reduction in MW of electricity sales at spot prices of 7 MW during 2007 was due to an increase to 50 MW for power sales under fixed price contracts at Milner.

Summary of MAXIM's power plants by source of revenue

(MW's)	December 31, 2007	December 31, 2006
Tolling or capacity payments at fixed prices	77	77
Electricity sales at spot prices per MWh	107	114
Combined fixed capacity and sale of electricity	210	184
Electricity sales at fixed prices per MWh	98	72
Total	492	447

Revenue increased by \$13.6 million or 12.2% to \$124.8 million in 2007 from \$111.2 million in 2006. The increase in revenue in 2007 is mainly due to the full year impact of operations from Basin Creek and CDECCA, a full year of forward capacity payments from the two power plants operating within the ISO New England market and MAXIM's acquisition of 45 MW of generation capacity during 2007 in France.

The production at Milner increased by 46,238 MWh or 5.2% in 2007. The impact to revenue from increased production was offset by lower Alberta power pool prices in 2007 which averaged \$67 MWh versus \$80 MWh in 2006. In 2007, Milner contracted two 25 MW strips of generation at a fixed price, which was higher than the average Alberta power price in the year. Milner has contracted 50 MW of generation capacity to one of the same counterparties for 2008. Under a unit contingent arrangement, Milner delivers generation to the counterparty only when the facility is available to operate.

MAXIM's French projects (122 MW) contributed \$5.9 million of additional revenue in 2007, \$30.8 million versus \$24.9 million in 2006. The increase from France reflects an increase of operations from the 8 power plants acquired in 2007 and a full year of operations for the 2 power plants, Balleycourt and Canteleu, acquired in 2006. The French co-generation season is completed on March 31 each year and a new cogeneration season begins November 1.

The power facilities located in the United States contributed \$11.2 million of additional revenue in 2007, \$19.7 million compared to \$8.4 million in 2006, an increase of 133%. The increase in 2007 revenue is attributable mainly to a full year of operations at CDECCA and Basin Creek in 2007. CDECCA was acquired on October 1, 2006 and Basin Creek commenced commercial operations on May 17, 2006. In addition, the Pawtucket and CDECCA facilities began receiving forward capacity payments of US\$3.05 per kilowatt ("kW") per month from ISO New England effective December 1, 2006.

Plant operations

Plant operation expenditures – year ended December 31

(\$000's)	Year ended December 31, 2007			YTD ended December 31, 2006		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	19,656	18,571	38,227	18,164	19,648	37,812
United States	7,511	11,424	18,935	2,701	6,945	9,646
France	14,770	7,822	22,592	15,092	3,496	18,588
Total	41,937	37,817	79,754	35,957	30,089	66,046
Percent	53%	47%	100%	54%	46%	100%

Plant operations expense increased by \$13.8 million or 20.8%, from \$66.0 million in 2006 to \$79.8 million for 2007. On a per MWh basis, plant operations expense was \$68.85 per MWh during 2007 versus \$58.95 per MWh during 2006. This increase is primarily due to increased production at Milner, the eight facilities acquired in France during 2007 and recognizing a full year of operations at CDECCA and Basin Creek.

Fuel costs increased in 2007 over 2006 to \$41.9 million from \$36.0 million, an increase of 16.4%. MAXIM's fuel costs as a percentage of total plant operations expenditures decreased by 1% from 54% to 53%. On a per MWh basis, 2007 fuel expense was \$36.20 per MWh compared to \$32.09 per MWh in

2006. The increased fuel cost per MWh is partially the result of the CDECCA and Basin Creek facilities being operational for a full year in 2007. The average cost of fuel per MWh increased as these plants are gas fired facilities which have a higher cost of fuel per MWh basis than coal fired facilities. Fuel costs at Milner in 2007 were \$19.5 million in 2007 as compared to \$18.0 million in 2006. On a per MWh basis, Milner's fuel costs were \$20.91 per MWh in 2007 versus \$20.30 in 2006. Coal is the principle source of fuel at Milner and is purchased at fixed prices under a long-term supply agreement. In France, fuel costs decreased by 2.1% from \$15.1 million to \$14.8 million as a greater portion of the facilities in France ran in dispatch mode versus cogeneration mode.

Plant operations and maintenance ("O&M") expense increased by 25.6% in 2007 to \$37.8 million from \$30.1 million in 2006. MAXIM's O&M costs as a percentage of total plant operations expenditures increased by 1% from 46% to 47%. On a per MWh basis, the 2007 O&M expense was \$32.64 as compared to \$26.85 in 2006, an increase of 21.6%. The primary reason for the increase in 2007 was the full year of operations at the CDECCA and Basin Creek facilities.

General and administration

General and administration ("G&A") expense of \$4.8 million during 2007 is \$1.3 million lower than the G&A expense of \$6.1 million during 2006 primarily because staff resources spent less time on general and administration activities and more time on operations and maintenance activities in 2007 than 2006.

Depreciation

Depreciation expense increased to \$13.8 million for 2007 from \$8.6 million for 2006. The year-over-year increase of \$5.2 million primarily reflects a full year of operations at Basin Creek and CDECCA, increased capital expenditures at Milner and the addition of eight facilities in France during the year.

MAXIM reviews its facilities for indicators of impairment on a quarterly basis and will test for impairment when these reviews indicate that impairment may have occurred. It was determined that there was no impairment at its facilities in 2007 and 2006. There has been no change in accounting policy relating to depreciation in 2007 or 2006, except during the first quarter of 2006 when the French generation equipment was re-assessed to have an average economic life of eighteen years rather than its original contract life of twelve years.

Interest expense

MAXIM incurred interest expense of \$5.0 million compared to \$3.4 million for the same period in 2006, an increase of \$1.6 million or 47.1%. The increase was primarily due to the project financing at Basin Creek, increased interest expense in France and a higher outstanding balance through MAXIM's Bank of Montreal ("BMO") credit facility. Prior to Basin Creek's May 16, 2006 start-up, interest under Basin Creek's construction loan facility was capitalized. During 2007 MAXIM assumed nine capital lease obligations in France related to production equipment. Previously, MAXIM assumed two capital lease obligations in France in 2006 and one in 2005.

Income taxes

MAXIM's income tax provision in 2007 was \$6.5 million for income taxes from continuing operations compared to 2006 of \$7.1 million. Income before income taxes from continuing operations decreased in 2007 over 2006, \$21.8 million versus \$27.7 million and the effective federal Canadian income tax rate declined from 24.12% in 2006 to 22.12% in 2007. MAXIM became "cash taxable" in 2007 resulting in a recovery of future income taxes in the year of \$2.9 million (2006 – expense of \$2.3 million) and an increase to the current tax provision to \$9.4 million (2006 – \$4.8 million) for a net tax provision of \$6.5 million (2006 - \$7.1 million).

Net income (loss) from discontinued operations

In 2007, MAXIM completed the sale of Maxim Greenpower GmbH for total proceeds of \$0.3 million (0.18 million Euro). This resulted in an after-tax net income from discontinued operations of \$0.1 million. In early 2007, as part of the disposition and wind-up of the Cambodian operations, Jupiter Power (Cambodia) Co. and Jupiter Power Asia Co., Ltd. were legally wound-up. The disposition and wind-up of the Cambodian assets were accounted as a component of the 2006 Net loss from discontinued operations.

In 2006, MAXIM's European projects in Austria, Germany and Slovenia were classified as discontinued operations and MAXIM completed the sale of these projects for proceeds of \$1.9 million (1.35 million Euro). The disposition of the European projects resulted in a loss of \$0.4 million which was included in the 2006 Net loss from discontinued operations. Also in 2006, MAXIM and its joint venture partner in Cambodia decided to sell the operations in Cambodia, concurrent with the June 30, 2006 expiration of the Cambodian PPA. The generating equipment and spare parts inventory were sold for gross proceeds of \$2.5 million (US\$2.2 million) of which MAXIM received 50%. The disposition of the equipment and remaining net assets resulted in a gain of \$0.2 million which was also included as a reduction to the 2006 Net loss from discontinued operations.

Net income

Net income from continuing operations in 2007 was \$15.3 million or \$0.35 per share (basic and diluted), versus 2006 net income from continuing operations of \$20.5 million or \$0.47 per share (basic and diluted). Including discontinued operations, MAXIM's net income was \$15.4 million or \$0.35 per share (basic and diluted) in 2007 compared to 2006 net income of \$19.9 million or \$0.45 per share (basic and diluted).

2007 FOURTH QUARTER

Summary of MWh generation by location for the fourth quarter:

Facility	Q4 2007 MWh	% of 2007 MWh	Q\$ 2006 MWh	% of 2006 MWh
Canada – Milner power plant	247,975	81.2%	253,867	81.5
Canada – other plants	24,070	7.9%	21,529	6.9
United States	475	0.1%	941	0.4
France	32,940	10.8%	34,975	11.2
Total MWh Generation	305,460	100%	311,312	100%

- The table excludes Basin Creek and 25 MW Alberta Power Project ("APP") as both facilities provide capacity in exchange for monthly capacity payments.

The operating results for the fourth quarter of 2007 were affected by lower Alberta power prices, \$62 per MWh compared to \$117 per MWh for the fourth quarter of 2006. This offset the additional operating contribution from the acquisition of eight French projects in 2007 and the effect of a full quarter of capacity payments from ISO New England. 2007 fourth quarter revenue from France was \$14.8 million compared to \$9.0 for 2006, an increase of \$5.8 million, the result of the eight new projects in 2007 and the full year effect from the French acquisitions in 2006.

In comparison to the operating results from the fourth quarter of 2006, MAXIM's 2007 fourth quarter revenue was \$2.5 million lower (\$38.0 million versus \$40.5 million), EBITDA was \$5.8 million lower (\$12.1 million versus \$17.9 million) and net income was \$6.5 million lower (\$4.0 million versus \$10.5 million).

The fourth quarter of 2007 reflected lower production of 305,460 MWh versus 311,312 MWh, for the same quarter in 2006, primarily driven by a decrease in Milner electricity production of 2.3% or 5,892 MWh. During the fourth quarter of 2007, French facilities produced 32,940 MWh compared to 34,975 during the same quarter of 2006, a decrease of 2,035 MWh. MAXIM elected to designate a number of French plants to operate in dispatch mode (versus cogeneration mode) which has a positive effect on earnings while at the same time results in lower run hours.

LIQUIDITY AND CAPITAL RESOURCES

(a) Capital expenditures including acquisitions

Projects (in millions) at December 31	2007	2006
Acquisitions	\$21.9	\$3.8
Milner	\$3.4	\$3.3
Pawtucket	\$1.0	-
Critical spare parts inventory	\$2.8	-
Vancouver landfill ("VLF") expansion	-	\$2.6
Basin Creek construction	-	\$7.3
Other	\$0.4	\$0.9
Currency translation	(\$1.1)	\$5.7
Total	\$28.4	\$23.6

- In 2007, MAXIM acquired eight French facilities. In 2006, MAXIM acquired CDECCA and two French facilities.
- Milner's 2007 capital expenditures related to the mill B sprocket replacement, oxygen probes, river water filtration upgrade and coal unloader pedestals. Milner's 2006 capital expenditures primarily related to the cooling tower upgrade, air heater basket upgrade and purchase of the Caterpillar bulldozer.
- Pawtucket capital expenditures related to upgrades to the steam turbine, heat recovery steam generator and distributed control system.
- Critical spare part inventory program was implemented in 2007 at Milner, Pawtucket and CDECCA.
- VLF expansion of 1.85 MW was completed in 2006.
- Completion of Basin Creek construction was performed during the first quarter of 2006.
- Other capital expenditures are for projects in North America.

(b) Working capital

Working capital at December 31, 2007 was \$7.2 million, a decrease of \$5.4 million from December 31, 2006 working capital of \$12.6 million. Working capital increased from \$3.6 million at September 30, 2007 to \$7.2 million at December 31, 2007, reflecting the start-up of operations from a new cogeneration season on November 1 from MAXIM's French facilities. The working capital balances for each of the quarters in 2007 were less than the corresponding quarters in 2006 primarily due to lower Alberta power prices, the impact of incomes taxes becoming payable, and utilization of existing cash to acquire the six cogeneration facilities in France in February 2007. Working capital improved for the last half of 2006 as a result of stronger Alberta power prices.

(c) Canadian credit facilities

On July 5, 2007 MAXIM entered into a new credit facility with BMO Bank of Montreal which is comprised of three credit facilities for a combined amount of \$47.5 million. Prior to the new credit facility, MAXIM's former credit facilities with BMO Bank of Montreal were comprised of 5 credit facilities for a combined amount of \$26.5 million.

Under the new credit facility, Facility A is a \$10 million demand revolving facility bearing interest at the prime lending rate plus 0.50% per annum. Bankers' acceptances, letters of credit and guarantees can also be issued under this Facility. At December 31, 2007, MAXIM had issued \$1.6 million of letters of credit from this Facility. During 2007, MAXIM's internal cash flow has been sufficient to support existing operations and development activities and did not require other advances from Facility A.

Facility B is a \$35 million non-revolving reducing term loan facility bearing interest at the prime lending rate plus 0.75% per annum. The interest rate can be converted to the bank's fixed rate term loan cost of funds plus 2.0% per annum. Bankers' acceptances are issued under this facility. On July 5, 2007, MAXIM was advanced \$20.0 million under this facility to repay existing BMO Bank of Montreal debt and for general corporate purposes with monthly principal and interest payments of \$0.2 million commencing on August 31, 2007. At December 31, 2007, MAXIM had an outstanding balance of \$18.6 million under Facility B. Subsequent to December 31, 2007, MAXIM borrowed an additional \$14.9 million from Facility B.

Facility C, is a \$2.5 million facility for risk management purposes such as foreign exchange and hedging interest rate swaps. At December 31, 2007, Facility C was not utilized.

Prior to July 5, 2007 and at December 31, 2006, MAXIM had five credit facilities (Facilities A through E) with BMO Bank of Montreal. Except for Facility C and Facility E, the loans were demand in nature, bearing various rates of interest and available for working capital purposes or new project development.

Facility A and B were for working capital purposes or new project development. In 2006, MAXIM issued \$465 thousand of letters of credit under Facility A with no other advances from Facility A and Facility B.

Facility C was 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. At December 31, 2006 Facility C had an outstanding balance of \$5.1 million. Facility C was repaid on July 5, 2007 from proceeds of \$20 million advanced to MAXIM under new credit Facility B.

Facility E was used to finance VLF and was a non-revolving reducing term loan with floating interest rates. The total outstanding balance at December 31, 2006 for Facility E was \$6.9 million. At December 31, 2006, Facility E was not in compliance with the Fixed Charge Coverage Ratio covenant. MAXIM received a waiver of this covenant breach from the lender. Facility E was also repaid on July 5, 2007 from the proceeds of \$20.0 million advanced to MAXIM.

(d) Long-term debt outside Canada

Under the US\$29.0 million Basin Creek facility, MAXIM utilized US\$28.0 million for the construction of Basin Creek. The principal amount was reduced by US\$1.0 million for an irrevocable letter of credit issued. Basin Creek began operations on May 16, 2006.

On June 30, 2006 the outstanding construction loans were converted to a term loan with an interest rate of 6.95% per annum and quarterly principal and interest repayments. The term loan is to mature on June 30, 2026. At December 31, 2007 Basin Creek had an outstanding term loan balance of US\$26.8 million compared to US\$27.4 million at December 31, 2006.

Three project financings in France are through the Raiffeisen Zentrelbank Osterreich Aktiengesellschaft AG ("RZB") Bank. Each of the project financings are non-revolving with 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 with a maturity of twelve years to coincide with the twelve year power purchase agreements with Electricite de France ("EdF"). At December 31, 2007, the three French projects had a combined outstanding balance of 4.25 million Euro compared to 5.0 million Euro for the prior year.

(e) Capital lease obligations

MAXIM has leased 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 twenty year term. At December 31, 2007, the outstanding balance of this lease obligation was \$1.6 million.

At December 31, 2007 MAXIM has nine capital lease obligations in France, an increase of six capital lease obligations from the previous year. MAXIM acquired nine capital lease obligations through its 2007 French acquisitions and three of the acquired capital lease obligations were retired during the year. Each of the capital lease obligations relate to production equipment. On a combined basis, the nine capital lease obligations bear an interest rate at Euribor plus 1.6% or fixed interest rates ranging from 4.00% to 7.24% per annum. Payments are either monthly or quarterly and amortized over a period of eight to twelve years. Except in the case of two of the leases, the capital lease obligations have a bargain purchase option of one Euro at the end of the lease. At December 31, 2007, the outstanding balance of the nine French capital lease obligations was 9.7 million Euro, an increase of 4.0 million Euro from the prior year, as a result of MAXIM's acquisition of eight French facilities in 2007.

MAXIM has repaid \$4.0 million of its capital lease obligations in 2007 compared to less than \$1.0 million for 2006. The 2006 capital lease payments were \$0.9 million for the existing French lease obligations and less than \$0.1 million under the Hartland lease obligations.

(f) Cash flow indenture

MPLP had an obligation to the Balancing Pool in relation to a cash flow indenture of 20% of annual cash flows to a maximum of \$15 million. The cash flow indenture obligation began in 2004 with the acquisition of Milner. The obligation was non-interest bearing and MPLP pledged accounts receivable as collateral for the payments due under the cash flow indenture. The current portion at December 31, 2006 was \$6.3 million, which was paid to the Balancing Pool on March 30, 2007. MAXIM and the Balancing Pool agreed to an early retirement of the remaining balance of \$1.1 million. This remaining balance was discounted and repaid in June, 2007. The original cash flow indenture obligation of \$15 million was repaid in less than four years.

(g) Long-term contracts

With the acquisition of CDECCA in 2006, MAXIM assumed three contractual obligations related to natural gas distribution and transportation. The natural gas distribution contract will expire in February 2009. Of the two gas transportation contracts, one contract expired in September 2007 and the other transportation contract will expire in September 2011. At December 31, 2007, the outstanding balance under the natural gas distribution contract was \$1.4 million of which \$1.2 million was classified as current portion of long-term contracts and the remaining natural gas transportation contract had an outstanding balance of \$0.6 million of which \$0.1 million was also classified as current portion of long term contracts.

(h) Contractual obligations

At December 31, 2007 – (in millions)	Total	Less than 1 year	2009-2010	2011-2012	Thereafter
Long - term debt	\$51.4	3.3	6.8	7.4	33.9
Capital lease payments	\$19.3	4.4	9.2	3.6	2.1
Long-term contracts	\$2.0	1.3	0.6	0.1	-
Purchase obligation*	\$106.7	16.6	34.4	36.5	19.2
Operating leases	\$1.0	0.3	0.6	0.1	-
Total	\$180.4	25.9	51.6	47.7	55.2

- Milner holds a long-term coal supply agreement with Coal Valley Resources Inc ("Coal Valley") 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 five years, which can be extended at Milner's option for a further five years. Should Milner be unable to fulfill its purchase obligation to Coal Valley, the coal would be resold at international markets rates which are currently in excess of the contracted prices.

(i) Equity issuances

There were no equity issuances during 2007 and 2006 other than common shares issued under MAXIM's stock option plan. Under MAXIM's stock option plan, 474,516 common shares were issued for proceeds of \$2.3 million in 2007 and 188,800 common shares were issued for proceeds of \$0.8 million in 2006.

MAXIM received approval to commence a normal course issuer bid on October 5, 2006 which allowed MAXIM to purchase up to 2.2 million of its own common shares. The normal course issuer bid expired on October 9, 2007. MAXIM acquired and cancelled 25,000 common shares under the normal course issuer bid.

OUTLOOK

At December 31, 2007, MAXIM had 492 MW of generating capacity. From its total capacity, 107 MW is exposed to Alberta spot prices in 2008. Similar to 2007, Milner has contracted, on a unit contingent basis, 50 MW of its generation at fixed power prices in 2008. In addition, 127 MW of peaking power from the Pawtucket and CDECCA facilities will be offered into the New England power market, on a day-ahead basis to receive forward capacity payments in this market.

In 2008, MAXIM will begin the process of extending power sales contracts with Electricite de France ("EdF"). Each facility in France has an original twelve year power sales contract with EdF. These contracts can be renewed for an additional twelve years upon investing 350 Euro per kilowatt towards improvements of the facilities. MAXIM's intention is to renew each EdF contract as they become eligible for renewal.

Milner turnaround

Milner was taken offline on March 27, 2008 and will begin its annual turnaround which is forecasted to be eight weeks in length in 2008. This turnaround is considered major in nature with total costs budgeted to be \$17.3 million. Major turnarounds normally occur every six years at Milner. In prior years, Milner's annual turnarounds ranged from three to six weeks in length. The turnaround includes refurbishing the major components such as the generator and steam turbine, and other projects that will be lengthen economic life of certain plant components. It is expected that Milner will achieve normal run times after the 2008 turnaround for the rest of the year. Due to the length of the extended turnaround, it is anticipated that Milner will generate less electricity in 2008 compared to the prior two years of operations.

Acquisitions and development

MAXIM will continue its strategy of adding generation capacity through acquisitions and greenfield development projects that utilize hydrocarbon based fuels. MAXIM will give higher priority to those opportunities with generating capacity of 50 MW or greater, except in France where cogeneration projects are smaller scale. MAXIM anticipates greenfield developments will represent an increasing component of its generation portfolio. MAXIM will continue to pursue greenfield opportunities within markets where MAXIM has existing operations and critical resources such as fuel.

Demand for electricity will be the key fundamental factor in determining whether to pursue opportunities in a market. Demand is highly correlated to economic growth within the market. Alberta has continued to experience a high rate of demand growth due to a strong economy from its oil and gas industry including the oilsand projects.

MAXIM is proposing to construct and operate a 190 MW natural-gas fired power generation facility, the Deerland Peaking Station, located south of the existing Deerland high voltage substation near Bruderheim, Alberta. MAXIM has an option for the site and has filed for regulatory applications to construct and operate this facility with the Alberta Utilities Commission (formerly Alberta Energy & Utilities Board) and Alberta Environment. MAXIM anticipates receiving response to its applications during the second quarter of 2008. If approved, the facility will use state of the art combustion turbine technology.

The process of obtaining mine permit and licenses for Milner #14 Mine will continue in 2008 for the development of the underground mine. The project is in the initial technical review phase with the Energy Resources Conservation Board ("ERCB") and Alberta Environment. The ERCB has issued supplemental information requests regarding project and MAXIM will provide responses to address the requests and advance the regulatory review. Public consultations regarding the project will continue in 2008.

Environmental and engineering studies will continue through 2008 to support applications to be filed on behalf of the Milner Expansion project. MAXIM is proposing to develop a new generating facility at the existing location with the addition of 500 MW of clean coal-fired generating capacity. Public Disclosure Documents have been released and MAXIM has commenced public consultations. MAXIM expects to file its regulatory applications in the fourth quarter of 2008.

PROPOSED TRANSACTIONS

MAXIM announced the acquisition of the 86 MW Forked River power plant in Ocean County, New Jersey on September 17, 2007. The vendor continues to satisfy closing conditions which has taken longer than expected. However, the closing conditions are being satisfied and management of MAXIM expects the closing of the Forked River acquisition to occur during the second quarter of 2008. Two major condition precedents were achieved earlier with the written order approving the sale by the New Jersey Board of Public Utilities and approval by the Federal Energy Regulatory Commission.

At closing, MAXIM will pay cash consideration of US\$20.0 million and the Forked River power plant will have a ten year tolling agreement in place for the plant's entire capacity.

On March 25, 2008, Comax France S.A.S., MAXIM's wholly-owned French subsidiary, entered into an agreement to purchase a cogeneration plant in France for total consideration of \$3.4 million (2.2 million Euro) including acquisition costs. The cogeneration plant has a capacity of 7 megawatts electrical and 7 megawatts thermal. The acquisition was funded through MAXIM's internal cash to the extent of \$0.3 million (0.2 million Euro) and through the assumption of capital lease obligations of \$3.1 million (2.0 million Euro).

ENVIRONMENTAL LEGISLATION

Alberta regulations

Effective July 1, 2007 Alberta passed legislation amending The Climate Change and Emissions Management Act and added two new regulations under the act: the Specified Gas Emitters Regulation and Administrative Penalty Regulation. Pursuant to the Specified Gas Emitters Regulation, each facility located in Alberta that emits more than 100,000 tonnes of greenhouse gases a year are required to report emissions. The first accounting period is July 1, 2007, to December 31, 2007, however facilities have until March 31, 2008 to comply. MAXIM filed its baseline emissions greenhouse gas ("GHG") intensity application with the Alberta government prior to the December 31, 2007 deadline.

Compliance options include making operating improvements, acquiring an Alberta-based offset to apply against emission totals or contributing to a new government fund that will invest in technology to reduce greenhouse gas emission in the province. If reducing emission intensity by 12% is not initially possible, large emitters are required to pay \$15 per tonne CO₂ to the technology fund for every tonne above the 12% target.

On January 24, 2008 the Government of Alberta announced its new climate change plan ("the Plan") to reduce greenhouse gas emissions to by 50 per cent by 2050. To achieve this target, the Plan focuses on carbon capture and storage, conservation and energy efficiency, and greener energy production. MAXIM continues to assess the impact of the Plan on its operations and acquisition and development activities.

Under Alberta Environment's directive, a proposal for submission of an alternate baseline period was approved by the Director, Climate Change Policy Unit on November 30, 2007. The alternative baseline application was approved by Alberta regulators in February 2008. Under this alternative baseline, MAXIM is fully compliant and has thus reversed its accrual for Milner's obligation, pursuant to the Specified Gas Emitters Regulation, of \$0.2 million, related to the first accounting period of July 1, 2007 to December 31, 2007. The Alberta regulators require the compliance reporting for the first accounting period to be verified by a third party prior to it being submitted, which is currently in progress.

Federal Government of Canada regulations

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

On March 10, 2008 the Government of Canada released draft of regulations addressing GHG emissions. Following a period of consultation the Federal Government will finalize the regulations. The date that the finalized regulations will be issued is uncertain at this time.

The extent to which there will be harmonization of the Alberta and Canadian Government climate change legislation remains to be determined. For this reason, MAXIM does not have sufficient information about the Government of Canada's plan to fully assess the financial implications of this plan on MAXIM.

United States

The U.S. Government and the New England Power Pool state regulators continue to assess the impacts of GHG emissions. The Regional Greenhouse Gas Initiative ("RGGI"), planned for implementation in January 2009, will see a cap-and-trade system for Greenhouse Gas for power generators in the participating states, two of which are Rhode Island and Connecticut. The financial impacts of RGGI on MAXIM's assets are not yet certain.

SELECTED QUARTERLY FINANCIAL INFORMATION⁽¹⁾

Financial Quarter Ended (Unaudited)

(\$000's except per share and per MWh amounts)	2007				2006			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	37,992	33,687	19,031	34,052	40,470	29,521	9,776	31,470
EBITDA	12,064	15,255	2,912	10,001	17,893	17,190	(4,202)	8,207
Net income (loss) from continuing operations	3,911	8,271	(207)	3,322	10,713	10,227	(4,261)	3,863
Net gain (loss) from discontinued operations	104	-	-	-	(160)	(134)	(262)	(80)
Net income (loss)	4,015	8,271	(207)	3,322	10,553	10,093	(4,523)	3,783
Basic and diluted income (loss) per share – continuing operations	\$0.09	\$0.19	\$(0.01)	\$0.08	\$0.25	\$0.23	\$(0.09)	\$0.08
Basic and diluted loss per share – discontinued operations	-	-	-	-	\$(0.01)	-	\$(0.01)	-
Basic and diluted income (loss) per share	\$0.09	\$0.19	\$(0.01)	\$0.08	\$0.24	\$0.23	\$(0.10)	\$0.08
Total assets	261,739	235,341	228,686	254,491	243,969	206,596	187,606	205,631
Average Alberta pool price per MWh	\$ 62	\$ 92	\$ 50	\$ 64	\$ 117	\$ 95	\$ 54	\$ 57

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

The increase in revenue, EBITDA and net income during the first and fourth quarters reflects the seasonal operations of the French facilities as the French cogeneration season operates from the start of November through to the end of March. Lower revenue, EBITDA and net losses incurred at June 30, 2007 and 2006 were due to annual plant turnarounds completed at Milner during those quarters. These same quarters also experienced the lowest quarterly average Alberta pool prices for the year. The average Alberta pool price was \$50 per MWh for the second quarter of 2007 and \$54 per MWh for the same quarter of 2006.

Revenues, EBITDA and net income are also affected by seasonal Alberta pool prices. The third quarters of 2007 and 2006 experienced higher Alberta spot market prices. Alberta pool prices can be higher during winter and summer peak load months and further impacted by supply constraints such as outages at other Alberta generation facilities.

Non-GAAP measure - EBITDA

(\$000's)	2007	2006	2005
GAAP Measures in 2007 and 2006 Consolidated Statements of Operations and Retained Earnings			
Net income for the year	15,401	19,906	11,567
Net (income) / loss from discontinued operations	(104)	636	2,565
Non-controlling interest	(48)	48	-
Income taxes	6,516	7,137	6,106
Net interest, foreign exchange and other	4,678	2,801	1,712
Depreciation and amortization	13,789	8,560	4,319
Non-GAAP measure - EBITDA	40,232	39,088	26,269

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

MAXIM's critical accounting estimates relate to the estimate of useful life of its property, plant and equipment and the corresponding effect on depreciation, and assessment of the impairment of property, plant and equipment, intangible assets, and goodwill. At December 31, 2007 MAXIM's property, plant and equipment comprised 57% of the Corporation's total assets, intangibles comprised 9% of the Corporation's total assets, and goodwill comprised 6% of the Corporation's total assets.

The estimated useful life of MAXIM's property, plant and equipment can be affected by age of the equipment, operating practices including production volumes and frequency of cycling equipment on and off, and maintenance activities. MAXIM carries out regular maintenance of its facilities to reduce the possibility of equipment failure or a reduction to useful life. Equipment is operated within manufacturers' specifications to realize the expected useful life of each asset. Notwithstanding these measures, the useful life of equipment may vary from that which is estimated by MAXIM.

Impairment assessments are affected by the useful life of the equipment, arrangements for purchase of fuel and sales of energy and plant capacity, local power market rules, and legislation. MAXIM procures fuel both on a fixed priced basis and at spot market prices. MAXIM sells energy in the form of electricity and thermal energy through contracts at fixed prices and at spot market prices. For certain generating plants, MAXIM sells capacity of the plants at fixed prices or receives market-based capacity payments. Legislation and local power market rules impact future revenue and expenditures of generating facilities.

On a quarterly basis, MAXIM reviews its facilities for indicators of impairment and will test for impairment when these reviews indicate that impairment may have occurred. Carrying out these tests requires MAXIM to make estimates of various cash flows considering the aforementioned factors that impact impairment. Future cash flows could vary from estimates. Management has determined no impairment exists at any of the facilities at December 31, 2007.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007, the Corporation adopted the new Canadian accounting standards for Comprehensive Income (Section 1530); Equity (Section 3251); Financial Instruments - Recognition and Measurement (Section 3855); Financial Instruments – Disclosure and Presentation (Section 3861); and Hedges (Section 3865) in accordance with transitional provisions of these new standards, these standards were adopted prospectively except for Comprehensive Income and Equity.

The adoption of the new standards did not impact MAXIM's earnings or cash flows.

See Note 2(a) to 2(d) Change in Accounting Policies from the December 31, 2007 consolidated financial statements for the description of these new standards. The impacts from adoption of these new standards are as follows:

Comprehensive Income and Equity

A new category accumulated other comprehensive income, forms part of the Shareholders' Equity and certain unrealized gains or losses are reported in other comprehensive net income. At December 31, 2007, accumulated other comprehensive loss was a deficit of \$6.2 million (2006 - \$0.0 million), consisting entirely of foreign exchange losses on self-sustaining foreign operations.

Future Accounting Changes – Early Adoption

Financial Instruments

Effective October 1, 2007, the Corporation adopted CICA Handbook requirements for financial instruments (Sections 3862 and 3863). The new standards disclose more comprehensive information about the Corporation's financial instruments.

Inventories

Effective October 1, 2007, the Corporation adopted CICA Handbook requirements for inventories (Section 3031). The Corporation has adopted this standard retroactively in accordance with the transitional provisions of the section. The new standard did not have an impact on the consolidated financial statements.

Capital Disclosures

Effective October 1, 2007, the Corporation adopted CICA Handbook Section 1535 – Capital Disclosures. The new section requires disclosures of information about an entity's objectives, policies and processes for managing capital.

FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

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

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

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) Credit risk:

Credit risk arises from the possibility that the entities to which MAXIM sells electricity and thermal generation 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 goods and services to.

Trade receivables are predominantly with government sponsored entities. In Canada, the majority of Alberta power sales are to the Alberta Electrical System Operator and power sales in British Columbia are completed under agreements with British Columbia Hydro and Power Authority. In France, power sales are completed under various power purchase agreements with EdF. In the United States, MAXIM power sales are conducted with ISO New England and the Basin Creek project has one customer under its Capacity and Energy Sale Agreement.

In both British Columbia and France, the co-generation facilities also produce thermal heat which is sold to primarily greenhouse customers. CDECCA, which is also a cogeneration facility, produces steam and chilled water which is sold under contracts with rated counterparties. For trade receivables from customers who are not government sponsored entities, MAXIM will request letters of credit or other security such as guarantees where appropriate.

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they fall due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analysis. MAXIM maintains a revolving credit facility with a maximum draw of 90% of allowable Canadian accounts receivable and 75% of allowable US accounts receivable balance or \$10 million. At year end 2007, MAXIM has drawn \$1,554 (2006 - \$2,787) as letters of credit against this facility.

A summary of the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements is found in Note 21(b) of the 2007 consolidated financial statements.

(c) Market risk

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

(i) Foreign currency exchange risk:

MAXIM is exposed to foreign currency fluctuations as the Corporation has a significant amount of its assets and liabilities denominated in foreign currencies, US and Euro, that creates an exposure in exchange rates. MAXIM does not hedge this exposure as cash flows from long term debt, capital leases and long-term contracts are denominated in the same currencies as the cash flows generated by the foreign operations. No financial derivatives have been entered into. Should monetary assets and liabilities of the foreign operations create an unfavorable exposure, MAXIM can purchase corresponding foreign currencies at spot rates to address short-term imbalances. Note 21(c)(i) of MAXIM's 2007 consolidated financial statements discloses the range of sensitivities and impact for fluctuation of its exposure to foreign currencies.

(ii) Interest rate risk

Interest rate risk is the risk of the change in the borrowing rates of the Corporation. Project financing for Basin Creek and ten capital lease obligations are non-recourse to MAXIM and at a fixed rate. The remaining debt and capital leases are at variable rates of interest. MAXIM reviewed the sensitivity of fluctuations to the Euribor rate and Canadian Bank rate on the variable

rate long-term obligations and found there was an insignificant impact to MAXIM's net income and cash flows.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity, natural gas and coal. MAXIM reduces its exposure to the volatility of market prices related to electricity sales by selling a portion of its generation production at a fixed price per megawatt hour produced or made available. Under certain contracts, the selling price of electricity varies according to changes in natural gas price providing an operating hedge against changes in natural gas price. In addition, MAXIM entered into one minor fixed forward price gas contract, but otherwise MAXIM does not hedge its exposure to gas price volatility. MAXIM manages the risk of coal price fluctuation through entry into a long-term coal supply contract to purchase a significant portion of its coal requirements at a fixed price.

Based on fluctuations observed in prior years, the average spot price of electricity could increase or decrease at December 31, 2007 by \$13 per MWh (2006 - \$17 per MWh). If the average electricity price strengthened by these amounts, the increase to other comprehensive income would be \$31 (2006 – decrease \$7) and net income would be \$6.7 million (2006 - \$8.5 million). A weakening of the average electricity price by these same amounts would have the opposite effect on other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, coal prices and interest rates remain constant for 2007 and 2006.

Based on fluctuations observed in prior years, the average spot price of natural gas could increase or decrease at December 31, 2007 by \$0.20 per gigajoule ("GJ") (2006 - \$1.56 per GJ). If the average natural gas price was to decrease by these amounts, the increase to other comprehensive income would be \$11 thousand (2006 – decrease \$8 thousand) and net income would be \$151 thousand (2006 - \$501 thousand). If the average natural gas price was to increase by these same amounts, it would have the opposite effect to other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, electricity prices, coal prices and interest rates remain constant for 2007 and 2006.

Based on the fluctuation observed in prior years, the average spot price of coal could increase or decrease at December 31, 2007 by \$0.07 per GJ (2006 - \$0.02 per GJ). If the average coal price decreased by these amounts, the increase to net income was \$123 thousand (2006 - \$13 thousand). If the average coal price increased by increased by these amounts, it would have the opposite effect on net income. This analysis assumes that all other variables, in particular foreign currency rates, electricity prices, natural gas prices and interest rates remain constant for 2007 and 2006.

(d) Operating risk:

The ability of the power plants to generate the maximum amount of power is a determinant of the MAXIM's profitability. Regular maintenance programs and insurance mitigate the risk of potential equipment failure and the consequent loss of revenue. MAXIM has no obligations under its contracts to deliver minimum levels of power, except for 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 revenue received by MAXIM.

(e) Fair value of financial instruments:

Financial instruments, other than long-term debt, included in the balance sheet are measured at fair value upon initial recognition and approximate their fair value at December 31, 2007. The carrying amount of financial instruments classified as current approximates fair value due to their short-term to maturity. Long-term debt was initially measured at fair value and subsequently recorded at amortized cost using the effective interest rate method.

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

CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure and Internal Controls

The President and Chief Executive Officer ("CEO") and the Vice President, Finance and Chief Financial Officer ("CFO"), together with management have established and maintained disclosure controls and procedures which are designed to provide reasonable assurance that all material information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management has evaluated the effectiveness of the Corporation's disclosure controls and procedures as of December 31, 2007, and based on that evaluation have concluded that these controls are effective in providing such reasonable assurance.

The CEO and the CFO are also responsible for the design of internal controls over financial reporting, as defined under rules adopted by the Canadian Securities Administrators, within the Corporation in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles ("GAAP"). Management of MAXIM has evaluated the design of the internal controls over financial reporting and concluded the design of the internal controls over financial reporting as of December 31, 2007 was effective.

Due to the size of the company, decentralized international operations, and the strategy of growth through acquisition, the Corporation has an inherent weakness in dealing with certain complex accounting issues. Decentralized international operations raise the risk of misstatement from routine and non-routine accounting and tax related transactions. Management remediates this weakness by utilizing outside consultants for assistance as required or by developing in-house expertise or recruiting personnel with the necessary expertise.

At December 31, 2006, COMAX France, a wholly-owned subsidiary of the Corporation, reported weaknesses in internal control. The weaknesses in 2006 included: lack of segregation of duties, inadequate staffing in its finance department, an inability to provide financial reporting to the Corporation on a timely basis, a lack of management review of financial reporting, and an inability to identify French to Canadian GAAP reconciling items without outside assistance. During 2007 MAXIM implemented a remediation plan to address these weaknesses. COMAX France hired staff, employees in France were trained on certain Canadian GAAP reporting requirements, procedures were implemented to provide appropriate segregation of duties, a procedure was implemented in COMAX France for management review of financial and management reports, and a procedure was implemented in Canada to strengthen the oversight of COMAX France's financial reporting. Documentation of the internal controls was completed during 2007. The effect of the 2007 remediation plan was the risk of material misstatement was reduced to a remote likelihood. France comprises 25% of MAXIM's total revenue and 39% of total assets at December 31, 2007.

TRANSACTIONS WITH RELATED PARTIES

During the year the Corporation received certain legal services from a company that is related to a director of the Corporation. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. This service totaled \$395 thousand in 2007 (\$171 thousand in 2006). At December 31, 2007, the Corporation had \$135 thousand (\$1 thousand at December 31, 2006) in accounts payable as a result of these transactions. The Corporation continues to receive legal services from this company and the director related to this company during 2007 is no longer a director of MAXIM.

OTHER INFORMATION

Outstanding Share Data

Issued common shares at December 31, 2006	43,905,468
Exercised share options	503,516
Total issued common shares at March 28, 2008	44,408,984
Outstanding share options	3,202,867
Total diluted common shares at March 28, 2008	47,611,851

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

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.