

power **growth** precision



MAXIM
Power Corp

Consolidated Financial Statements of

MAXIM POWER CORP.

Years ended December 31, 2008 and 2007
(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, 2008 and 2007 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 audits.

We conducted our audits 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, 2008 and 2007 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 27, 2009

MAXIM POWER CORP.

Consolidated Balance Sheets

As at December 31, 2008 and 2007
(In Thousands of Dollars)

	2008	2007
Assets		(Restated – note 3)
Current assets:		
Cash (note 2(a))	\$ 11,791	\$ 20,167
Accounts receivable	42,288	36,972
Prepaid expenses, deposits and other	1,733	913
Inventory (note 7)	6,447	1,141
	62,259	59,193
Property, plant and equipment (note 8)	271,670	150,454
Deferred costs (note 9)	11,018	8,420
Future income tax asset (note 17)	3,942	2,589
Intangibles (note 10)	30,862	23,908
Deposits	337	-
Goodwill	15,632	15,632
	\$ 395,720	\$ 260,196
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 37,662	\$ 30,899
Income taxes payable	2,221	5,720
Current portion of long-term debt (note 11)	7,873	2,847
Current portion of capital lease obligations (note 12)	7,725	3,528
Current portion of long-term contracts (note 13)	441	1,310
Current portion of future income tax liability (note 17)	3,479	7,651
	59,401	51,955
Long-term debt (note 11)	59,287	46,397
Capital lease obligations (note 12)	18,352	12,613
Long-term contracts (note 13)	372	662
Asset retirement obligation (note 14)	3,048	763
Future income tax liability (note 17)	15,166	10,427
Non-controlling interest	142	-
Shareholders' equity:		
Share capital (note 15)	156,416	93,674
Contributed surplus (note 15)	5,322	2,819
Accumulated other comprehensive income (loss) (note 4)	20,465	(6,055)
Retained earnings	57,749	46,941
	78,214	40,886
	239,952	137,379
Commitments (note 16)		
Subsequent event (note 23)		
	\$ 395,720	\$ 260,196

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, 2008 and 2007
(In Thousands of Dollars)

	2008	2007 (Restated – note 3)
Revenue:		
Electricity sales	\$ 146,682	\$ 124,525
Expenses:		
Plant operations	105,077	80,717
General and administration	5,697	3,759
Depreciation and amortization	16,785	13,769
	127,559	98,245
Income before the following items	19,123	26,280
Interest expense to:		
Long-term debt	4,240	3,722
Capital lease obligation	1,515	928
Other	282	199
Interest income	(436)	(508)
Other income	(956)	-
Foreign exchange loss (gain)	(2,229)	156
Income before income taxes from continuing operations	16,707	21,783
Income taxes (note 17):		
Current	6,926	9,395
Future	(1,175)	(1,203)
	5,751	8,192
Non-controlling interest	142	(48)
Net income from continuing operations	10,814	13,639
Net income (loss) from discontinued operations (note 6)	498	85
Net income for the year	11,312	13,724
Retained earnings, beginning of the year (as restated – note 3)	46,941	33,217
Normal course issuer bid	(504)	-
Retained earnings, end of year	57,749	46,941
Basic and diluted income per share – continuing operations	\$ 0.22	\$ 0.31
Basic and diluted income per share – discontinued operations	\$ 0.01	\$ 0.00
Basic and diluted income per share	\$ 0.23	\$ 0.31

Consolidated Statement of Comprehensive Income
Twelve months ended December 31, 2008 and 2007
(In Thousands of Dollars)

	2008	2007 (Restated – note 3)
Net income for the year	\$ 11,312	\$ 13,724
Other comprehensive income, net of tax:		
Unrealized (losses) gains on translation of self-sustaining operations	26,520	(6,041)
Comprehensive income	\$ 37,832	\$ 7,683

See accompanying notes to consolidated financial statements.

MAXIM POWER CORP.

Consolidated Statement of Cash Flows

Years ended December 31, 2008 and 2007
(In Thousands of Dollars)

	2008	2007
	(Restated – note 3)	
Cash provided by (used in):		
Operations:		
Net income from continuing operations	\$ 10,814	\$ 13,639
Items not involving cash:		
Depreciation and amortization	16,785	13,769
Amortization of deferred financing costs	871	802
Deferred costs project closures	1,211	-
Foreign exchange loss (gain)	-	105
Non-controlling interest	142	(48)
Asset retirement obligation	127	(24)
Fair value of stock based compensation	2,756	1,928
Future income tax	(1,175)	(1,203)
	31,531	28,968
Change in non-cash working capital (note 18)	(2,881)	6,377
Cash flows from continuing operations	28,650	35,345
Income from discontinued operations	498	85
Items not involving cash:		
Depreciation and amortization	10	20
Gain on sale of discontinued operations	(552)	(137)
Change in non-cash working capital	(18)	34
Cash flows from discontinued operations	(62)	2
	28,588	35,347
Financing:		
Issuance of long-term debt	16,202	18,435
Repayments of long-term debt	(5,821)	(14,698)
Issuance of common shares, net of share issue costs	63,274	2,327
Normal course issuer bid	(1,289)	-
Repayment of long-term contract	(1,411)	-
Repayment of lease obligation	(4,941)	(3,977)
	66,014	2,087
Investing:		
Property, plant and equipment	(19,913)	(6,590)
Intangibles	(221)	-
Proceeds on disposition of assets	-	262
Acquisitions, net of cash acquired (note 5)	(78,359)	(21,858)
Deferred costs	(6,753)	(4,087)
Repayment of cash flow indenture	-	(7,325)
Cash flows used in investing in continuing operations	(105,246)	(39,598)
Proceeds on sale of discontinued operations	945	137
	(104,301)	(39,461)
Unrealized foreign exchange gain (loss)	1,323	(761)
Increase (decrease) in cash	(8,376)	(2,788)
Cash, beginning of year	20,167	22,955
Cash, end of year	\$ 11,791	\$ 20,167

See accompanying notes to consolidated financial statements.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Years ended December 31, 2008 and 2007

(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.

The Corporation consolidates the accounts of its 95% (2007 – 95%) interest in Basin Creek Holdco LLC, 90% (2007 – 90%) interest in Pouchon Cogen SARL and 50% (2007 – 50%) interest in Mirail Cogen SARL. Using this method, the Corporation has reflected 100% of the accounts of these entities in its consolidated financial statements with a deduction provided for the non-controlling interest's proportion of the accounts.

2. Significant Accounting Policies

(a) Cash

Cash is primarily comprised of cash and restricted cash. At December 31, 2008, MAXIM has restricted cash of \$627 (2007 - \$711). The restricted cash amount was the result of providing cash collateral to various counterparties to secure credit.

(b) Inventory

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

(c) Property, plant and equipment

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

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	3 - 46 years straight-line
Office furniture and equipment	20 - 40% declining balance/straight-line
Equipment/Building under capital lease	4 - 24 years straight-line

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 2

Years ended December 31, 2008 and 2007

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

2. Significant Accounting Policies *(continued)*

(c) Property, plant and equipment *(continued)*

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 are 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 assets and liabilities of a disposal group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

(d) 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. Acquisition costs become part of the purchase price allocation. If the pursuit of a development project or acquisition is discontinued, the associated costs are expensed.

(e) Goodwill

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 3

Years ended December 31, 2008 and 2007

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

2. Significant Accounting Policies *(continued)*

(f) Financial instruments

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 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 ("effective interest 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. 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.

Pursuant to these standards, the Corporation designates cash as held for trading assets, measured at fair value. Accounts receivable are classified as loans and receivables, measured at amortized cost. Accounts payable and accrued liabilities, long-term debt, and income taxes payable are designated as other financial liabilities, measured at amortized cost. Management has not identified any material embedded derivatives that require separate recognition and measurement under these accounting standards. The Corporation had neither available-for-sale, nor held-to-maturity instruments during the period ended December 31, 2008.

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial instrument. Under these standards, the Corporation offsets long-term debt transaction costs against the associated debt and amortizes these costs using the effective interest rate method. In addition, the purchases and sale of financial assets are accounted for at the settlement date.

(g) Hedges

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 4

Years ended December 31, 2008 and 2007

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

2. Significant Accounting Policies (*continued*)

(h) Comprehensive income

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

(i) Equity

The 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. The Corporation has included a statement of accumulated other comprehensive income in the notes to the consolidated financial statements (see note 4).

(j) 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 asset 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.

(k) 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.

(l) Revenue recognition

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

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 5

Years ended December 31, 2008 and 2007

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

2. Significant Accounting Policies (*continued*)

(m) 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.

(n) 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 price 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.

(o) 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.

(p) Measurement uncertainty

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 6

Years ended December 31, 2008 and 2007

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

2. Significant Accounting Policies (*continued*)

New accounting pronouncements

International Financial Reporting Standards ("IFRS")

On February 13, 2008, the CICA Accounting Standards Board ("AcSB") confirmed publically accountable enterprises will be required to adopt IFRS in place of Canadian generally accepted accounting principles ("GAAP") for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011 with comparative information required for 2010. MAXIM is currently assessing the effect of IFRS on its accounting policies, financial statements, internal controls, information systems and business activities.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

AcSB issued a new CICA Handbook section on Business Combinations (Section 1582). This amended standard requires additional use of fair value measurements, recognition of additional liabilities and increased disclosure. In addition, it requires a different accounting treatment for negative goodwill and step acquisitions. Adoption of this standard will have a material effect on MAXIM's method of accounting for business combinations in future periods. This section is effective for the business combinations with an acquisition date on or after January 1, 2011. Upon adoption of Section 1582, the entities are required to adopt CICA Handbook sections on Consolidated Financial Statements (Section 1601) and Non-Controlling Interest (Section 1602). These two standards require a change in measurement of non-controlling interest and require the change to be presented as part of shareholders' equity on the balance sheet. The income statement of the controlling parent will include all of the subsidiaries results and present an allocation between the controlling interest and non-controlling interest. These standards were issued to align Canadian GAAP with IFRS. Adoption of Section 1582 is applied prospectively and Sections 1601 and 1602 is applied retrospectively.

Goodwill and Intangible Assets

The CICA has issued Section 3064 "Goodwill and Intangible Assets" to replace Section 3062 "Goodwill and Other Intangible Assets". Section 3064 gives guidance on the recognition of intangible assets, as well as, the recognition and measurement of internally developed assets. Section 3064 "Goodwill and Intangible Assets" is effective for annual and interim financial statements relating fiscal years beginning on or after October 1, 2008. MAXIM continues to assess the impact of this section on these consolidated financial statements.

3. Restatement

During the year the Corporation determined it was necessary to revise the accounting for future income taxes disclosed in note 17. Future income tax asset and future income tax liability include amounts related to the Corporation's property, plant and equipment. It was determined that a portion of amounts do not reflect a future benefit to the Corporation. Accordingly, a reduction was required to future income tax asset and an increase was required to future income tax liability. Prior periods have been restated to reflect this change. The effect of the restatement on opening January 1, 2007 retained earnings and year ended December 31, 2007 is outlined below:

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 7

Years ended December 31, 2008 and 2007

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

3. Restatement (*continued*)

	2007 Previously Reported	Adjustment	2007 Restated
Future income tax asset	\$ 4,132	\$ (1,543)	\$ 2,589
Future income tax liability	9,593	834	10,427
Accumulated other comprehensive income	(6,226)	171	(6,055)
Retained earnings, beginning of year	34,088	(871)	33,217
Retained earnings, end of year	49,489	(2,548)	46,941
Future income tax recovery	(2,880)	1,677	(1,203)
Net income	15,401	(1,677)	13,724
Other comprehensive income	(6,229)	188	(6,041)
Earnings per share	\$ 0.35	\$ (0.04)	\$ 0.31

4. Accumulated Other Comprehensive Income

The composition of accumulated other comprehensive income is as follows:

	2008	2007 (Restated – note 3)
Balance, January 1	\$ (6,055)	\$ (14)
Unrealized (losses) gains on translation of net foreign operations	26,520	(6,041)
Balance, December 31	\$ 20,465	\$ (6,055)

5. Acquisitions

(a) 2008

On August 6, 2008, MAXIM completed the acquisition of Pittsfield Generating Company LP ("Pittsfield") and its 170 MW electric generating facility located in Pittsfield, Massachusetts. Pittsfield was acquired from affiliates of GE Energy Financial Services, a unit of General Electric Company ("GE") for \$58,852 (US\$56,220), including acquisition costs. The Pittsfield facility is contracted under a Reliability Must Run ("RMR") agreement with ISO New England ("ISO-NE") which expires at the earlier of May 31, 2010 or within 60 days from receiving the written notice from ISO-NE. Under this agreement, the facility is available to provide power to the regional power grid when requested by ISO-NE. Following the expiration of the RMR agreement, the facility will be eligible for the Forward Capacity Market Payments from the ISO-NE, as well as the sale of energy into the day-ahead and real-time energy markets of ISO-NE. For the purposes of reporting segmented information, Pittsfield is included in the United States segment.

On July 24, 2008, Comax France SAS, MAXIM's wholly-owned French subsidiary, purchased a cogeneration plant in France ("Beauprau"), which has a capacity of 3.1 MW electrical and 2.4 MW thermal. The acquisition was funded through MAXIM's internally generated cash to the extent of \$415 (262 Euro) and through the assumption of capital lease obligations of \$3,295 (2,081 Euro). For the purposes of reporting segmented information, Beauprau is included in the France segment.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 8

Years ended December 31, 2008 and 2007

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

5. Acquisitions (continued)

On April 17, 2008, MAXIM acquired the 86 MW Forked River Power Plant ("Forked River") located in Ocean County, New Jersey. The plant was acquired from Jersey Central Power and Light Company ("JCP&L") for \$21,362 (US\$21,104), including acquisition costs, and was financed through MAXIM's internally generated cash. In conjunction with this purchase, a ten year tolling agreement has been entered into with FirstEnergy Solutions Corp. ("FirstEnergy"), a subsidiary of FirstEnergy Corp. and an affiliate of JCP&L, for the entire capacity of the plant. For the purposes of reporting segmented information, Forked River is included in the United States segment.

On April 1, 2008, Comax France SAS, MAXIM's wholly-owned French subsidiary purchased a cogeneration plant in France ("Somal"), which has a capacity of 7 MW electrical and 7 MW thermal. The acquisition was funded through MAXIM's internally generated cash to the extent of \$241 (150 Euro) and through the assumption of capital lease obligations of \$3,424 (2,135 Euro). For the purposes of reporting segmented information, Somal is included in the France segment.

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

	Pittsfield	Beauprau	Forked River	Somal
Current assets	\$ 4,752	\$ 7	\$ 1,482	\$ -
Deposits	289	-	-	-
Property, plant and equipment	54,325	472	16,695	-
Intangibles	974	-	3,629	241
Equipment under capital leases	4,815	3,661	-	3,424
Future income taxes	308	-	-	-
	65,463	4,140	21,806	3,665
Bank indebtedness, net of cash	-	(111)	-	-
Other current liabilities	(1,076)	(192)	-	-
Capital lease obligation	(4,742)	(3,295)	-	(3,424)
Future income tax liability	-	(127)	-	-
Asset retirement obligation	(793)	-	(444)	-
	(6,611)	(3,725)	(444)	(3,424)
Total cash consideration including acquisition costs	\$ 58,852	\$ 415	\$ 21,362	\$ 241

The amounts recorded on the acquisitions above are based upon preliminary information available to management as of the date of this report. The above amounts are subject to change when the information obtained by management changes subsequent to the date of this report.

(b) 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").

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 9

Years ended December 31, 2008 and 2007

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

5. Acquisitions (*continued*)

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

6. Discontinued Operations

Effective June 1, 2008, the Corporation sold the 0.8 MW Gift Lake Power Plant ("Gift Lake") located in north-central Alberta. The disposition included the sale of all the generating equipment and spare parts inventory related to the plant. The proceeds from the sale of the assets resulted in total proceeds of \$885 and a pre-tax gain of \$552. For the purposes of the reporting of segmented information, the operations of Gift Lake were previously included in the Canada segment.

On March 15, 2007, the Corporation completed the sale of a European subsidiary, Maxim Greenpower GmbH, for total proceeds of \$253 (177 Euro) and pre-tax gain of \$137 (96 Euro). For the purpose of the reporting segmented information, the operations of Maxim Greenpower GmbH was previously recorded in Europe segment.

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 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. For the purpose of the reporting segmented information, Cambodian operations were previously included in the Asia segment.

MAXIM POWER CORP.

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Years ended December 31, 2008 and 2007

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

6. Discontinued Operations (continued)

A summary of discontinued operations is as follows:

	2008		2007	
	Gift Lake	Gift Lake	Maxim Greenpower GmbH	2007 Total
Electricity sales	\$ 131	\$ 237	\$ -	\$ 237
Plant operations	(73)	(125)	-	(125)
General and administration	(120)	(110)	-	(110)
Depreciation and amortization	(10)	(20)	-	(20)
Loss before other items	(72)	(18)	-	(18)
Income on sale of discontinued operations	552	-	137	137
Income tax expense	18	(1)	(33)	(34)
Net income (loss) from discontinued operations	\$ 498	\$ (19)	\$ 104	\$ 85

7. Inventory

	2008	2007
Coal	\$ 3,919	\$ 717
Fuel oil	2,528	424
Total inventory	\$ 6,447	\$ 1,141

The cost of inventories recognized as an expense in plant operations during the period was \$16,922 (2007 - \$17,229).

8. Property, Plant and Equipment

December 31, 2008	Cost	Accumulated Depreciation	Net book value
Land	\$ 12,648	\$ -	\$ 12,648
Generating facilities – other	174,515	28,041	146,474
Generating facilities – tolling agreement	74,595	7,967	66,628
Office furniture and equipment	1,524	525	999
Spare parts	8,254	-	8,254
Capital leases	44,603	7,936	36,667
	\$ 316,139	\$ 44,469	\$ 271,670

December 31, 2007	Cost	Accumulated Depreciation	Net book value
Land	\$ 4,252	\$ -	\$ 4,252
Generating facilities – other	84,061	16,352	67,709
Generating facilities – tolling agreement	46,252	4,533	41,719
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

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Years ended December 31, 2008 and 2007

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

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

(a) Generating facilities – tolling agreements

At December 31, 2008, property, plant and equipment includes the cost of \$42,915 (2007 - \$34,928) and accumulated depreciation of \$5,522 (2007 - \$2,754) for 52 MWs of capacity related to the Corporation's gas-fired Basin Creek generating facility. On March 23, 2005, the Corporation entered into a long-term Capacity and Energy Sale Agreement ("CESA") for Basin Creek. The CESA is structured as a tolling agreement, obligating the other party to pay a fixed monthly capacity fee. The initial term of the arrangement is twenty years with two five year options to extend the agreement. The tolling revenue in 2008 was \$3,934 (2007 - \$3,958).

At December 31, 2008, property, plant and equipment includes the cost of \$11,324 (2007 - \$11,324) and accumulated depreciation of \$2,140 (2007 - \$1,779) for 25 MWs of capacity related to the Corporation's gas-fired Alberta Power Project ("APP"). On August 31, 2004, the Corporation entered into a long-term Power Purchase Agreement ("PPA") for APP. The PPA is structured as a tolling agreement, obligating the other party to pay a fixed monthly capacity fee. The initial term of the arrangement is ten years with an option to extend it for a further fifteen years or acquire the asset. The tolling revenue in 2008 was \$2,476 (2007 - \$2,465).

At December 31, 2008, property, plant and equipment includes the cost of \$20,356 (2007 - \$Nil) and accumulated depreciation of \$305 (2007 - \$Nil) for 86 MWs of capacity related to the Corporation's gas-fired Forked River generating facility. On April 17, 2008, the Corporation entered into a long-term tolling agreement for Forked River. The tolling agreement obligates the other party to pay a fixed monthly capacity fee. The initial term of the arrangement is ten years. The tolling revenue in 2008 was \$4,261 (2007 - \$Nil).

b) Capital leases

At December 31, 2008, property, plant and equipment includes the net book value of \$36,667 (2007 - \$29,000) related to the fourteen capital lease assets in France, the Hartland capital lease asset in British Columbia and the Pittsfield capital lease asset in Massachusetts. The fourteen lease assets in France have a combined cost of \$37,414 (2007 - \$29,726), accumulated amortization of \$7,536 (2007 - \$2,083) and a net book value of \$29,878 (2007 - \$27,643). The Hartland capital lease asset has cost of \$1,586 (2007 - \$1,586), accumulated amortization of \$298 (2007 - \$229) and net book value of \$1,288 (2007 - \$1,357). The Pittsfield capital lease asset has cost of \$5,603 (2007 - \$Nil), accumulated amortization of \$102 (2007 - \$Nil) and net book value of \$5,501 (2007 - \$Nil).

9. Deferred Costs

December 31, 2008	Opening	Additions	Charged to income	Reclassified to PP&E	Transferred to long-term debt	Net book value
Acquisition costs	\$ 1,328	\$ 2,981	\$ (1,017)	\$ (2,621)	\$ -	\$ 671
Development costs	7,092	3,746	(491)	-	-	10,347
Financing costs	-	-	-	-	-	-
Total	\$ 8,420	\$ 6,727	\$ (1,508)	\$ (2,621)	\$ -	\$ 11,018

MAXIM POWER CORP.

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Years ended December 31, 2008 and 2007

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

9. Deferred Costs (continued)

December 31, 2007	Opening	Additions	Charged to income	Reclassified to PP&E	Transferred to long- term debt	Net book value
Acquisition costs	\$ 617	\$ 711	\$ -	\$ -	\$ -	\$ 1,328
Development costs	4,661	2,431	-	-	-	7,092
Financing costs	1,994	(60)	-	-	(1,934)	-
Total	\$ 7,272	\$ 3,082	\$ -	\$ -	\$ (1,934)	\$ 8,420

10. Intangibles

December 31, 2008	Costs	Addition	Accumulated Amortization	Net book Value
Coal supply contract (note 10 (a))	\$ 6,000	\$ -	\$ 2,499	\$ 3,501
Power sale contracts (note 10 (b))	24,695	5,390	3,307	26,778
Ground lease contract (note 10 (c))	-	365	3	362
Other	-	221	-	221
	\$ 30,695	\$ 5,976	\$ 5,809	\$ 30,862

December 31, 2007	Costs	Addition	Accumulated Amortization	Net book value
Coal supply contract (note 10 (a))	\$ 6,000	\$ -	\$ 1,832	\$ 4,168
Power sale contract (note 10 (b))	8,565	12,337	1,162	19,740
	\$ 14,565	\$ 12,337	\$ 2,994	\$ 23,908

(a) Coal supply contract

In connection with acquiring the remaining partnership units of Milner Power Limited Partnership ("MPLP"), MAXIM recorded \$6,000 of fair market value related to the coal supply contract. The fair value is amortized over the life of the contract, which is nine years. During the year, \$667 (2007 - \$667) was recorded as an expense in depreciation and amortization.

(b) Power sale contracts

MAXIM, through its French subsidiaries, acquired long-term power sales contracts with Electricité de France ("EdF") which are amortized over the remaining lives of the contracts (fourteen to twenty-four years). During 2008, \$1,325 (2007 - \$976) was recorded as an expense in depreciation and amortization.

MAXIM, through its wholly owned United States subsidiaries, acquired a tolling agreement with FirstEnergy Solutions Corp. with the Forked River assets for \$3,629 which is amortized over the life of the tolling agreement, which is ten years. During the year, \$277 (2007 - Nil) was recorded as an expense in depreciation and amortization.

MAXIM, through its wholly owned United States subsidiaries, acquired a reliability must run contract with the Pittsfield acquisition for \$660 and is being amortized over its useful life of two years. During the year, \$160 (2007 - Nil) was recorded as an expense in depreciation and amortization.

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Years ended December 31, 2008 and 2007

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10. Intangibles (continued)

(c) Ground lease contract

MAXIM, through its wholly owned United States subsidiaries, acquired a ground lease contract with the Pittsfield acquisition for \$314 and is being amortized over its useful life of forty-six years. During the year, \$3 (2007 – Nil) was recorded as an expense in depreciation and amortization.

11. Long-term Debt

	2008	2007
Canadian projects (note 11(a))	\$ 30,133	\$ 18,646
United States project (note 11(b))	31,680	26,594
European projects (note 11(c) and note 11(d))	7,295	6,132
	69,108	51,372
Less: deferred financing costs	1,948	2,128
Net long-term debt	67,160	49,244
Less: current portion	7,873	2,847
	\$ 59,287	\$ 46,397

(a) On July 5, 2007, the Corporation entered into a 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 was released. The 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% to 0.75% or the bank's US base interest rate plus 0.50% to 0.75%. Bankers' acceptances under this facility bear a stamping fee at +1.75% to +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% to 1.25% per annum. At December 31, 2008, the Corporation had issued \$2,120 (2007 - \$1,554) letters of credit.

Facility B is a five year non-revolving reducing term loan facility amortizing over eight years. MAXIM may borrow by way of a fixed rate term loan, prime rate loan, bankers' acceptance or any combination hereof. The facility bears interest at either the bank's prime interest rate plus 0.75% to 1.00% or at the bank's fixed rate term loan interest rate plus 2.00% to 2.25%. Bankers' acceptances issued under this facility bear interest at bankers' acceptance rates plus a stamping fee of +2.00% to +2.25% per annum. The facility requires monthly principle payments of \$379 plus interest. 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. On March 10, 2008, the Corporation borrowed additional \$14,923 under Facility B and used the proceeds to pay for the 2008 turnaround at the H.R. Milner generating facility. At December 31, 2008, the Corporation had an outstanding balance of \$30,133 (2007 - \$18,646) under this facility all drawn by way of bankers' acceptances.

MAXIM POWER CORP.

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Years ended December 31, 2008 and 2007

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

11. Long-term Debt *(continued)*

On January 30, 2009, MAXIM entered into an interest rate swap agreement with BMO. This agreement effectively changes the BMO Facility B interest from a floating interest rate based on bankers' acceptances to a fixed interest rate of 1.99% plus stamping fees of 2.00% to 2.25%. This agreement is effective February 2, 2009 until May 31, 2012, which is the maturity date of Facility B.

Facility C is a risk management facility to provide credit support for interest rate and foreign exchange derivatives. At December 31, 2008 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, LLC ("Basin Creek"). On June 30, 2006, the construction and term loan balance of US\$28,000 was converted to a term loan. The term loan has a fixed interest rate of 6.95% per annum and will mature on June 30, 2026. At December 31, 2008, Basin Creek had an outstanding balance of US\$26,010 (2007 – US\$26,827). 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, 2008 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, 2008, Pouchon had an outstanding loan balance of 680 Euro (2007 - 860 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, 2008, Mirail had an outstanding loan balance of 620 Euro (2007 - 780 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, 2008, Bataneres had an outstanding loan balance of 2,230 Euro (2007 - 2,610 Euro).

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

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11. Long-term Debt (continued)

- (d) On December 3, 2008, through its French subsidiaries of the Corporation, MAXIM entered into a credit facility with the Banque Courtois for a collective amount of 750 Euro. The facility provides working capital financing and is secured by certain accounts receivable balances. The facility bears interest based on Euribor plus 1.20%. The facility is repayable upon collection of accounts receivable and is due upon demand. As at December 31, 2008, 750 Euro has been drawn on this facility. This amount was fully repaid in January 2009.

The Corporation's anticipated principle repayment obligations as at December 31, 2008 on the above loans over the next five years are as follows:

2009	\$	8,125
2010		6,909
2011		6,976
2012		6,993
2013		6,601
Remaining		33,504
	\$	69,108

12. Capital Leases

MAXIM, through its French subsidiaries, has acquired fourteen capital lease obligations related to production equipment of which four had been retired as at December 31, 2008. The remaining ten capital lease obligations bear variable interest at Euribor plus 1.6% or fixed interest in the range of 4.96% - 7.26%, with either quarterly or monthly repayments, and are amortized over a period of eight to fifteen years. Upon termination of the leases, there is a bargain purchase option in each of the leases.

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

MAXIM assumed, with the acquisition of the Pittsfield facility, a capital lease for the natural gas transportation line. The capital lease obligation bears interest at 15.51% per annum, is repayable on a monthly basis and expires on September 1, 2010.

Future minimum payments under the capital leases at December 31, 2008 are as follows:

2009	\$	9,546
2010		9,589
2011		3,825
2012		2,947
2013		989
Remaining		3,729
Total minimum lease payments		30,625
Amounts representing interest		(4,548)
Present value of net minimum lease payments		26,077
Less: current portion		(7,725)
	\$	18,352

MAXIM POWER CORP.

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13. Long-term Contracts

In conjunction with the acquisition of Capital District Energy Centre Cogeneration Associates ("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, 2008, the natural gas distribution contract was \$249 (2007 - \$1,366) of which \$249 (2007 - \$1,164) was classified as current portion of long-term contracts and the natural gas transportation contracts was \$564 (2007 - \$606) of which \$192 (2007 - \$146) was also classified as current portion of long-term contracts.

Future minimum payments under long-term contracts at December 31, 2008 are as follows:

2009	\$	477
2010		226
2011		170
2012		-
2013		-
		873
Amounts representing interest		(60)
Present value of minimum payments		813
Less: current portion		(441)
	\$	372

14. 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% (2007 - 7%). The total undiscounted amounts of estimated obligations are approximately \$27,423 (2007 - \$2,369) and are expected to be incurred in twelve to forty-six years from the date of these consolidated financial statements.

	2008	2007
Balance, January 1	\$ 763	\$ 787
Liabilities incurred	1,237	-
Accretion expense	126	54
Revisions	529	-
Liabilities settled	(24)	-
Revaluation of foreign currency denominated liabilities	417	(78)
Balance, December 31	\$ 3,048	\$ 763

15. Share Capital

(a) Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares

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Years ended December 31, 2008 and 2007

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15. Share Capital (continued)

(b) Issued:

Share capital:

	2008		2007	
	Number	Amount	Number	Amount
Common shares of Maxim Power Corp.				
Opening balance	44,379,984	\$ 93,674	43,905,468	\$ 90,628
Stock options exercised	101,607	552	474,516	3,046
Normal course issuer bid (note 15c)	(290,100)	(660)	-	-
Private placement offering	10,211,500	62,975	-	-
Common shares held for cancellation	(54,000)	(125)		
Common shares, December 31	54,348,991	156,416	44,379,984	93,674
Contributed surplus				
Opening balance		2,819		1,749
Fair value of stock based compensation		2,756		1,790
Stock options exercised		(253)		(720)
Contributed surplus, December 31		5,322		2,819
Balance, December 31	54,348,991	\$ 161,738	44,379,984	\$ 96,493

(c) Normal course issuer bid:

MAXIM received approval on March 31, 2008 from the Toronto Stock Exchange to commence a normal course issuer bid. At MAXIM's discretion, the Corporation can purchase up to 2,220,000 (approximately 5% of its issued and outstanding common shares) of its common shares through the facilities of the Exchange at the prevailing market price during a twelve month period commencing on April 2, 2008. The bid will officially terminate on April 1, 2009, but can be terminated at an earlier date at the option of MAXIM. Any acquired common shares will be cancelled and returned to treasury. During the nine months ended December 31, 2008, the Corporation purchased and cancelled 290,100 shares. As at December 31, 2008, MAXIM had an additional 54,000 shares which it had purchased but not cancelled and returned to treasury. Subsequent to December 31, 2008, MAXIM had also purchased 93,500 shares and cancelled and returned to treasury 147,500 shares.

(d) Stock options

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

MAXIM POWER CORP.

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15. Share Capital (continued)

	2008 Number	2008 Weighted average exercise price	2007 Number	2007 Weighted average exercise price
Opening balance	3,231,867	\$ 5.56	2,864,050	\$ 4.88
Exercised	(147,940)	(3.21)	(474,516)	(4.90)
Forfeited	(210,500)	(5.56)	(439,667)	(5.04)
Granted	1,153,625	4.20	1,282,000	6.68
Balance, December 31	4,027,052	\$ 5.26	3,231,867	\$ 5.56

Details of the stock options outstanding at December 31, 2008 are as follows:

Range of Exercise Prices	Options Outstanding at December 31, 2008			Options Exercisable at December 31, 2008	
	Number of Options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
\$2.00 to \$3.50	613,625	4.81	\$2.70	-	\$ -
\$3.51 to \$5.99	1,537,393	3.07	\$4.79	694,061	\$ 4.22
\$6.00 to \$8.00	1,876,034	3.14	\$6.49	1,014,867	\$ 6.33
	4,027,052	3.37	\$5.26	1,708,928	\$ 5.47

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 (years)	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

The Corporation accounts for its stock option plan using the fair value method. Under this method, at December 31, 2008, \$2,562 (2007 - \$1,928) of costs are recorded as expense for options granted to employees and directors vesting in 2008. In addition, during the twelve month period ended December 31, 2008, the Corporation also recorded cash stock-based compensation expense of \$97 (2007 - \$nil).

MAXIM POWER CORP.

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15. Share Capital *(continued)*

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, 2008 as follows:

	2008	2007
Risk free interest rate (%)	2.14	3.93
Time to expiration (years)	5.00	5.00
Volatility (%)	50.00	50.00
Expected dividend	-	-

In 2008, the Corporation granted 1,153,625 (2007 – 1,282,000) stock options to purchase common shares at an average price of \$4.20 (2007 - \$6.68) under the Corporation's stock option plan and the weighted average fair value of each option was calculated to be \$1.92 (2007 - \$3.22). 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, 2008 was 49,199,799 (2007- 44,185,969).

For the December 31, 2008 fully diluted income per share calculation, 92,170 (2007 – 294,820) shares were added to the average number of common shares outstanding during the year for the dilutive effects of exercisable stock options.

16. Commitments

(a) Canada

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

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

- (ii) MPLP entered into a long-term coal supply agreement with a supplier in January 2004 to supply thermal coal to the power plant for ten years. The agreement provides for the purchase of coal under fixed prices escalating annually for a fixed minimum quantity per annum. The initial term was five years with an option to extend the contract for another five years. In 2008, MPLP exercised its right to extend the contract for an additional five years. The agreement provides for an adjustment to price during the extension term. The parties to the agreement are following prescribed procedures to finalize the price. Based on the current price in the agreement, before any adjustments that may arise following finalization of price, the remaining purchase commitment for the next five years is \$93,313.

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16. Commitments (*continued*)

- (iii) The Corporation entered into an agreement with the City of Vancouver in 2003 to utilize its methane gas from the City's landfill. In exchange for gas from the landfill, the City of Vancouver will receive up to 10% of the electrical and thermal energy sales based on the volume of gas extracted from the landfill. The term of the agreement is twenty years. The Corporation has also entered into twenty year contracts to sell electricity to British Columbia Hydro ("BC Hydro"), at fixed hourly rates, and to sell thermal energy to a greenhouse facility. The operations and maintenance contract is with Finning at fixed rates based on the hours of electrical production.
 - (iv) The Corporation entered into an agreement with the Capital Regional District ("CRD") for the CRD to supply landfill gas from the Hartland landfill on March 26, 2003. The initial term of the agreement is five years and the parties entered into a new fifteen year landfill gas supply agreement on March 27, 2008. In exchange for landfill gas, the CRD receives 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 in 2003 and a twenty 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. All agreements terminate in 2023.
 - (v) The Corporation entered into a tolling agreement effective September 1, 2004 related to APP. The tolling agreement is a ten year contract whereby the Corporation provides 25 MWs of capacity in exchange for a fixed monthly capacity fee and variable operating and maintenance charges. At the end of the initial term of the agreement, the counterparty has the option to acquire the equipment or extend the contract for a further fifteen years.
- (b) United States
- (i) The Corporation, through its subsidiary, Basin Creek Equity Partners, LLC ("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 twenty 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 2008 and 2007.
 - (ii) The Corporation, through its US subsidiary, Forked River Power LLC ("Forked River"), entered into a Master Power Purchase and Sale Agreement ("MPPS") agreement with FirstEnergy Solutions Corp. ("FirstEnergy"), whereby Forked River will provide its entire generating capacity to FirstEnergy. The MPPS agreement is a ten year contract that commenced on April 17, 2008 and Forked River will receive a fixed capacity fee and variable payments determined on the number of startups and actual MWh's of electricity produced. The facility has an operating and maintenance contract with PurEnergy Operating Services, LLC for a fixed monthly fee which escalates by an inflationary amount on an annual basis.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 21

Years ended December 31, 2008 and 2007

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

16. Commitments *(continued)*

- (iii) As part of the Pittsfield acquisition, the Corporation assumed an RMR agreement with ISO-NE, under which the facility provides generation capacity in exchange for fixed monthly capacity fee and variable operating charges. If Pittsfield is not able to meet required MW availability, the RMR payment is reduced. This agreement expires at the earlier of May 31, 2010 or within 60 days from receiving the written notice from ISO-NE. The facility has an operating and maintenance contract with PurEnergy Operating Services, LLC for a fixed monthly fee which escalates by an inflationary amount on an annual basis.
- (iv) MAXIM receives fixed monthly capacity payments from the ISO-NE for the CDECCA and Pawtucket facilities in exchange for making the plants available in the day-ahead market in accordance with prescribed bidding algorithms. If the facilities are not able to bid according to certain availability standards, the capacity payments are reduced. Both facilities also have operating and maintenance agreements that provide for a fixed monthly fee that escalates by an inflationary amount on an annual basis.
- (v) On February 10, 2009, MAXIM, through its wholly owned subsidiary CDECCA, entered into an agreement for the delivery of natural gas to this facility. The term of the agreement is from February 2009 until December 2010 and requires a minimum shipment quantity over the life of the contract. The estimated minimum purchase commitment is \$208 (US\$171).
- (vi) Commencing October 1, 2008, MAXIM, through its wholly-owned subsidiary CDECCA entered into a long-term thermal and chilled water sale agreement with the State of Connecticut Department of Public Works for a period of ten and a half years, which provides CDECCA with a fixed monthly demand and operating payment along with recovery for the cost of production.
- (c) France
- (i) All French projects have original twelve year sales contracts with Electricité de France ("EDF"). Sales to EDF are at fixed rates per MW-hour with a bonus based on specific levels of efficiency. Thermal sales delivered must reach a specific minimum level to qualify for the bonus. 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, operating and maintenance services are provided to these projects by a common service provider.

The minimum annual office lease commitment for each of the next five fiscal years is as follows:

2009	\$	292
2010	\$	292
2011	\$	49
2012	\$	-
2013	\$	-

MAXIM POWER CORP.

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Years ended December 31, 2008 and 2007

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

17. 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, 2008 at 29.50% (2007 – 32.12%) to income before income taxes.

A reconciliation of the differences is as follows:

	2008	2007 (Restated - note 3)
Computed income taxes	\$ 4,929	\$ 6,997
Increase (decrease) in taxes:		
Differences in effective foreign tax rates and Canadian future tax reduction	225	(202)
Change in valuation allowance	80	(217)
Non-deductible expenses	917	637
Other	(400)	977
	\$ 5,751	\$ 8,192

The components of the future tax liability are as follows:

	2008	2007 (Restated – note 3)
Future income tax liability:		
Non-capital loss carry forwards	\$ 11,130	\$ 12,857
Net-capital loss carry forwards	1,105	43
Capital assets	(22,650)	(18,429)
Valuation allowance	(2,171)	(2,091)
Partnership deferral	(3,479)	(7,651)
Other	1,362	(218)
	(14,703)	(15,489)
Less: current portion	3,479	7,651
Add: future tax asset	(3,942)	(2,589)
	\$ (15,166)	\$ (10,427)

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

	Canadian	Foreign	Total
2016	\$ -	\$ 3,077	\$ 3,077
2018	-	128	128
2026	-	282	282
2027	-	4,502	4,502
2028	881	5,848	6,729
2029	-	459	459
No expiry	-	5,345	5,345
	\$ 881	\$ 19,641	\$ 20,522

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 23

Years ended December 31, 2008 and 2007

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

18. Change in Non-Cash Working Capital

	2008	2007
Operations:		
Accounts receivable	\$ 2,686	\$ 4,127
Prepaid expenses, deposits and other	(357)	1,215
Inventory	(1,940)	1,257
Other assets	-	(156)
Accounts payable and accrued liabilities	190	(932)
Income taxes payable	(3,460)	948
Deferred revenue	-	(82)
	\$ (2,881)	\$ 6,377

The following cash payments have been made to December 31, 2008:

	2008	2007
Taxes	\$ 10,449	\$ 8,869
Interest	\$ 5,623	\$ 4,602

19. 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:

	2008		2007	
	Revenue	Income before the following items*	Revenue	Income (loss) before the following items*
Canada	\$ 70,616	\$ 12,339	\$ 74,050	\$ 25,227
United States	33,522	3,759	19,685	(1,465)
France	42,544	3,025	30,790	2,518
Total	\$ 146,682	\$ 19,123	\$ 124,525	\$ 26,280

* 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:

	For the year ended December 31, 2008			For the year ended December 31, 2007		
	Acquisitions	PP&E Additions	Depreciation and Amortization	Acquisitions	PP&E Additions	Depreciation and Amortization
Canada	\$ -	\$ 16,500	\$ 6,667	\$ -	\$ 3,140	\$ 5,949
United States	77,592	2,517	3,910	-	(184)	2,109
France	767	896	6,208	21,858	3,634	5,711
Total	\$ 78,359	\$ 19,913	\$ 16,785	\$ 21,858	\$ 6,590	\$ 13,769

MAXIM POWER CORP.

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Years ended December 31, 2008 and 2007

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

19. Segmented Information *(continued)*

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

	2008	2007 (Restated – note 3)
Canada	\$ 116,650	\$ 112,739
United States	157,322	46,877
France	121,748	100,580
Total	\$ 395,720	\$ 260,196

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

	2008	2007
Canada	\$ 15,632	\$ 15,632
United States	-	-
France	-	-
Total	\$ 15,632	\$ 15,632

20. 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 electricity sales are to the Alberta Electric System Operator and in British Columbia are completed under agreements with the British Columbia Hydro and Power Authority. Electricity sales in the United States are conducted with ISO-NE and a rate-regulated utility. In France, electricity sales are completed under various power purchase agreements with EDF.

MAXIM POWER CORP.

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Years ended December 31, 2008 and 2007

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

20. Financial Risk Management (continued)

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:

	2008			2007		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	\$ 40,420	\$ -	\$ 40,420	\$ 31,885	\$ -	\$ 31,885
Past due 1-30 days	1,219	-	1,219	4,950	-	4,950
Past due 31-120 days	330	-	330	31	-	31
More than one year	567	248	319	482	376	106
Total	\$ 42,536	\$ 248	\$ 42,288	\$ 37,348	\$ 376	\$ 36,972

The impairment loss recognized during the year relates to a thermal energy customer in France. During the year, it became evident that the Corporation would not fully collect the amounts owed. Accounts receivable at December 31, 2008 were substantially collected subsequent to year end.

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they fall due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow 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 \$10,000. At year end 2008, MAXIM had drawn \$2,120 (2007 - \$1,554) as letters of credit against this facility. Through its French subsidiaries the Corporation has entered into credit facility to a maximum of EUR 750, for the purpose of financing working capital. As at December 31, 2008, the Corporation had drawn the full amount and was fully repaid in January 2009.

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

December 31, 2008	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2010 - 2011	2012 - 2013	Thereafter
Secured bank loans	\$ 67,160	\$ 94,740	\$ 6,735	\$ 4,515	\$ 19,242	\$ 17,993	\$ 46,255
Capital lease payments	26,077	30,625	5,551	3,995	13,414	3,935	3,730
Long-term contracts	813	873	364	113	396	-	-
Purchase obligation	-	93,313	8,876	8,876	36,846	38,715	-
Operating lease obligation	-	633	146	146	341	-	-
Trade and other payables	39,883	39,883	39,883	-	-	-	-
Total	\$ 133,933	\$ 260,067	\$ 61,555	\$ 17,645	\$ 70,239	\$ 60,643	\$ 49,985

MAXIM POWER CORP.

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Years ended December 31, 2008 and 2007

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

20. Financial Risk Management (continued)

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	-	-	-
Operating lease obligation	-	901	123	145	584	49	-
Trade and other payables	36,619	36,619	36,619	-	-	-	-
Total	\$ 103,976	\$ 165,568	\$ 62,650	\$ 13,893	\$ 23,203	\$ 16,281	\$ 49,541

(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

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 denominated in currencies that match the cash flows generated by the underlying operations. This provides an economic hedge for these obligations and no derivatives have been entered into.

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.

Subsequent to year end, MAXIM entered into a costless collar agreement with BMO for the purpose of selling US dollars for a total aggregate amount of US\$5,000 for the period commencing March 2009 to December 2009. The range of the costless collar is \$1.21 to \$1.28. These funds are surplus to U.S. cash requirements.

MAXIM POWER CORP.

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

20. Financial Risk Management (continued)

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

	US Dollars		Euros	
	2008	2007	2008	2007
Cash	\$ 2,197	\$ 2,579	3,078	3,390
Accounts receivable	4,079	923	16,644	16,665
Accounts payable	(4,563)	(2,628)	(14,892)	(14,825)
Long-term debt	(24,685)	(25,427)	(4,280)	(4,250)
Capital lease obligation	(3,994)	-	(11,552)	(9,666)
Long-term contract	(667)	(1,322)	-	-
Net financial instruments	\$ (27,633)	\$ (25,875)	(11,002)	(8,686)

The following significant exchange rates applied during the year:

	2008		2007	
	Average rate	Reporting date closing	Average rate	Reporting date closing
USD	\$ 1.0671	\$ 1.2180	\$ 1.074	\$ 0.991
Euro	\$ 1.5602	\$ 1.7046	\$ 1.469	\$ 1.443

If both the Euro and the US dollar increased by 5% at December 31, 2008, the result would be an increase in Net income of \$38 (2007 – decrease \$160) and decrease Other comprehensive income of \$5,152 (2007 - \$4,954). A decrease in both the Euro and the US dollar of 5% would have the opposite effect on Net income and Other comprehensive income. This analysis assumes that all other variables, in particular interest rates and commodity prices, remain constant. The analysis is performed on the same basis for 2007.

(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 seven capital lease obligations are non-recourse to MAXIM and are at a fixed rate. The remaining debt and capital leases are at variable rates of interest.

	2008		2007	
	Long-term debt	Capital lease obligations	Long-term debt	Capital lease obligations
Fixed rate	\$ 61,813	\$ 20,509	\$ 45,240	\$ 10,492
Variable rate	\$ 7,295	\$ 5,568	\$ 6,132	\$ 5,649

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 28

Years ended December 31, 2008 and 2007

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

20. Financial Risk Management (*continued*)

If both the Euribor and the Canadian Bank rate decreased by 25 basis points at December 31, 2008, the result would be an increase in Net income of \$18 (2007 - \$18) and Other comprehensive income of \$3 (2007 - \$1). An increase in both the Euribor and the Canadian Bank rate of 25 basis points would have the opposite effect on Net income and Other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates and commodity prices, remain constant. The analysis is performed on the same basis for 2007.

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

(iii) Commodity price risk

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

As at December 31, 2008, an appreciation in electricity prices by \$1 per MWh would have increased Other comprehensive income by \$3 (2007 – decrease \$3) and increase Net income by \$540 (2007 - \$502). A weakening of electricity prices by this amount would have the opposite effect on Other comprehensive income and Net income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2007.

As at December 31, 2008, an appreciation in natural gas prices by \$1 per gigajoule would have decreased Other comprehensive income by \$54 (2007 – increased \$37) and decrease Net income by \$583 (2007 - \$612). If average natural gas prices were to decrease by this amount, it would have the opposite effect to Other comprehensive income and Net income. This analysis assumes that all other variables, in particular foreign currency rates, electricity prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2007.

As at December 31, 2008, an appreciation in coal prices by 2% would have decreased Net income by \$192 (2007 - \$233) and would not have an effect on Other comprehensive income. A reduction of coal prices by this amount would have the opposite effect on other net income with no impact on Other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, electricity prices and interest rates remain constant. The analysis is performed on the same basis for 2007.

MAXIM POWER CORP.

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Years ended December 31, 2008 and 2007

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20. Financial Risk Management (continued)

(d) 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, 2008. 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, 2008 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.

21. Capital Disclosures

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

The Corporation's objectives when managing capital are:

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

The Corporation is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, preparing short-term and long-term cash flow 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:

	2008	2007 (Restated – note 3)
Long-term debt	67,160	49,244
Capital lease obligation	26,077	16,141
Less: Cash	(11,791)	(20,167)
Net debt net of cash	81,446	45,218
Shareholders' equity	239,952	137,379
Total capital	\$ 321,398	\$ 182,597

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Years ended December 31, 2008 and 2007

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21. Capital Disclosures *(continued)*

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.

22. Related Party Transactions

During the prior 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 \$Nil (2007 - \$395) of which \$Nil (2007 - \$201) was charged to income and \$Nil (2007 - \$194) was charged to deferred costs. At December 31, 2008, the Corporation had \$Nil (2007 - \$135) in accounts payable as a result of these transactions.

23. Subsequent Event

On February 27, 2009, Comax France SAS, MAXIM's wholly-owned French subsidiary, entered into an agreement to purchase two cogeneration plants in France for consideration of \$1,609 (EUR 1,000) excluding working capital and acquisition costs. The cogeneration facilities have a combined capacity of 16 MWs electrical. The acquisition was funded through debt financing provided by a French bank. The Corporation plans to repower both facilities with new engines and enter into new twelve year power purchase agreements with EDF. The repowering costs are estimated at EUR 6,200 and will be financed entirely with debt.

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.

24. 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 27, 2009, 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, 2008.

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FORWARD-LOOKING INFORMATION

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

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

- Future capital expenditures are estimates based upon planned maintenance projects at each facility.
- The development projects of Deerland, #14 Mine and Milner expansion are based upon current estimates of capital cost along with projected returns on investment, including the ability to obtain the necessary financing.
- Management estimates cash flows from operations will meet commitments and scheduled maintenance programs in 2009. These estimates are based upon current budgets and forecasts. Interruptions to production, higher than anticipated operating costs, lower realized electricity prices, unfavourable moves in interest rates and foreign exchange rates, failure of counterparties to meet their obligations, and various other factors may inhibit the Corporation from meeting its obligations.
- MAXIM has two credit facilities to support liquidity requirements of the Corporation. These facilities are margined on accounts receivable. The ability to draw on these facilities is therefore dependent upon operating performance.
- The sensitivity to changes in commodity prices, interest rates and foreign currency rates are based upon estimates for possible changes in the underlying variable and could differ from the actual change.
- The Corporation estimates the cost of capital and development expenditures of \$12.0 million to be incurred in 2009. These costs are based upon estimates and may differ from the actual costs to complete.
- In determining potential development sites, management estimates future demand in that area. The future demand in these areas may be different than expected.
- MAXIM anticipates all necessary Provincial, State and Federal regulations for environmental and climate change legislation will be met. Changes to environmental legislation may affect the ability of MAXIM to comply with regulations.

BUSINESS OF MAXIM

MAXIM is an Independent Power Producer ("IPP") engaged in the acquisition and development, ownership and operation of power generation facilities and the resultant sale of generating capacity, electricity and thermal energy. MAXIM currently has thirty-seven power plants with 773 Megawatt ("MW") of electric and 137 MW of thermal net generating capacity operating in three identifiable segments: Canada, United States and France. As at December 31, 2008, MAXIM had thirty-five power plants having 757 MW of electrical and 135 MW of thermal net generating capacity.

Canada

Under the Canadian Segment, MAXIM owns one coal-fired facility, five natural gas-fired facilities and two methane gas-fired facilities with a combined 191 MW of electric and 9 MW of thermal net generating capacity. The Milner and Gold Creek facilities are all located in Alberta. Both are "merchant" power facilities, selling electricity to the Alberta Electric Systems Operator ("AESO") at spot market prices. During 2008 MAXIM managed the exposure to changes in the electricity spot prices by selling a portion of the electrical generation at a fixed price. There are no fixed price contracts in place on March 27, 2009.

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

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

MAXIM has received regulatory approvals for the construction of a 190 MW natural gas-fired facility (Deerland Peaking Facility) located near Bruderheim, Alberta and is currently in the process of obtaining a mine permit and licenses for a coal mine (#14 Mine) located near Grande Cache Alberta. The Corporation is also proposing to develop a new generating facility on the site of its H.R. Milner ("Milner") location for an additional 500 MW clean coal-fired generating facility.

United States

In the United States segment, MAXIM owns five natural gas-fired facilities with a combined generating capacity of 433 MW. This includes the Pittsfield Generating Company LP and its 170 MW electric generating facility ("Pittsfield") and the 86 MW Forked River facility that were acquired during 2008.

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

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

France

The France segment has twenty-two natural gas-fired facilities with a combined 133 MW of electrical and 127 MW of thermal generating capacity. The facilities operate during the cogeneration season between November and March of each year. Each of the facilities is under a twelve year contract with Electricité de France ("EDF"). Annually MAXIM has the option to choose the method of operation, either dispatch, in which EDF calls upon the facility for production, or continuous cogeneration, in which the facility produces electricity and thermal energy for the full season. At the end of an EDF contract, MAXIM can renew the contracts for an additional twelve years upon obtaining a thermal energy contract and investing an additional EUR 350 thousand per MW into the facility. All facilities have an agreement to supply thermal energy to various third parties, which are for the same term as the EDF contract.

OVERALL PERFORMANCE

In 2008, MAXIM completed the acquisitions of the 86 MW Forked River facility on April 17, 2008, the Pittsfield facility on August 6, 2008, and two cogeneration plants in France for a combined 10 MW, offset by the disposition of the 1 MW Gift Lake facility. As part of the Pittsfield acquisition, MAXIM assumed an RMR agreement with the ISO-NE that terminates the earlier of May 31, 2010 or on two months notice. As previously described, the RMR provides revenue through a regulated tariff that is sufficient to provide a fixed level of operating income to the facility on an annual basis in exchange for the plant being available to produce electricity on demand. As part of the Forked River acquisition MAXIM entered into a ten year tolling agreement that terminates on April 17, 2018. The tolling agreement provides MAXIM with fixed capacity payments and other related revenues in exchange for the capacity of the plant. During the year, MAXIM disposed of its 0.8 MW Gift Lake facility for gross proceeds of \$0.9 million, resulting in a gain on disposition of \$0.6 million. This amount is included in income from discontinued operations, net of an operating loss of \$0.1 million in 2008. This brings MAXIM's generating capacity to 757 MW at December 31, 2008 compared to 492 MW at December 31, 2007 and was comprised as follows: 191 MW in Canada (eight power plants), 433 MW in the United States (five power plants) and 133 MW in France (22 power plants).

Commencing October 1, 2008, CDECCA entered into a new steam and chilled water agreement with the State of Connecticut Department of Public Works for a period of ten and a half years, which provides CDECCA with fixed monthly payments along with recovery of the cost of production. This agreement replaces a steam and chilled water contract assumed on the acquisition of the facility that had since terminated.

As a result of the acquisitions in 2008, a full year of performance of the eight acquisitions in 2007 and a higher average Alberta power price of \$90 per MWh in 2008 compared to \$67 per MWh in 2007, revenue increased by \$22.2 million or 17.8% to a record \$146.7 million in 2008 compared to 2007 of \$124.5 million. Total generation during 2008 of 1,005,172 MWh was 153,217 MWh or 13.2% lower than 2007 generation of 1,158,389 MWh. Generation was affected by an extended eight week turnaround carried out at Milner, coupled with certain mechanical issues associated with the plant's fuel mix ratio, timing of planned maintenance at other facilities and the disposition of Gift Lake which resulted in a reduction of generation of 185,356 MWh. This is offset by the designation of certain French facilities at the beginning of the cogeneration season as cogeneration mode which has increased generation in its France operations by 32,139 MWh. Overall operating and general and administrative costs increased by \$26.3 million or 31.1% over 2007 costs primarily due to the extended Milner turnaround. Accordingly, earnings before interest, taxes and depreciation (see Non-GAAP measure – "EBITDA") were \$39.4 million which was \$1.0 million or 2.6% lower than 2007 EBITDA of \$40.4 million and cash flow provided by operations were \$28.6 million or 19.1% lower than 2007 of \$35.3 million. Net income in 2008 decreased by \$2.4 million or 17.6%, from \$13.7 million in 2007 to \$11.3 million in 2008, as a result of higher interest expense and depreciation expense from MAXIM's acquisitions in 2008 and 2007 offset by the gain on disposal of Gift Lake.

During 2008, MAXIM issued 10,211,500 common shares through a private placement offering for gross proceeds of \$66.4 million. Proceeds were used for the purchase of the Pittsfield facility, Deerland development costs and working capital purposes. During the year, MAXIM issued 101,607 common shares under the employee stock option plan for proceeds of \$0.6 million. MAXIM also repurchased 344,100 common shares for a total cost of \$1.3 million under the normal course issuer bid ("NCIB") for cancellation at an average price of \$3.68 per share.

MAXIM drew an additional \$14.9 million as long-term debt under the Bank of Montreal ("BMO") Facility B to fund Milner's 2008 turnaround capital expenditures. Subsequent to year end, MAXIM entered into an interest rate swap agreement to fix the interest rate on the BMO Facility B debt at 1.99% plus stamping fee for bankers' acceptances of 2.00% to 2.25% until May 31, 2012.

SELECTED ANNUAL FINANCIAL INFORMATION

(\$000's except per share amounts)	2008	2007	2006
Revenue	146,682	124,525	111,237
EBITDA ⁽¹⁾	39,387	40,449	39,512
Net income – continuing operations	10,814	13,639	20,542
Basic and diluted net income per share – continuing operations	\$ 0.22	\$ 0.31	\$ 0.47
Net income (loss) – discontinued operations	498	85	(636)
Basic and diluted net loss per share – discontinued operations	\$ 0.01	\$ 0.00	\$ (0.02)
Net income for the year	11,312	13,724	19,906
Basic and diluted net income per share	\$ 0.23	\$ 0.31	\$ 0.45
Cash flows provided by operations	28,588	35,347	23,851
Total assets	395,720	260,196	243,969
Total long-term financial liabilities	81,059	60,435	61,403

⁽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 reflects MAXIM's growth in generating capacity since 2006. MAXIM has increased its generating capacity from 447 MW at December 31, 2006 to 757 MW at December 31, 2008. The increased generating capacity was through acquisitions totaling 45 MW in 2007 and net growth of 266 MW in 2008.

Comparing 2008 to 2007, the decrease in 2008 EBITDA is primarily attributed to the extended turnaround and the mechanical issues at Milner offset by an increase in the average Alberta power pool price of \$90 per MWh in 2008, compared to \$67 per MWh in 2007. The 2008 turnaround lasted eight weeks. MAXIM anticipates the duration of future turnarounds to range between two and four weeks per year until 2014, at which time an extended turnaround will be required. Net income in 2008 decreased for these reasons and for the effect of increased interest charges related to capital lease obligations from French and Pittsfield acquisitions along with the additional \$14.9 million drawn on the BMO debt facility, and additional depreciation expense from acquisitions and depreciation of 2008 Milner turnaround costs. Net income in 2007 was \$6.2 million lower than 2006 due to average Alberta power prices which were \$13 per MWh lower in 2007 than 2006, increased interest expense from the assumption of capital leases for acquisitions and an increase in amortization expense as a result of acquisitions.

The increase of \$135.5 million in 2008 total assets over 2007 was attributed to MAXIM's acquisitions of Forked River, Pittsfield and two cogeneration facilities in France, along with the capital expenditures incurred during the extended Milner turnaround. The increase of \$16.2 million in total assets in 2007, from \$244.0 million in 2006 to \$260.2 million in 2007 reflects MAXIM's acquisitions of 45 MW of cogeneration capacity in France during 2007.

Long-term liabilities increased \$20.6 million in 2008 as a result of the \$14.9 million draw on the BMO debt facility which was used to finance the extended Milner turnaround, the capital leases assumed on the acquisitions of Pittsfield and the two cogeneration facilities in France. In 2007, total long-term liabilities decreased \$1.0 million in 2007 over 2006 as a result of 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 acquisitions in France.

RESULTS OF OPERATIONS

Summary of 2008 and 2007 generation by location (MWh)

Facility	2008 MWh	% of 2008 MWh	2007 MWh	% of 2007 MWh
Canada – Milner power plant	764,668	76.1	932,750	80.5
Canada – other power plants	77,922	7.8	90,019	7.7
United States	51,515	5.1	54,802	4.7
France	109,812	10.9	77,673	6.7
Total – Continuing Operations	1,003,917	99.9	1,155,244	99.7
Discontinued Operations	1,255	0.1	3,145	0.3
Total MWh Generation	1,005,172	100.0	1,158,389	100.0

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

Revenue

Summary of MAXIM's power plants by source of revenue

(\$000's)	2008	2007
Tolling or capacity payments at fixed prices	12,802	8,592
Electricity sales at spot prices per MWh	42,957	46,052
Combined fixed capacity and sale of electricity	40,153	29,641
Electricity sales at fixed prices per MWh	50,770	40,240
Total	146,682	124,525

The acquisition of the Pittsfield facility resulted in the increase in the "combined fixed capacity and sale of electricity". The Forked River acquisition resulted in the increase in the "tolling or capacity payments at fixed prices". The reduction in MW of "electricity sales at spot prices per MWh" of \$3.1 million during 2008 was due to a decrease in production at the Milner facility. During 2008 MAXIM acquired 10 MW of generating capacity in France and elected to operate certain France facilities in dispatch mode, which resulted in the 2008 increases and decreases to the categories of "combined fixed capacity and sale of electricity" and "electricity sales at fixed prices per MWh" respectively.

Summary of MAXIM's revenue by geographic location

(\$000's)	2008	2007
Canada	70,616	74,050
United States	33,522	19,685
France	42,544	30,790
Total	146,682	124,525

Consolidated revenue increased by \$22.2 million or 17.8% to \$146.7 million in 2008 from \$124.5 million in 2007. The increase in revenue in 2008 is mainly due to the full year impact of operations from the acquisition of 45 MW of generation capacity during 2007, acquisition of 266 MW generating capacity in 2008, offset by lower production of Milner as a result of the extended turnaround and certain mechanical issues.

The Canadian segment generated revenues of \$70.6 million, \$3.4 million or 4.6% lower than 2007 revenue of \$74.1 million. The lower revenue is attributed to reduced production of 180,179 MWh to 842,590 MWh in 2008 from 1,022,769 MWh in 2007. The decrease in production is related primarily to the Milner extended turnaround and certain mechanical issues, which has resulted in a decrease in production at Milner of 168,082 MWh in 2008. The decrease in production at the other Canadian facilities was the result of scheduled maintenance programs, where production decreased by 12,097 MWh in 2008 to 77,922 MWh compared to 90,019 MWh in 2007. The decrease in production was partially offset by higher Alberta power pool prices which averaged \$90 MWh in 2008 compared to the 2007 average of \$67 MWh. In 2008, Milner had sold 50 MW of generation at a fixed price, which was lower than the average Alberta power pool price in the year.

The power facilities located in the United States contributed \$13.8 million of additional revenue in 2008, \$33.5 million compared to \$19.7 million in 2007, an increase of 70.3%. The increase in 2008 revenue is attributable mainly to the acquisitions of the Pittsfield facility on August 5, 2008 and the Forked River facility on April 17, 2008. Also, during 2008, CDECCA entered into a new steam and chilled water agreement with the State of Connecticut Department of Public Works for a period of ten and a half years, which provides CDECCA with a fixed monthly revenue stream. This agreement replaces a steam and chilled water contract that terminated in 2008. In addition, the Pawtucket and CDECCA facilities received an increase in the forward capacity payments from ISO-NE. In 2008, these payments averaged US\$3.46 per kilowatt ("kW") per month compared to 2007 of US\$3.05 per kW.

MAXIM's French projects contributed \$11.8 million of additional revenue in 2008, \$42.5 million versus \$30.8 million in 2007. This reflects an increase in operations from the two power plants acquired in 2008 and a full year of operations for the eight power plants acquired in 2007. Revenues also increased as a result of designating certain facilities to operate in "cogeneration mode". Production in France increased by 32,139 MWh to 109,812 MWh in 2008.

Plant operations

(\$000's)	Year ended December 31, 2008			Year ended December 31, 2007		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	18,046	28,896	46,942	19,656	19,093	38,749
United States	9,973	15,881	25,854	7,511	11,865	19,376
France	17,073	15,208	32,281	10,105	12,487	22,592
Total	45,092	59,985	105,077	37,272	43,445	80,717
Percent	43%	57%	100%	46%	54%	100%

Plant operations expense increased by \$24.4 million or 30.2%, from \$80.7 million in 2007 to \$105.1 million for 2008. On a per MWh basis, plant operations expense was \$104.54 per MWh during 2008 versus \$69.68 per MWh during 2007. This increase is due to decreased production and higher repair costs at Milner as a result of the 2008 turnaround and certain mechanical issues, the full year impact of operating costs of the eight facilities acquired in France during 2007 and the acquisitions of the Pittsfield and Forked River facilities during 2008.

Overall fuel costs increased in 2008 over 2007 to \$45.1 million from \$37.3 million, an increase of 21.0%. MAXIM's fuel costs as a percentage of total plant operations expenditures decreased by 3% from 46% to 43%. In Canada, fuel costs decreased \$1.6 million or 8.2% to \$18.0 million from \$19.7 million. The decrease is due to reduced coal consumption offset by higher gas consumption at Milner as a result of turnaround and certain mechanical issues. Coal is the principal source of fuel at Milner and is purchased at fixed prices under a long-term supply agreement. In the US, fuel costs increased by \$2.5 million or 32.8% to \$10.0 million from \$7.5 million as a result of the acquisition of the Pittsfield facility. In France, fuel costs increased by 69.0% from \$10.1 million to \$17.1 million as a result of the full year of the eight facilities purchased in 2007, the acquisition of two facilities in 2008 and an election to operate certain facilities in cogeneration mode.

Plant operations and maintenance (“O&M”) expense increased by 38.1% in 2008 to \$60.0 million from \$43.4 million in 2007. MAXIM’s O&M costs as a percentage of total plant operations expenditures increased by 3% from 54% to 57%. Canadian O&M expenses increased \$9.8 million to \$28.9 million in 2008 from \$19.1 million in 2007. The increase is the result of the expenses incurred for the turnaround and the mechanical issues encountered during the year. In the United States, O&M costs increased by \$4.0 million or 33.8% from \$11.9 million in 2007 compared to \$15.9 million in 2008. The increase relates to the acquisition of the Forked River and Pittsfield facilities. O&M in France increased \$2.7 million or 21.8% to \$15.2 million in 2008 from \$12.5 million in 2007. This increase is the result of the two acquisitions in 2008 and the full year of the acquisitions of the eight cogeneration facilities in 2007.

General and administration

(\$000's)	2008	2007
Total general and administration	5,697	3,759

General and administration ("G&A") expense of \$5.7 million during 2008 is \$1.9 million higher than the G&A expense of \$3.8 million during 2007 primarily because of one-time compensation amounts paid in 2008, additional staffing requirements, and costs related to acquisition activity.

Depreciation

(\$000's)	2008	2007
Total depreciation	16,785	13,769

Depreciation expense of \$16.8 million for 2008 is \$3.0 million higher than depreciation expense of \$13.8 million for 2007. The increase in depreciation expense for the period is attributed to the acquisition of Forked River and Pittsfield and the full period effect of the acquisition of eight French facilities acquired in 2007.

MAXIM reviews its facilities for indicators of impairment on an annual 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 2008 and 2007. There has been no change in accounting policy relating to depreciation in 2008 or 2007.

Interest expense

(\$000's)	2008	2007
Long-term debt	4,240	3,722
Capital lease obligation	1,515	928
Other	282	199
Total	6,037	4,849

MAXIM incurred interest expense of \$6.0 million compared to \$4.8 million for the same period in 2007, an increase of \$1.2 million or 24.5%. The increase was primarily due to a higher outstanding balance through MAXIM’s Bank of Montreal ("BMO") credit facility and the capital lease obligations assumed as part of the Pittsfield and France power plant acquisitions. During the year, MAXIM drew an additional \$14.9 million on its BMO credit facility to finance the extended turnaround at the Milner facility. In 2008, MAXIM, through its France subsidiaries, assumed two capital lease obligations related to production equipment and realized a full year of interest expense on the nine capital lease obligations acquired in 2007.

Other income

(\$000's)	2008	2007
Other income	956	-

During 2008, MAXIM realized other income of \$1.0 million. This income is attributable to compensation from a supplier for lost production at one France facility, along with insurance proceeds for compensation on damaged equipment.

Foreign currency (gain) loss

(\$000's)	2008	2007
Foreign currency (gain) loss	(2,229)	156

During 2008, MAXIM realized a \$2.2 million foreign currency exchange gain, compared to a loss of \$0.2 million in 2007. This gain is primarily the result of a forward rate contract that MAXIM entered into to reduce the exposure to the fluctuation in US dollar exchange rates until closing of the purchase of Pittsfield.

Income taxes

(\$000's)	2008	2007
Current tax expense	6,926	9,395
Future tax recovery	(1,175)	(1,203)
Total	5,751	8,192

MAXIM's income tax provision in 2008 was \$5.8 million for income taxes from continuing operations compared to 2007 of \$8.2 million. Income before income taxes from continuing operations decreased in 2008 over 2007, \$16.7 million versus \$21.8 million. MAXIM is "cash taxable" resulting in a recovery of future income taxes in the year of \$1.2 million (2007 - \$1.2 million) and a decrease to the current tax provision to \$6.9 million (2007 - \$9.4 million) for a net tax provision of \$5.8 million (2007 - \$8.2 million).

Net income (loss) from discontinued operations

(\$000's)	2008	2007
Net income (loss) from discontinued operations	498	85

On June 1, 2008, the Corporation sold the 0.8 MW Gift Lake facility located in north-central Alberta. The disposition included the sale of all the generating equipment and spare parts inventory related to the plant. The proceeds from the sale of the assets resulted in total proceeds of \$0.9 million and a pre-tax gain of \$0.6 million which is offset by a loss from operations of \$0.1 million.

In 2007, MAXIM completed the sale of Maxim Greenpower GmbH for total proceeds of \$0.3 million (EUR 0.18 million). 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.

Net income

(\$000's)	2008	2007
Net income from continuing operations	10,814	13,639
Net income	11,312	13,724

Net income from continuing operations in 2008 was \$10.8 million or \$0.22 per share (basic and diluted), versus 2007 net income from continuing operations of \$13.6 million or \$0.31 per share (basic and

diluted). Including discontinued operations, MAXIM's net income was \$11.3 million or \$0.23 per share (basic and diluted) in 2008 compared to 2007 net income of \$13.7 million or \$0.31 per share (basic and diluted).

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

MAXIM utilizes existing cash, cash flows from operations and revolving credit facilities to provide liquidity to the Corporation, to finance maintenance-of-business capital expenditures, and finance development initiatives up to the permit stage. MAXIM plans for significant maintenance initiatives and preserves cash and credit through its revolving credit facilities to finance these initiatives. In certain years it is possible that capital requirements will exceed these sources of financing. In these situations, MAXIM will arrange for debt financing as was done in 2008 to finance the capital expenditures related to the Milner turnaround. The current cash flow from operations is sufficient to meet future commitments and meet scheduled maintenance programs to maintain current generating capacity.

MAXIM has the capacity under the BMO debt facility to draw up to \$10.0 million based upon the Corporation's accounts receivable balance. At December 31, 2008, MAXIM had \$2.1 million outstanding on this facility by way of letters of credit. In France, MAXIM obtained a working capital facility with a French bank to provide financing up to EUR 0.8 million and is repayable upon collection of certain accounts receivable balances. MAXIM had EUR 0.8 million outstanding on this balance as at year end. These facilities are available to the Corporation to provide short term financing when unforeseeable events occur.

MAXIM also requires capital (debt and equity) to finance development initiatives beyond the permit stage and for larger acquisitions. The current economic financial crisis places limitations on the ability of the Corporation to secure debt and equity financing. MAXIM is able to manage the timing of its acquisition and development initiatives to reduce liquidity risk.

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

(\$000's)	2008	2007
Cash on hand, January 1	20,167	22,955
Cash flow from operations	28,588	35,347
Cash flow from financing	66,014	2,087
Available for investments	114,769	60,389
Cash flow used in investing	(104,301)	(39,461)
Effect of foreign exchange rates on cash	1,323	(761)
Cash on hand, December 31	11,791	20,167

The decrease in cash flow from operations is the result of lower production during the year from the extended Milner turnaround and the mechanical issues encountered offset by the acquisitions of Forked River, Pittsfield and the two facilities in France in 2008, and the full year effect of 2007 acquisitions.

During 2008, MAXIM obtained net financing of \$66.0 million. MAXIM drew \$14.9 million through its BMO Facility B and repaid \$5.8 million on the facility during the year and drew \$1.3 million (EUR 0.8 million) on its French credit facility. The Corporation has also repaid \$5.0 million relating to capital lease obligations and \$1.4 million relating to long-term contracts. MAXIM issued 10.3 million common shares under a private placement agreement and the exercising of stock options for net proceeds of \$63.3 million. These issuances are offset by the Normal Course Issuers Bid ("NCIB") in which 0.3 million common shares were repurchased for \$1.3 million.

In 2007, MAXIM obtained net financing of \$2.1 million. The Corporation issued 474,516 common shares as a result of the exercise of stock options for net proceeds of \$2.3 million. On July 5, 2007, the Corporation replaced its existing credit facility with BMO with a new facility and drew an additional \$8.1 million through the new facility. MAXIM made \$4.3 million in payments on its long-term debt and \$4.0 million in payments on capital lease obligations. The excess capital expenditures over cash flow from operations and financing were financed from existing cash balances.

During 2008, MAXIM spent \$104.3 million on investing activities. These activities included \$78.4 million on the acquisition of Forked River, Pittsfield and two cogeneration facilities in France, \$19.1 million on capital expenditures net of proceeds of \$1.0 million, of which the majority related to the extended turnaround at Milner and \$6.8 million on development and acquisition projects.

In 2007, MAXIM spent \$39.5 million on investing activities. These activities included the acquisition of eight cogeneration facilities in France for total consideration of \$21.9 million, \$4.1 million spent on development activities, \$6.7 million on capital expenditures net of proceeds of \$0.4 million and \$7.3 million of the settlement of a cash flow indenture.

The following table represents the net capital of the Corporation

(\$000's)	2008	2007
Long-term debt	67,160	49,244
Capital lease obligation	26,077	16,141
Less: Cash	(11,791)	(20,167)
Net debt	81,446	45,218
Shareholders' equity	239,952	137,379
Net capital	\$ 321,398	\$ 182,597
Net debt to capital	25.3%	24.8%

The Corporation uses net debt to monitor leverage. The increase in net debt in 2008 is the result of the draw on credit facilities to finance capital costs of the Milner turnaround and assumptions of capital leases on the two France acquisitions and the Pittsfield acquisition, and utilization of cash for the acquisition of Forked River offset by the generation of cash from operations. The increase in shareholders' equity in the year is the result of operations along with the issuance of 10.3 million common shares for net proceeds of \$63.3 million. These proceeds were used for the purchase of the Pittsfield generating facility, the Deerland development project and working capital purposes.

During 2008, MAXIM obtained regulatory approval from the Toronto Stock Exchange ("TSX") to purchase up to 2,220,000 common shares for cancellation under a NCIB during the twelve month period commencing April 2, 2008. MAXIM had purchased 344,100 common shares at an average price of \$3.68 for a total cost of \$1.3 million as at December 31, 2008. Of the 344,100 common shares purchased, 54,000 remained in treasury at December 31, 2008 and were cancelled subsequent to year end. Subsequent to year end, MAXIM has purchased 93,500 common shares at an average price of \$2.69 per share for a total cost of \$0.3 million.

As at December 31, 2008, MAXIM was in compliance with all externally imposed financial debt covenants on all of its credit facilities.

Working capital

(\$000's)	2008	2007	Change
Cash	\$ 11,791	\$ 20,167	\$ (8,376)
Accounts receivable	42,288	36,972	5,316
Prepaid expenses, deposits and other	1,733	913	820
Inventory	6,447	1,141	5,306
Accounts payable and accrued liabilities	(37,662)	(30,899)	(6,763)
Income taxes payable	(2,221)	(5,720)	3,499
Current portion of long-term debt	(7,873)	(2,847)	(5,026)
Current portion of capital lease contracts	(7,725)	(3,528)	(4,197)
Current portion of long-term contracts	(441)	(1,310)	869
Current portion of future income tax liability	(3,479)	(7,651)	4,172
	\$ 2,858	\$ 7,238	\$ (4,380)

Working capital in 2008 has decreased \$4.4 million to \$2.9 million in 2008 from \$7.2 million in 2007. The acquisitions of Forked River, Pittsfield and the two cogeneration facilities in France, have resulted in an increase in accounts receivable, accounts payable and prepaid expenses, deposits and other. The increase in accounts receivable is also attributed to a higher average December Alberta power pool price of \$88 in 2008 compared to \$67 in 2007. MAXIM increased its inventory in both fuel oil and coal during the period. The increase in the fuel oil inventory is related to the acquisitions of Forked River and Pittsfield. The increase in the coal inventory is the result of purchases of coal during the turnaround to ensure an adequate inventory is on hand in case of supply interruptions. The increase in the current portion of long-term debt of \$5.0 million and capital lease obligation of \$4.2 million is the result of the \$14.9 million increase on the BMO facility, the draw on MAXIM's French credit facility and the assumption of capital leases on the two France cogeneration facilities and the Pittsfield facility. The decrease in the income taxes payable of \$3.5 million and the current portion of future income tax liability of \$4.2 million is related to the lower income earned during 2008.

Contractual obligations

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

At December 31, 2008 (\$000's)	Total	2009	2010-2011	2012-2013	Thereafter
Long-term debt	\$ 94,740	\$ 11,250	\$ 19,242	\$ 17,993	\$ 46,255
Capital leases	30,625	9,546	13,414	3,935	3,730
Long-term contracts	873	477	396	-	-
Purchase obligation	93,313	17,752	36,846	38,715	-
Operating leases	633	292	341	-	-
Total	\$ 220,184	\$ 39,317	\$ 70,239	\$ 60,643	\$ 49,985

- Long-term debt obligations are comprised of the principal and interest payments.
- Capital leases consist of leases on various production facilities and a natural gas feedline at Pittsfield. These amounts are comprised of both the interest and principal payments.
- Long-term contracts are payment obligations related to natural gas distribution and transportation at the CDECCA facility. These amounts are comprised of both the interest and principal payments.
- Purchase obligation is for the commitment with a supplier to purchase coal for the Milner facility.
- Operating lease is for the leased office space at the Corporation's head office location.

Capital resources

The Corporation is currently estimating capital and development expenditures of approximately \$12.0 million for 2009. These expenditures include \$10.0 million to maintain existing facilities and \$2.0 million for development projects. The expenditures are to be financed through cash flows from operations and existing cash balances.

OUTLOOK

2008 Guidance

MAXIM provided guidance for its projected 2008 results on November 12, 2008. This guidance was based on MAXIM's existing portfolio of assets and therefore does not include the impact of possible acquisitions or commercialization of development initiatives.

Maxim Power Corp. 2008 Guidance and Results

(\$000's, except per share amounts)	Guidance on November 12, 2008	Recorded at December 31, 2008	Difference
EBITDA (refer to non-GAAP measures)	39,000	39,387	387
Net income	13,000	11,312	(1,688)
Per share - basic and diluted	\$ 0.26	\$ 0.23	\$ (0.03)
Cash provided by operations	29,000	28,588	(412)
Per share - basic and diluted	\$ 0.57	\$ 0.58	\$ 0.01

EBITDA exceeded guidance of \$39 million by \$0.4 million or 1% primarily due to higher production of electricity than anticipated.

MAXIM recorded net income of \$11.3 million, which was \$1.7 million lower than guidance of \$13.0 million. Lower net income is attributable to higher amortization as a result of revisions to the purchase price allocations at Forked River and Pittsfield, higher interest expense from higher than anticipated use of the Corporation's credit facilities to support working capital requirements, and increased lease costs related to Pittsfield and acquisitions in France. These increases in costs were offset by lower taxes due to lower income before income taxes.

Cash provided by operations was \$28.6 million or \$0.4 million lower than guidance of \$29.0. Lower cash provided by operations was the result of the aforementioned higher interest expense and higher working capital than anticipated (which results in lower cash provided by operations).

The 2008 guidance was based on the following assumptions and is compared to results recorded at December 31, 2008.

Maxim Power Corp. 2008 Assumptions for Guidance and Results

(\$000's, except as otherwise noted)	Guidance on November 12, 2008	Recorded at December 31, 2008	Difference
Electricity deliveries (MWh)	966,000	1,005,172	39,172
Net generation capacity at year ending (MW)	757	757	-
Capital expenditures (excluding acquisitions)			
HR Milner	16,000	16,295	295
Other assets	6,000	5,023	(977)
Development projects	2,000	3,256	1,256
Average Alberta spot electricity price	\$ 91.00	\$ 89.93	\$ (1.07)
Average annual foreign exchange rates			
C\$/USD	\$ 1.04	\$ 1.07	\$ 0.03
C\$/Euro	\$ 1.54	\$ 1.56	\$ 0.02
Weighted average shares outstanding (000's)	50,818	49,200	(1,618)

Acquisition and development initiatives

MAXIM will continue its strategy of an IPP and is targeting growth through acquisitions and development of power plants in markets of Western Canada, United States and France. MAXIM will target opportunities with generating capacity of 50 MW or greater, except in France where MAXIM's distributed generation platform targets power plants which are smaller scale.

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. Under the current global financial market conditions, Alberta's oil and gas industry could realize reduced development which would then impact the growth and demand for electricity. Furthermore, IPP's may have obstacles to acquire capital to pursue growth objectives.

MAXIM received regulatory approvals from the Alberta Utilities Commission and Alberta Environment in June 2008, to construct and operate the Deerland Peaking Station, a 190 MW natural gas-fired peaking facility. The station will be located immediately adjacent to the existing Deerland high voltage substation in Alberta's industrial heartland, an area expected to experience significant growth in electrical demand. MAXIM has an option to lease up to thirty acres of land for the station. This is an attractive asset as it provides land for future expansion. MAXIM expects peaking requirements to continue to grow to meet overall demand growth and to provide firm backup for additional intermittent wind resources. Construction of the facility is expected to take approximately twelve months once the key commercial arrangements necessary to support construction have been concluded.

The process of obtaining mine permit and licenses is continuing for the development of the underground #14 Mine at Milner. The project is nearing the completion of the technical review phase with the Energy Resources Conservation Board ("ERCB") and Alberta Environment. The application is expected to enter the approvals phase with both regulatory agencies thereafter.

MAXIM is proposing to develop a new generating facility at the existing Milner location with the addition of 500 MW of clean coal-fired generating capacity. Environmental and engineering studies were completed in the third quarter of 2008. MAXIM filed its regulatory applications with the Alberta Utilities Commission and Alberta Environment in January of 2009.

MAXIM requires capital (debt and equity) to finance development initiatives beyond the permit stage and for larger acquisitions. The current economic financial crisis places limitations on the ability of the Corporation to secure debt and equity financing. MAXIM is able to manage the timing of its acquisition and development initiatives.

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

Provincial and state regulations

Pursuant to the Climate Change and Emissions Act (Alberta) which became effective on July 1, 2007, MAXIM is required to limit the production of carbon dioxide at the Milner facility to an approved baseline. MAXIM was fully compliant with its 2008 baseline and was not obligated to make payments to the Alberta government's technology fund in 2008.

In 2006, the Alberta government enacted regulations under the Environmental Protection and Enhancement Act (Alberta) to specify target sulphur dioxide and nitrous dioxide emissions from industrial operations. Milner is affected by these regulations and is required to reduce its nitrous dioxide emissions by 75 percent commencing in 2013. MAXIM has determined that the most cost-effective means of achieving the targets for the three-year period of 2013 to 2015 is to take early action through an investment of approximately \$2.2 million for capital equipment, with reductions of nitrous dioxide prior to 2013 being used to satisfy target reductions in 2013. MAXIM continues to monitor nitrous dioxide emissions to ensure the appropriate measures are taken to meet externally imposed targets.

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

The Corporation's facilities in the northeast U.S. are subject to the Regional Greenhouse Gas Initiative ("RGGI"). During 2008 the Corporation purchased 26,000 tonnes of allowances over two auctions to comply with requirements of RGGI.

Federal government regulations

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

There are indications that the U.S. federal government is moving to take active steps to reduce greenhouse gas emissions. Various pieces of federal legislation that would limit greenhouse gas emissions have been introduced in the U.S. Congress, some form of which may be enacted at some point in the future. The U.S. Environmental Protection Agency ("EPA") is also reviewing whether it will regulate greenhouse gases under the existing Clean Air Act. While the details of this emerging legislative regime are still in a state of flux, the outcome could have a material effect on the Corporation's operations, cash flows, and financial condition.

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

Climate change legislation continues to evolve. The extent to which there will be harmonization of provincial, state, and federal climate change legislation remains to be determined. Accordingly, MAXIM does not have sufficient information to fully assess the financial implications this area of legislation on MAXIM.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

(\$000's except per share and per MWh amounts)	2008 (Restated)				2007 (Restated)			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	53,429	31,042	14,797	47,414	37,945	33,616	18,979	33,985
EBITDA ⁽¹⁾	18,251	11,189	(5,536)	15,483	12,223	15,322	2,883	10,021
Net income (loss) from continuing operations	7,520	3,804	(6,639)	6,129	2,210	8,304	(180)	3,305
Net gain (loss) from discontinued operations	-	-	537	(39)	128	(33)	(27)	17
Net income (loss)	7,520	3,804	(6,102)	6,090	2,338	8,271	(207)	3,322
Basic and diluted income (loss) per share – continuing operations	\$0.15	\$0.08	\$(0.15)	\$0.14	\$0.05	\$0.19	\$(0.01)	\$0.08
Basic and diluted loss per share – discontinued operations	-	-	0.01	-	-	-	-	-
Basic and diluted income (loss) per share	\$0.15	\$0.08	\$(0.14)	\$0.14	\$0.05	\$0.19	\$(0.01)	\$0.08
Total assets	395,720	337,380	281,193	301,814	260,196	234,013	227,264	252,950
Average Alberta pool price per MWh	\$ 95	\$ 80	\$ 108	\$ 77	\$ 62	\$ 92	\$ 50	\$ 64

⁽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.

Quarter over quarter revenues, EBITDA and net income are affected by planned and unplanned outages, market demand, market prices, timing of acquisitions, weather conditions, and acquisitions and divestitures. Revenues, EBITDA and net income are generally higher in the first and fourth quarters as a result of the seasonal operations of the French facilities as the French cogeneration season operates from the start of November through to the end of March. MAXIM recorded lower revenues, EBITDA and net income in the second quarter of both 2008 and 2007 as the result of the timing of the annual Milner turnaround. In 2008, Milner had an extended eight week turnaround, which has resulted in a further reduction of revenue, EBITDA and net income, which was offset by the acquisition of Forked River during the second quarter of 2008. In the third quarter of 2008, the average Alberta power pool price averaged \$80 per MWh compared to the 2007 average of \$92 MWh, resulting in the reduction of revenue, EBITDA and net income, which was offset by the acquisition of the Pittsfield facility on August 5, 2008. For the fourth quarter of 2008, MAXIM received a full quarter revenues from both Forked River and Pittsfield which has resulted in the increase in revenue, EBITDA and net income.

2008 FOURTH QUARTER

Summary of MWh generation by location for the fourth quarter:

Facility	Q4 2008 MWh	% of 2008 MWh	Q4 2007 MWh	% of 2007 MWh
Canada – Milner power plant	242,601	71.4	247,975	81.2
Canada – other plants	18,966	5.6	24,070	7.9
United States	11,830	3.7	475	0.1
France	65,365	19.3	32,940	10.8
Total MWh Generation	338,762	100%	305,460	100%

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

The fourth quarter of 2008 reflected higher production of 338,762 MWh versus 305,460 MWh, for the same quarter in 2007, primarily as a result of increased production in France. French facilities produced 65,365 MWh compared to 32,940 during the same quarter of 2007, an increase of 32,425 MWh. This increase is attributable to the acquisition of the two cogeneration facilities in 2008 and MAXIM elected to designate a number of French plants to operate in cogeneration mode, which results in higher production volume.

Revenue in the fourth quarter of 2008 increased \$15.5 million to \$53.4 million compared to the fourth quarter of 2007 of \$37.9 million. The increase is the result of the higher Alberta power prices, \$95 per MWh compared to \$62 MWh in 2007 and increased production resulting from the acquisitions of Forked River, Pittsfield and two cogeneration facilities acquired in France.

Operating expenses, net of other income, for the fourth quarter 2008 have increased \$9.4 million to \$35.1 million from \$25.7 million in 2007 representing an increase of 36.6%. The increase is directly related to the acquisitions of Forked River, Pittsfield, the two cogeneration facilities in France and additional staffing required to support the acquisitions. This increase has been offset by a reimbursement of \$0.6 million from a supplier for lost production on a facility in France.

MAXIM incurred interest expense of \$1.8 million compared to \$1.3 million for the same period in 2007, an increase of \$0.5 million or 32.5%. The increase was primarily due to increased interest expense in France, a higher outstanding balance through MAXIM's BMO credit facility and the acquisition of the capital lease obligation at Pittsfield.

Income taxes increased \$0.2 million or 7.8% from \$2.7 million in 2007 to \$2.9 million in 2008. The increase is a result of the higher taxable income from increased production and the acquisitions completed during the 2008.

Net income in the fourth quarter 2008 increased \$5.2 million to \$7.5 million from \$2.3 million in the same period in 2007. This translates to a per share earnings of \$0.15 in 2008 compared to \$0.05 in 2007.

NON-GAAP MEASURE - EBITDA

(\$000's)	2008	2007	2006
GAAP Measures in 2008 and 2007 Consolidated Statements of Operations and Retained Earnings			
Net income for the year	11,312	13,724	19,906
Net (income) / loss from discontinued operations	(498)	(85)	636
Income taxes	5,751	8,192	7,137
Interest expense	6,037	4,849	3,273
Depreciation and amortization	16,785	13,769	8,560
Non-GAAP measure - EBITDA	39,387	40,449	39,512

The calculation of EBITDA was revised to be consistent with the Chartered Accountants of Canada's "Improved Communication with Non-GAAP Financial Measures" issued October 2008. As a result the prior year amounts have been restated to conform with the current year presentation.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

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

Goodwill

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

Fair value of a facility is determined based upon the estimated discounted future cash flows. Management is required to make assumptions about future cash flows including production, fuel costs, operating expenses and capital programs. Management has determined no impairment exists at December 31, 2008.

Useful life and salvage value of property, plant and equipment

Property, plant and equipment ("PP&E") is amortized over its estimated useful life net of salvage value. The estimated useful life of the facilities are based upon current conditions and prior knowledge, which take into consideration specific contracts, agreements, condition of the asset, technology, future legislation, production and use of the asset, regular maintenance programs and estimated demand for the products. The facilities are operated within manufacturers' specifications to realize the expected useful life of each asset. Notwithstanding these measures, the useful life of equipment may vary from that which is estimated by management.

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

Impairment of long-lived assets

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

Fair value of a facility is determined by calculating the estimated discounted future cash flows. Management is required to make assumptions about future cash flows including production, fuel costs, operating expenses and capital programs. Management has determined no impairment exists at December 31, 2008.

Income taxes

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

Asset retirement obligation

Asset retirement obligation is recognized in the consolidated financial statements when a legal commitment exists and a reasonable estimate of the fair value of the liability can be made. These liabilities include legal obligations to remove tangible equipment and restore the site to its original state. The fair value of the liability is estimated using a probability weighted average for the potential settlement amounts. These costs are inflated to the expected date of settlement using an estimated inflation rate and then are discounted at the risk-free interest rate adjusted to reflect the Corporation's borrowing rate. Actual payments to settle the obligations may differ from estimated amounts.

NEW ACCOUNTING PRONOUNCEMENTS

International financial reporting standards ("IFRS")

On February 13, 2008, the CICA Accounting Standards Board ("AcSB") confirmed publicly accountable enterprises will be required to adopt IFRS in place of Canadian generally accepted accounting principles ("GAAP") for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011 with comparative information required for 2010. MAXIM is currently assessing the effect of IFRS on its accounting policies, financial statements, internal controls, information systems and business activities. MAXIM is currently unable to determine the impact of adopting IFRS on its financial statements.

MAXIM has developed a changeover plan which includes an initial assessment, detailed assessment and implementation phases. The Corporation has completed the initial assessment, which includes certain training, researching and documenting the significant differences between Canadian GAAP and IFRS and a preliminary assessment of the information technology systems. Both Canadian GAAP and IFRS are similar in design. However, significant differences exist which have a high impact to the Corporation. Those areas include, but are not limited to, property, plant and equipment, cash generating units, business combinations and future income taxes and provisions under IFRS-1 First Time Adoption of IFRS.

MAXIM is currently in the detailed assessment stage. Work groups have been assigned various financial statement line items and these groups are currently focused on identifying detailed differences and assessing the impact on the Corporation. The detailed testing and implementation of IFRS, along with employee training and designing internal controls to support IFRS are expected to be completed by the end of 2009. In 2010, MAXIM expects to run parallel between Canadian GAAP and IFRS with a full IFRS implementation by January 1, 2011.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the AcSB issued CICA Handbook Sections 1582 - Business Combinations, 1601 - Consolidated Financial Statements and Section 1602 - Non-controlling Interests. Section 1582 is effective for business combinations subsequent to January 1, 2011. This standard was issued to align Canadian GAAP with IFRS. The Standard requires additional use of fair value measurements, recognition of additional assets and liabilities and increases disclosure. Adoption of this standard will have a material effect on the method of accounting for business combinations in future periods. Upon adoption of Section 1582, entities are required to adopt Sections 1601 – Consolidated Financial Statements and 1602 – Non-controlling interest. These two standards require a change in measurement of non-controlling interest and require the change to be presented as part of shareholders' equity on the balance sheet. The income statement of the controlling parent will require all of the subsidiaries results and present an allocation between the controlling interest and non-controlling interest. Adoption of Section 1582 is applied prospectively and Sections 1601 and 1602 are applied retroactively.

Goodwill and intangible assets

The CICA has issued Section 3064 “Goodwill and Intangible Assets” to replace Section 3062 “Goodwill and Other Intangible Assets”. Section 3064 gives guidance on the recognition of intangible assets, as well as, the recognition and measurement of internally developed assets. Section 3064 “Goodwill and Intangible Assets” is effective for annual and interim financial statements relating fiscal years beginning on or after October 1, 2008. MAXIM continues to assess the impact of this section on these consolidated financial statements.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk is inherent in all business activities and cannot be entirely eliminated. However, shareholder value can be maintained and enhanced by identifying, mitigating, and where possible, insuring against these risks. The following section addresses some, but not all, risk factors that could affect our future results and our activities in mitigating those risks. These risks do not occur in isolation, but must be considered in conjunction with each other. Certain sections will show the after-tax effect on net earnings and/or cash flows of changes in certain key variables. The analysis is based on business conditions and production volumes in 2008. Each item in the sensitivity analysis assumes all other potential variables are held constant. While these sensitivities are applicable to the period and magnitude of changes on which they are based, they may not be applicable in other periods, under other economic circumstances, or for a greater magnitude of changes.

Financial risks and financial instruments

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

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

MAXIM may utilize derivative financial instruments to manage or hedge commodity prices such as natural gas and financial risks such as floating interest rates and changes in foreign currency rates. Derivative financial instruments are not used for speculative purposes.

(a) Credit risk:

Credit risk arises from the possibility that 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.

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 sells electricity from the power plants to the ISO-NE, Basin Creek capacity is sold to a regulated utility and Forked River capacity is sold to an investment grade customer.

In both British Columbia and France, the co-generation facilities also produce thermal heat which is sold primarily to greenhouse customers. CDECCA which is also a cogeneration facility, produces steam and chilled water which is sold under contracts with the State of Connecticut. The Forked River facility is under a ten year tolling agreement with a rated counterparty. 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 come due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analysis. MAXIM maintains a revolving credit facility with a maximum draw of 90% of allowable Canadian accounts receivable and 75% of allowable US accounts receivable balance up to \$10.0 million. At year end 2008, MAXIM has drawn \$2.1 million (2007 - \$1.6 million) as letters of credit against this facility.

(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 changes to 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 U.S. dollar and Euros. MAXIM did not hedge this exposure in 2008 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, thereby forming a "natural hedge" between cash flows from operations and obligations. During 2008, MAXIM entered into a forward purchase agreement to purchase U.S. \$54 million to reduce the exposure to the fluctuation in US dollars until closing of the purchase of Pittsfield, which has resulted in a foreign currency exchange gain of \$2.2 million. Subsequent to year end, MAXIM entered into a costless collar agreement with BMO for the purpose of fixing an exchange rate on U.S. \$5.0 million for the period of March 2009 to December 2009 to Canadian dollars as these funds are surplus to U.S. dollar obligations. The range of the costless collar is \$1.21 to \$1.28. 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.

If both the Euro and the US dollar increased by 5% at December 31, 2008, the result would be an increase in net income of \$38 (2007 – decrease \$160) and a decrease in other comprehensive

income of \$5,152 (2007 - \$4,954). A decrease in both the Euro and the US dollar of 5% would have the opposite effect on net income and other comprehensive income. This analysis assumes that all other variables, in particular interest rates and commodity prices, remain constant. The analysis is performed on the same basis for 2007.

(ii) Interest rate risk

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

On January 30, 2009, MAXIM entered into an interest rate swap agreement with BMO. This agreement fixes the BMO Facility B interest rate at 1.99% plus a stamping fee of 2.00% to 2.25%. This agreement is effective February 2, 2009 until May 31, 2012, and is considered to be an effective hedge, to be accounted for as a hedge in future periods. MAXIM reviewed the sensitivity of fluctuations to the Euribor rate and Canadian Bank rate on the remaining variable rate long-term obligations and found there was an insignificant impact to MAXIM's net income and cash flows.

If both the Euribor and the Canadian Bank rate decreased by 25 basis points at December 31, 2008, the result would be an increase in net income of \$18 (2007 - \$18) and other comprehensive income of \$3 (2007 - \$1). An increase in both the Euribor and the Canadian Bank rate of 25 basis points would have the opposite effect on net income and other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates and commodity prices, remain constant. The analysis is performed on the same basis for 2007.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity, natural gas and coal. During 2008, MAXIM reduced its exposure at Milner 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. These contracts expired on December 31, 2008. Under certain other 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 had three minor fixed forward price gas contracts, 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. The parties to this contract are in discussions on price for the balance of the contract (see Other Risks (b) Coal Supply).

As at January 1, 2009, an appreciation in the electricity price by \$1 per MWh would have increased other comprehensive income by \$3 (2007 – decrease \$3) and increased net income by \$540 (2007 - \$502). A weakening of the electricity price by this amount would have the opposite effect on other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, coal prices and interest rates remain constant.

As at January 1, 2009, an appreciation in the natural gas price by \$1 per gigajoule would have decreased other comprehensive income by \$54 (2007 – increased \$37) and decreased net income by \$583 (2007 - \$612). If the average natural gas price was to decrease by this amount, it would have the opposite effect to other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, electricity prices, coal prices and interest rates remain constant.

As at January 1, 2009, an appreciation in coal prices by 2% would have decreased net income by \$192 (2007 - \$233) and would not have an effect on other comprehensive income. A reduction of coal prices by this amount would have the opposite effect on other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, electricity prices and interest rates remain constant. The analysis is performed on the same basis for 2007.

(d) Fair value of financial instruments:

Financial instruments included in the balance sheet, other than long-term debt, are measured at fair value upon initial recognition and approximate their fair value at December 31, 2008. 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.

Other risks

(a) Global financial crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and are continuing in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted Corporation valuations and will impact the performance of the global economy going forward.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

(b) Coal supply

MPLP's supply of thermal coal to the Milner Facility is primarily sourced and subject to Coal Valley Resources Inc.'s ("CVRI") ability to mine and deliver thermal coal from the Coal Valley mine located in Grande Cache, Alberta. In July of 2008, MPLP exercised its option to extend the term of the CSA for an additional five years expiring on December 31, 2013. The price of coal during the extension term is established in the CSA and reflects an annual inflation adjustment over the prior years price. It is CVRI's view that it has the right to initiate a price review and has given notice to MPLP that it wishes to review the price for the extension term. It is MAXIM's view that the price review can only be initiated if anticipated operating costs at the Coal Valley mine would not allow its profitable operation at the price levels set out in the CSA. MAXIM does not believe this condition has been satisfied and does not believe a price review is warranted under the CSA. If this condition was satisfied, pricing could be adjusted to an amount that provides the Coal Valley mine with a reasonable level of profit over its anticipated operating costs. CVRI has referred this matter to arbitration. If the parties are unable to reach an agreement, the arbitration will likely occur in 2009.

(c) Landfill gas and flare gas

MAXIM's current landfill gas and flare gas energy sources may be inadequate for MAXIM's operations. The productivity of a landfill gas and flare gas resource may decline more than anticipated, resulting in

insufficient reserves being available for sustained generation of the electrical power capacity desired. An incorrect estimate by MAXIM or an unexpected decline in productivity could lower MAXIM's results of operations. MAXIM mitigates this risk through the use of independent engineering studies to assess fuel resources.

(d) Industry risks

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

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

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

Power generation operations are subject to the risk normally encountered by companies engaged in such activity utilizing mechanical and thermal-fired electricity generation techniques, including unusual and unexpected power draws, mechanical difficulties and other conditions involved in the generation of energy using these methods. Although adequate precautions to minimize risk are routinely taken, power generation operations are subject to hazards such as equipment failure or failure of power distribution systems being served which may result in service interruption. Such interruption may adversely affect MAXIM's ability to fulfill its duties under existing power generation contracts and may impact its ability to attract new customers. In addition, the existing power distribution system in the areas served or to be served by MAXIM may not be capable of effectively utilizing all of the power supplied by MAXIM.

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

(e) Regulation of industry

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

necessitate substantial expenditures to obtain permits. If a project is unable to function as planned due to changing requirements or local opposition, it may create expensive delays or significant loss of value in a project.

(f) Foreign operations

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

(g) Project development

MAXIM's power project development activities may not be successful. The development of power generation facilities is subject to substantial risks. In connection with the development of a power generation facility, MAXIM must generally obtain necessary power generation equipment, governmental permits and approvals, fuel supply and transportation agreements, sufficient equity capital and debt financing, electrical interconnection agreements, site agreements and construction contracts, and access to power grids. Failure to obtain any of the foregoing may result in increase costs or termination of projects, which may lead to a write down of the carrying amount of projects. MAXIM mitigates these risks by using skilled staff, hiring consultants, contracting certain activities on a "turn-key" basis, and following disciplined model of managing capital at risk on a progressive basis.

(h) Competition

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

(i) Management

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

(j) Future financing and project financing

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

From time to time, MAXIM may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase MAXIM's debt levels above industry standards for companies of similar size. Depending upon future capital plans, MAXIM may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither MAXIM's articles nor its by-laws limit the

amount of indebtedness that MAXIM may incur. The level of MAXIM's indebtedness from time to time could impair MAXIM's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

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

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

(k) Power sales agreements

MAXIM depends largely on its electricity and thermal energy customers. Some of its power generation facilities currently rely on one or more power sales agreements with one or more utility or other customers for all or substantially all of such facility's revenue. Other facilities operate on a "merchant" basis, selling their energy into spot markets. The profitability of a merchant power plant is largely impacted by the price of electricity, the cost of fuel, and the efficiency with which the plant converts fuel into electricity (the plant "heat rate"). The loss of any one power sales agreement with any of its customers could have a negative effect on MAXIM's results of operations. In addition, any material failure by any customer to fulfill its obligations under a power sales agreement or any supplier under a fuel supply agreement could have a negative effect on the cash flow available to MAXIM and its results of operations.

SUBSEQUENT EVENTS

Subsequent to December 31, 2008, Comax France S.A.S., MAXIM's wholly-owned French subsidiary, entered into an agreement to purchase two cogeneration plants in France for consideration of \$1,609 (EUR 1,000) excluding working capital and acquisition costs. The cogeneration facilities have a combined capacity of 16 megawatts electrical. The acquisition was funded through debt financing provided by a French bank. The Corporation plans to repower both facilities with new engines and enter into new 12 year power purchase agreements with EDF. The repowering costs are estimated at EUR 6,200 and will be financed entirely with debt.

CONTROLS AND PROCEDURES

The President and Chief Executive Officer ("CEO") and the Vice President, Finance and Chief Financial Officer ("CFO"), together with management have designed and maintained disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have evaluated the effectiveness of the Corporation's disclosure controls and procedures as of December 31, 2008, and based on that evaluation have concluded that the Corporation's disclosure controls and procedures are not effective as of December 31, 2008 for the foregoing purposes due to the weakness discussed below for internal control over financial reporting.

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

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's internal control over financial reporting and have identified the following material weakness in the operation of the Corporation's internal control over financial reporting as of December 31, 2008. The Corporation does not have a sufficient number of finance personnel with the required technical knowledge to address all complex accounting and tax issues that may arise and this may result in inaccuracies in financial reporting. Management mitigates this weakness from time to time by utilizing outside consultants for assistance as required to the fullest extent reasonable or by developing in-house expertise or recruiting personnel with the necessary expertise; however, such mitigating procedures do not constitute a compensating control for the purposes of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. The Corporation has determined that it is not cost-effective to fully remediate this weakness and accordingly a weakness will continue in the foreseeable future. As a result of this weakness, certain amounts previously reported for 2007 have been restated as follows: (i) Future tax assets decreased by \$1.5 million, (ii) Accumulated other comprehensive income increased by \$171 thousand, and (iii) Net income decreased by \$1.7 million. This restatement is further described in the section titled Prior Year Restatement.

MAXIM completed the acquisition of the Pittsfield facility on August 6, 2008. Management has designed and implemented internal control over financial reporting for the Pittsfield facility, but has not completed an assessment of its effectiveness. Management will assess the effectiveness of its internal control over financial reporting by June 30, 2009. Summary financial information for Pittsfield is as follows:

Pittsfield summary financial information

(\$000's)	2008
Total assets	77,670
Capital lease obligations	4,865
Revenue	7,599
EBITDA	3,086
Net income	1,377

The Corporation is required to disclose herein any change in the Corporation's internal control over financial reporting that occurred during the period beginning on October 1, 2008 and ended on December 31, 2008 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting. No material changes in the Corporation's internal controls over financial reporting were identified during such period that has materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

RESTATEMENT

During the year the Corporation determined it was necessary to revise the accounting for future income taxes disclosed in note 17. Future income tax asset and future income tax liability include amounts related to the Corporation's property, plant and equipment. It was determined that a portion of amounts do not reflect a future benefit to the Corporation. Accordingly, a reduction was required to future income tax asset and an increase was required to future income tax liability. Prior periods have been restated to reflect this change. The effect of the restatement on the year beginning January 1, 2007 and year ended December 31, 2007 is outlined below:

(\$000's)	2007 Previously		
	Reported	Adjustment	2007 Restated
Future income tax asset	4,132	(1,543)	2,589
Future income tax liability	9,593	834	10,427
Accumulated other comprehensive income	(6,226)	171	(6,055)
Retained earnings, beginning of year	34,088	(871)	33,217
Retained earnings, end of year	49,489	(2,548)	46,941
Future income tax recovery	(2,880)	1,677	(1,203)
Net income	15,401	(1,677)	13,724
Other comprehensive income	(6,229)	188	(6,041)
Earnings per share	\$ 0.35	\$ (0.04)	\$ 0.31

	Q1 2008		
	Previously Reported	Adjustment	Q1 2008 Restated
Future income tax asset	\$ 4,594	\$ (1,471)	\$ 3,123
Future income tax liability	13,714	938	14,652
Accumulated other comprehensive income	1,168	(167)	1,001
Retained earnings, beginning of year	49,489	(2,548)	46,941
Retained earnings, end of period	55,445	(2,414)	53,031
Future income tax recovery	(4,380)	(134)	(4,514)
Net income	5,956	134	6,090
Other comprehensive income	7,394	(167)	7,227
Earnings per share	\$ 0.13	\$ -	\$ 0.13

	Q2 2008		
	Previously Reported	Adjustment	Q2 2008 Restated
Future income tax asset	\$ 4,582	\$ (1,566)	\$ 3,016
Future income tax liability	11,203	927	12,130
Accumulated other comprehensive income	(297)	(141)	(438)
Retained earnings, beginning of year	49,489	(2,548)	46,941
Retained earnings, end of period	49,255	(2,523)	46,732
Future income tax recovery	(6,925)	(25)	(6,950)
Net income	(37)	25	(12)
Other comprehensive income	5,929	(141)	5,788
Earnings per share	\$ -	\$ -	\$ -

	Q3 2008		
	Previously Reported	Adjustment	Q3 2008 Restated
Future income tax asset	\$ 3,560	\$ (1,623)	\$ 1,937
Future income tax liability	11,769	862	12,631
Accumulated other comprehensive income	(2,200)	(148)	(2,348)
Retained earnings, beginning of year	49,489	(2,548)	46,941
Retained earnings, end of period	52,966	(2,509)	50,457
Future income tax recovery	(4,327)	(39)	(4,366)
Net income	3,753	39	3,792
Other comprehensive income	4,026	148	4,174
Earnings per share	\$ 0.08	\$ -	\$ 0.08

TRANSACTIONS WITH RELATED PARTIES

In the prior year the Corporation received legal services for general corporate matters and for acquisition and development matters 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 \$Nil thousand in 2008 (\$395 thousand in 2007). At December 31, 2008, the Corporation had \$Nil thousand (\$135 thousand at December 31, 2007) in accounts payable as a result of these transactions. During 2007, this Corporation ceased to be a related party as the individual is no longer a Director of MAXIM.

OTHER INFORMATION

Outstanding share data

Issued common shares at December 31, 2007	44,379,984
Stock options exercised	101,607
Normal course issuer bid	(344,100)
Private placement	10,211,500
Total issued common shares at December 31, 2008	54,348,991
Normal course issuer bid	(93,500)
Total issued common shares at March 28, 2009	54,255,491
Outstanding share options	3,909,052
Total diluted common shares at March 28, 2009	58,164,543

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.