



Maxim Power Corp. ("MAXIM" or "the Corporation")
Statement of Corporate Governance Practices

The Corporation strives to conduct its business in accordance with the Toronto Stock Exchange ("TSX") guidelines for effective corporate governance. These guidelines address such matters as the constitution and independence of boards of directors, the functions to be performed by boards and their committees, and the relationship between the board, management and shareholders.

The Board of Directors and senior management of MAXIM consider good corporate governance to be central to the effective and efficient operation of the Corporation. Management also believes this disclosure will help the Corporation's shareholders arrive at informed decisions and judgments about the Corporation's management decisions. However, given the history, nature and size and resources of the Corporation, not all of the recommendations contained in the corporate governance guidelines are being followed. The following are the guidelines proposed in the original TSX corporate governance report (*in italics*) and a brief discussion of the Corporation's level of compliance with each.

1. *The Board of Directors should explicitly assume responsibility for stewardship of MAXIM, and specifically for adoption of a strategic planning process, identification of principal risks, succession planning and monitoring senior management, communications policy and the integrity of MAXIM's internal control and management information systems.*

The Board of Directors participates in an annual review of the strategic plan as prepared and presented by Management. Principal business risks are discussed at that session, they are addressed formally by the Audit and Risk Management Committee ("Audit Committee") and they are disclosed in the annual report. The Compensation and Environment Health & Safety Committee of the Board ("Compensation Committee") annually reviews succession planning and senior management performance. All formal communications are reviewed by the Board. The Audit and Risk Management Committee regularly reviews with management the integrity of internal controls and management information systems.

2. *The Board of Directors should be constituted with a majority of individuals qualifying as unrelated directors.*

The Board consists of five members, four of whom are unrelated and one of whom is an officer of MAXIM. Two Directors, Messrs. Chernoff and Wilson, are significant shareholders; however, in the opinion of Management, their shareholdings do not interfere with their ability to act with a view to the best interests of the Corporation.

3. *The board will be required to disclose on an annual basis whether it has a majority of unrelated directors, and how that conclusion was reached.*

This matter is reviewed by the Board. MAXIM's legal counsel is consulted to provide direction on this matter.

4. *Appointment of a committee composed exclusively of unrelated directors with the responsibility of appointing new nominees and for assessing directors.*

Currently, the Board of Directors jointly performs the functions of a Nominations Committee with respect to the recruitment and appointment of Directors.

5. *Implement a process for assessing the effectiveness of the board of directors, its committees and the contribution of individual directors.*

In the past, the Corporate Governance Committee had the responsibility to review and evaluate the effectiveness of the Board, committees and its individual members. At the present time, as a Corporate Governance Committee does not currently exist, constant feedback will be provided on an informal basis until such time as such a Committee is reconstituted.



6. *Provide orientation and education programs for new Directors.*

Orientation and education is provided by the Chairman of the Board.
7. *Consider appropriate size of the board of directors, with a view to determining the impact of the number upon effectiveness of decision-making.*

The Board is comprised of five members. This is viewed to be the appropriate number given the nature and complexity of MAXIM's business.
8. *Review the adequacy and form of compensation of directors in light of risks and responsibilities.*

At the present time, although no Directors' fees are being paid, stock options may be granted to Directors from time to time for their services on the Board. The Directors are also reimbursed for expenses incurred in attending Board and committee meetings.
9. *Committees should generally be composed of outside Directors, a majority of whom are unrelated.*

All committees are composed of unrelated Directors. Messrs. Chernoff and Wilson are currently on the Compensation and Environment, Health & Safety Committee, and Mr. Wilson is on the Audit and Risk Management Committee.
10. *The board of directors should expressly assume responsibility for, or appoint a committee responsible for, developing the approach to corporate governance issues.*

At the present time, the Board has assumed responsibility for all corporate governance matters.
11. *The board of directors and the CEO should develop position descriptions for the directors and for the CEO, and the board of directors should approve or develop corporate objectives which the CEO is responsible for meeting.*

Position descriptions exist for the Board, committee members and the CEO. Corporate objectives are developed as part of the annual strategic planning initiative.
12. *Appropriate structures and procedures to enable the board of directors to function independently of management.*

In the opinion of the Board, it is able to operate independently of management.
13. *Appoint an audit committee of only outside directors with a specifically defined mandate including oversight responsibility for management reporting on internal control.*

The Audit Committee is comprised of three outside directors, one of whom is a significant shareholder. The Committee is commissioned with a mandate for, among other things, management oversight respecting internal control.
14. *Implement a system which enables an individual director to engage an outside adviser, at MAXIM's expense.*

The Board has established a system that enables an individual director to engage an outside adviser at MAXIM's expense with respect to matters requiring directors' approval.