

*Quarterly Report of*

**MAXIM POWER CORP.**

**First Quarter Ended March 31, 2006 and 2005**  
(unaudited)

# MAXIM POWER CORP.

Consolidated Balance Sheets  
(In Thousands of Dollars)

	March 31, 2006 (unaudited)	December 31, 2005 (audited)
(see basis of presentation - note 1)		
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 3)	\$ 31,443	\$ 23,309
Accounts receivable	18,472	20,656
Prepaid expenses, deposits and other	260	586
Coal inventory	1,679	1,860
Plant inventory	1,916	1,667
Assets held for sale (note 5)	3,932	3,384
	57,702	51,462
Property, plant and equipment (note 4)	119,636	116,991
Assets held for sale (note 5)	3,702	4,113
Deferred costs	3,769	3,274
Coal contract	5,333	5,500
Goodwill (note 2)	15,489	15,489
	\$ 205,631	\$ 196,829
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,928	\$ 22,612
Liabilities of assets held for sale (note 5)	3,728	3,495
Current portion of long-term debt (note 6)	3,413	3,452
Current portion of capital lease obligations (note 7)	634	609
Current portion of cash flow indenture (note 8)	1,046	4,863
	34,749	35,031
Long-term debt (note 6)	44,024	40,932
Capital lease obligations (note 7)	3,983	4,291
Cash flow indenture (note 8)	6,331	7,374
Future income tax liability (note 11)	8,723	6,752
Deferred revenue	267	236
Non-controlling interest	164	-
Asset retirement obligation	326	321
Shareholders' equity:		
Share capital (note 9)	91,158	90,331
Cumulative translation adjustment	(2,122)	(2,684)
Retained earnings	18,028	14,245
	107,064	101,892
Commitments (note 10)		
Subsequent event (note 15)		
	\$ 205,631	\$ 196,829

See accompanying selected notes to consolidated financial statements.

# MAXIM POWER CORP.

## Consolidated Statements of Operations and Retained Earnings

Three months ended March 31, 2006 and 2005

(In Thousands of Dollars)

(Unaudited)

	2006	2005
	(see basis of presentation - note 1)	
Revenue:		
Electricity sales	\$ 31,470	\$ 11,480
Expenses:		
Plant operations	21,662	7,543
General and administration	1,601	796
Depreciation and amortization	1,826	450
	25,089	8,789
Income before the following items	6,381	2,691
Interest expense	371	-
Interest income	-	(40)
Foreign exchange loss	23	-
Non-controlling interest	164	-
Income before income taxes from continuing operations	5,823	2,731
Future income taxes (note 11):	1,960	-
Net income from continuing operations	3,863	2,731
Net loss from assets held for sale (note 5)	80	-
Net income for the period	3,783	2,731
Retained earnings, beginning of period	14,245	2,678
Retained earnings, end of period	18,028	5,409
Basic and diluted income per share	\$ 0.01	\$ 0.01

See accompanying selected notes to consolidated financial statements.

# MAXIM POWER CORP.

## Consolidated Statement of Cash Flows

Three months ended March 31, 2006 and 2005

(In Thousands of Dollars)

(Unaudited)

	2006	2005
	(see basis of presentation - note 1)	
Cash provided by (used in):		
Operations:		
Net income from continuing operations	\$ 3,863	\$ 2,731
Items not involving cash:		
Depreciation and amortization	1,826	450
Foreign exchange loss	23	-
Asset retirement obligation	5	-
Fair value of stock based compensation	262	-
Non-controlling interest	164	-
Future income taxes	1,960	-
	8,103	3,181
Change in non-cash working capital (note 12)	6,788	1,022
Cash flows from continuing operations	14,891	4,203
Loss from assets held for sale	(80)	-
Items not involving cash:		
Depreciation and amortization	428	-
Equity loss	16	-
Change in non-cash working capital	(309)	-
Cash flows from assets held for sale	55	-
	14,946	4,203
Financing:		
Issuance of long-term debt	3,797	-
Repayments of long-term debt	(744)	-
Repayment of advances from Finning	-	(12,069)
Advances from related parties	-	4,500
Repayment of lease obligation	(283)	-
Issuance of common shares	619	-
Cash flows from continuing financing activities	3,389	(7,569)
Repayment of long-term debt related to assets held for sale	(136)	-
	3,253	(7,569)
Investing:		
Property, plant and equipment	(3,592)	(13)
Deferred costs	(549)	-
Cash increase due to acquisition	-	3,963
	(4,141)	3,950
Change in non-cash working capital (note 12)	(5,863)	(2,762)
Cash flows used in investing in continuing operations	(10,004)	1,188
Change in cash related to assets held for sale	139	-
Cash used in investing in assets held for sale	(333)	-
	(10,198)	1,188
Foreign exchange gain	133	-
Increase (decrease) in cash	8,134	(2,178)
Cash, beginning of period	23,309	5,283
Cash, end of period	\$ 31,443	\$ 3,105

See accompanying selected notes to consolidated financial statements.

# MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements

Three months ended March 31, 2006 and 2005

(Amounts in thousands of dollars, US dollars or Euro, except shares and per share amounts)

(Unaudited)

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## 1. Basis of presentation:

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

The consolidated balance sheet at March 31, 2006 and December 31, 2005 reflects the accounts of both MPLP and MAXIM. The statement of operations and retained earnings and the statement of cash flows reflects the operating results of both MPLP and MAXIM for the three months ended March 31, 2006 and the statement of operations and retained earnings and the statement of cash flows at March 31, 2005 reflects only the operating results of MPLP.

The Corporation consolidates the accounts of its 97% interest in Basin Creek Holdco LLC, 70% interest in Pouchon Cogen S.A.R.L. and 50% interest in Mirail Cogen S.A.R.L. Using this method, the Corporation has reflected 100% of the accounts of these entities in its consolidated financial statements with a deduction provided for the non-controlling interest's proportion of the accounts.

The Corporation accounts for its operations in Cambodia through its 51% interest in Jupiter Power Holdings (Bermuda) Ltd. ("JPH") using the proportionate consolidation method of accounting as the investment is considered to be of joint control. In addition, the Corporation consolidates its 45% interest in Cambo-Cana Power Corporation and Import Export Co. Ltd. (Cambo). Both JPH and Cambo have been classified as Assets Held for Sale at March 31, 2006 (see note 5).

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

## 2. Business combination:

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

# MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 2

Three months ended March 31, 2006 and 2005

(Amounts in thousands of dollars, US dollars or Euro, except shares and per share amounts)

(Unaudited)

## 2. Business combination (continued):

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

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

## 3. Cash:

As at March 31, 2006, the Corporation has restricted cash of \$2,874.

## 4. Property, plant and equipment:

March 31, 2006	Cost	Accumulated Depreciation	Net book value
Property, plant and equipment	\$ 84,336	\$ 6,692	\$ 77,644
Plant under construction	37,458	-	37,458
Capital leases	4,741	207	4,534
	\$ 126,535	\$ 6,899	\$ 119,636
December 31, 2005			
Property, plant and equipment	\$ 84,098	\$ 4,835	\$ 79,263
Plant under construction	33,205	-	33,205
Capital leases	4,660	137	4,523
	\$ 121,963	\$ 4,972	\$ 116,991

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

- (a) Under the terms of the acquisition agreement for the HR Milner power station, MPLP will pay cash in relation to a cash flow indenture of 20% of future cash flows to a maximum of \$15,000. The contingent payments are based on a profit sharing arrangement whereby the estimated present value of future cash flows of \$15,000 was added to the purchase consideration for the HR Milner power station acquisition on January 29, 2004. The cash flow indenture was recognized in the accompanying consolidated financial statements as a long-term obligation (see note 8).

# MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 3

Three months ended March 31, 2006 and 2005

(Amounts in thousands of dollars, US dollars or Euro, except shares and per share amounts)

(Unaudited)

## 4. Property, plant and equipment (continued):

- (b) At March 31, 2006, property, plant and equipment includes the net book value of \$3,155 related to the capital lease assets at Cogenia S.A.S., the French company acquired by MAXIM on June 22, 2005 and Hartland capital lease assets with fair value of \$1,586, accumulated amortization of \$84 and net book value of \$1,502 (see note 7).
- (c) At March 31, 2006, property, plant and equipment includes the fair value of \$11,324 and accumulated depreciation of \$614 for 25 megawatts of capacity related to the Corporation's gas-fired Alberta Power Project ("APP"). On August 31, 2004, the Corporation entered into a long-term Power Purchase Agreement ("PPA") for APP. The PPA is structured as a tolling agreement, obligating the other party to pay a fixed monthly capacity fee and variable operating and maintenance charges. The initial term of the arrangement is 10 years with an option to extend it for a further 15 years or acquire the asset.
- (d) At March 31, 2006, plant under construction includes costs of \$37,458 incurred for the construction of the 51.8 megawatt Basin Creek project in Butte, Montana. It is expected that Basin Creek will become operational on July 1, 2006.

## 5. Assets Held for Sale:

Effective December 31, 2005, the Corporation's projects in Europe, excluding France, were classified as Assets Held for Sale. On March 29, 2006 the Corporation entered into binding purchase and sale agreements for the sale of its wholly owned subsidiaries, Maxim Power GmbH (Austria) and Maxim Power GmbH (Germany), for total proceeds of 1,350 Euro. On April 15, 2006, the sale was completed with receipt of proceeds. The disposition of these projects will result in a nominal gain, which will be reflected in the accounts when realized.

Effective March 31, 2006, the Corporation has classified its Cambodian operations as Assets Held for Sale. MAXIM and its joint venture partner in Cambodia have decided to rationalize the existing operations in Cambodia, concurrent with the expiration of the PPA with the Cambodian state-owned utility. Proceeds from the disposition are expected to exceed the current carrying value of the remaining generation equipment and any reclamation and disposition costs.

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

Cash	\$	845
Accounts receivable		2,515
Inventory		205
Prepays and other current assets		367
<b>Total current assets</b>		<b>3,932</b>
Property, plant and equipment		3,392
Investment		310
<b>Total capital assets</b>		<b>3,702</b>
Accounts payable and accrued liabilities		2,738
Term loans		990
<b>Total Liabilities</b>	\$	<b>3,728</b>

For the three months ended March 31, 2006, revenue earned from assets held for sale was \$3,701 with expenses of \$3,744, an equity loss of \$17 and tax expense of \$20, resulting in a net loss of \$80.

# MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 4

Three months ended March 31, 2006 and 2005

(Amounts in thousands of dollars, US dollars or Euro, except shares and per share amounts)

(Unaudited)

## 5. Assets Held for Sale (continued):

The December 31, 2005 consolidated balance sheet has been restated to reflect the reclassification of Cambodian operations as Assets Held for Sale.

## 6. Long-term debt:

	March 31, 2006
Canadian projects (note 6(a))	\$ 13,574
United States project (note 6(b))	26,042
European projects (note 6(c))	7,821
	47,437
Less current portion	3,413
	\$ 44,024

(a) The Corporation has a loan agreement with BMO Bank of Montreal that is comprised of five facilities as follows:

Facility A is a \$3,000 demand revolving facility for general working capital purposes, margined up to 90% of current accounts receivable from the Power Pool of Alberta. At March 31, 2006, the facility was not utilized. Should Facility A be utilized, amounts would be classified as an offset to cash and cash equivalents.

Facility B is a \$2,000 demand revolving facility for new project development. At March 31 2006, this facility was not utilized. Should Facility B be utilized, amounts would be classified as loans payable.

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

Facility C is a \$9,500 non-revolving reducing fixed rate term loan bearing interest at 6.79% per annum with blended monthly repayments of \$142 and matures in January 2009. In addition, the Corporation is required to make quarterly principal repayments of 50% of any defined excess cash flow. At March 31, 2006 the Corporation had an outstanding balance of \$6,409 under Facility C.

Facility D is a \$2,500 demand revolving facility for letters of credit required for general corporate purposes. The letters of credit are to be cash collateralized and bear interest at 1.25% per annum. At March 31, 2006 letters of credit in the amount of \$1,992 had been issued, reducing the availability of Facility D to \$508.

Facility E is a \$9,500 non-revolving fixed rate term loan used to refinance debt at the Vancouver Landfill project ("VLF") and to provide financing for expansion at VLF. At June 30, 2005, loan proceeds of \$7,500 from Facility E were used to repay \$4,500 of interim financing received from related parties. \$2,000 of additional financing under Facility E will be available upon completion of expansion at VLF which is expected to be at the start of the third quarter of 2006. Facility E, which matures in 2010, bears interest at the prime lending rate plus 1% per annum with blended monthly repayments of \$70. In addition, the Corporation is required to make quarterly principal repayments of 50% of any defined excess cash flow. At March 31, 2006 Facility E had an outstanding balance of \$7,165.

# MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 5

Three months ended March 31, 2006 and 2005

(Amounts in thousands of dollars, US dollars or Euro, except shares and per share amounts)

(Unaudited)

## 6. Long-term debt (continued):

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

(b) MAXIM entered into a construction and term loan agreement dated March 31, 2005 through its subsidiary, Basin Creek Equity Partners, L.L.C. ("Basin Creek") with CIT Capital Securities, L.L.C., lead arranger, and The Bank of New York, collateral agent. The construction and term loan can be for a maximum principal amount of US\$29,000, with an interest rate of US treasury rate plus 2.5% per annum for each borrowing. The term loan matures 20 years after commercial operation date, estimated to be July 1, 2006 under the agreement, and carries quarterly principal and interest repayments. The construction loan advances will be converted to a term loan facility upon certification of completion of construction by the independent engineer and approval of project construction in accordance with the Capacity and Energy Sale Agreement. At March 31, 2006, Basin Creek was advanced US\$22,314 as construction loan advances. The amount has been classified as long-term debt.

(c) The Corporation has project bank term loans associated with projects in operation in France at March 31, 2006:

(i) Pouchon has project financing with Raiffeisen Zentralbank Osterreich Aktiengesellschaft AG ("RZB") bank for 1,530 Euro. The loan has a maturity date of November 15, 2012, an interest rate based on Euribor plus 1.80% per annum and 27 principal and interest repayments over the term of loan. At March 31, 2006, Pouchon had an outstanding loan balance of 1,170 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 March 31, 2006, Mirail had an outstanding loan balance of 1,060 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 March 31, 2006, Bataneres had an outstanding loan balance of 3,290 Euro.

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

The Corporation's anticipated repayment obligations as at March 31, 2006 on the above loans over the next 5 years are as follows:

2007	\$	3,413
2008		3,453
2009		3,763
2010		3,928
2011		2,939
Remaining		29,941
		47,437
Less current portion		(3,413)
	\$	44,024

# MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 6

Three months ended March 31, 2006 and 2005

(Amounts in thousands of dollars, US dollars or Euro, except shares and per share amounts)

(Unaudited)

## 7. Capital leases:

- (a) The Corporation entered into an agreement with the Capital Regional District ("CRD") to lease equipment at Hartland during the project's construction. The capital lease obligation bears interest at 6.5% per annum, is repayable on a monthly basis and is amortized over a 20 year term. Upon termination of the lease, the Corporation shall return the equipment to CRD or dispose of the equipment at the CRD's expense.
- (b) MAXIM's French subsidiary, Cogenia S.A.S. entered into an agreement with Caterpillar Finance France SA ("Caterpillar") in December 1998 to lease its production equipment. The capital lease obligation bears interest at 7.03% per annum, with monthly repayments and is amortized over a 12 year term. Upon termination of the lease, Cogenia S.A.S. has the option to purchase the leased equipment at the option price of \$566.

Future minimum payments under the two capital leases at March 31, 2006 are as follows:

2007	\$	937
2008		937
2009		937
2010		937
2011		519
Remaining		2,061
Total minimum lease payments		6,328
Amounts representing interest		(1,711)
Present value of net minimum lease payments		4,617
Less: current portion		(634)
	\$	3,983

## 8. Cash flow Indenture:

Under the terms of the acquisition agreement, MPLP has an obligation to pay cash to the Balancing Pool in relation to a cash flow indenture of 20% of its future annual cash flows to a maximum of \$15,000. The obligation is non-interest bearing and MPLP has pledged a second charge on its accounts receivable as collateral for the payments due under the cash flow indenture. On March 31, 2006, MPLP made a payment of \$4,863 to the Balancing Pool. At March 31, 2006, the outstanding balance was \$7,377 of which \$1,046 is classified as current portion of cash flow indenture.

## 9. Share capital:

- (a) Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares

# MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 7

Three months ended March 31, 2006 and 2005

(Amounts in thousands of dollars, US dollars or Euro, except shares and per share amounts)

(Unaudited)

## 9. Share capital (continued):

(b) Issued:

Share capital:

	Number	Amount
Common shares		
Balance, December 31, 2005	437,587,092	\$ 89,298
Stock options exercised	1,190,000	619
Common shares, March 31, 2006	438,777,092	\$ 89,917
Contributed surplus		
Balance, December 31, 2005	-	\$ 1,033
Fair value of stock based compensation	-	208
Contributed surplus, March 31, 2006	-	\$ 1,241
Balance, March 31, 2006	437,777,092	\$ 91,158

(c) Stock options:

The Corporation has one employee stock option plan under which employees, directors and key consultants are eligible to receive grants. Under the stock option plan, the granted stock options will vest to the grantee over a 3 year period and the grantee has the right to exercise those stock options for 5 years from the date of the granting. The maximum number of outstanding stock options under the plan is limited to 10% of the number of common shares outstanding. The number of stock options and the exercise price is set by the Corporation's Board of Directors at the time of granting. Stock options issued and outstanding are as follows:

	Number	Weighted average exercise price
Balance, December 31, 2005	17,495,500	0.58
Exercised	(1,190,000)	(0.52)
Cancelled	(287,000)	(0.78)
Granted	1,315,000	0.67
Balance, March 31, 2006	17,333,500	\$ 0.59

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

Range of Exercise Prices	Options Outstanding at March 31, 2006			Options Exercisable at March 31, 2006	
	Number of Options	Weighted Average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
\$0.13 to \$0.32	1,556,833	3.0	\$ 0.22	737,167	\$ 0.22
\$0.33 to \$0.58	1,659,167	4.0	\$ 0.40	416,165	\$ 0.40
\$0.59 to \$0.80	13,357,500	4.2	\$ 0.63	3,057,000	\$ 0.69
\$0.81 to \$1.34	760,000	1.0	\$ 1.08	760,000	\$ 1.08
	17,333,500	3.9	\$ 0.59	4,970,332	\$ 0.66

# MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 8

Three months ended March 31, 2006 and 2005

(Amounts in thousands of dollars, US dollars or Euro, except shares and per share amounts)

(Unaudited)

## 9. Share capital (continued):

### (c) Stock options (continued):

The Corporation accounts for its stock option plan using the fair value method. Under this method, at March 31, 2006, \$262 of costs are recorded as expense for options granted to employees and directors.

The fair value of each option granted is estimated at the date of grant using the Black-Scholes option pricing method with weighted average assumptions for grants at March 31, 2006 as follows:

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

During the first quarter of 2006, the Corporation granted 1,315,000 stock options to purchase common shares at an average price of \$0.67 under the Corporation's stock option plan and the weighted average fair value of each option was calculated to be \$0.31. The Corporation used the Black-Scholes option pricing model and assumptions above to calculate the weighted average fair value.

### (d) Income per share:

The weighted average number of shares outstanding for purposes of calculating basic income per share at March 31, 2006 was 438,565,536 and 242,398,584 at March 31, 2005.

## 10. Commitments:

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

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

- (b) MPLP entered into a long-term coal supply agreement with a supplier as at January 2004 to supply thermal coal to the power plant. The sale of the coal is contracted under fixed prices with a fixed minimum purchase of coal per annum to January 2009. The term of the agreement is 5 years with a renewal option for another 5 years. The remaining purchase commitment for the next 5 years is \$78,013.

- (c) 9 of 10 French projects have original 12 year sales contracts with Electricite de France ("EDF"). All, except for two facilities, have original 12 year contracts for thermal heat sales. Sales to EDF are at fixed hourly rates with a bonus based on specific levels of efficiency. Thermal sales delivered must reach a specific minimum level. The gas supply for these French projects is completed under 3 year contracts with Gaz de France.

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

# MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 9

Three months ended March 31, 2006 and 2005

(Amounts in thousands of dollars, US dollars or Euro, except shares and per share amounts)

(Unaudited)

## 10. Commitments (continued):

- (d) The Corporation has entered into an agreement with the City of Vancouver to utilize its methane gas from the City's landfill. In exchange for gas from the landfill, the City of Vancouver will receive up to 10% of the electrical and thermal energy sales based on the volume of gas extracted from the landfill. The term of the agreement is 20 years. The Corporation has also entered into 20 year contracts to sell electricity to British Columbia Hydro ("BC Hydro"), at fixed hourly rates, and to sell thermal energy to a greenhouse facility. The operations and maintenance contract is with Finning at fixed rates based on operating hours.
- (e) The Corporation entered into an agreement with the Capital Regional District ("CRD") for the CRD to supply landfill gas from the Hartland landfill. The initial term of the agreement is 5 years and the parties shall enter into a new 5 year landfill gas supply agreement unless the CRD is approved to enter into a longer term agreement. In exchange for landfill gas, the CRD will receive a percentage of the electrical revenues based on the volume of gas supplied from the Hartland landfill. In addition, the Corporation entered into a long-term equipment lease with the CRD as disclosed in note 7(a). At Hartland, the Corporation also entered into a 20 year contract to sell electricity to BC Hydro at fixed hourly rates. The operations and maintenance contract is with Finning at fixed rates based on operating hours.
- (f) The Corporation entered into a tolling agreement effective September 1, 2004 related to APP. The tolling agreement is a 10 year contract whereby the Corporation provides 25 megawatts of capacity in exchange for a fixed monthly capacity fee and variable operating and maintenance charges. At the end of the initial term of the agreement, the counterparty has the option to acquire the equipment or extend the contract for a further 15 years.
- (g) The minimum annual office lease commitment for each of the next 2 years, inclusive of certain operating costs is as follows:

2007	\$	143
2008	\$	131

## 11. 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 March 31, 2006 at 33.6% to income before income taxes.

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

A reconciliation of the differences is as follows:

	March 31, 2006	March 31, 2005
Computed Income taxes (recovery)	\$ 1,957	\$ -
Increase (decrease) in taxes:		
Other	3	-
	\$ 1,960	\$ -

# MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 10

Three months ended March 31, 2006 and 2005

(Amounts in thousands of dollars, US dollars or Euro, except shares and per share amounts)

(Unaudited)

## 11. Income taxes (continued):

The components of the future tax liability are as follows:

	March 31, 2006	December 31, 2005
Future income tax liability:		
Non-capital loss carry forwards	\$ 9,975	\$ 10,714
Net-capital loss carry forwards	642	642
Share issue costs	235	442
Capital assets	(5,462)	(5,169)
Valuation allowance	(2,679)	(3,776)
Partnership deferral	(12,236)	(10,503)
Other	802	898
	\$ (8,723)	\$ (6,752)

MAXIM has approximately \$24.0 million of unused tax losses in Canada of which \$19.0 million expires over the next 5 years. In addition, \$5.0 million of unused tax losses from foreign operations are available for an indefinite period.

## 12. Change in non-cash working capital:

	March 31, 2006	March 31, 2005
Operations:		
Accounts receivable	\$ 2,184	\$ 2,269
Prepaid expenses, deposits and other	326	92
Inventory	(68)	(412)
Accounts payable and accrued liabilities	4,315	(927)
Deferred revenue	31	-
	\$ 6,788	\$ 1,022
Investing:		
Accounts payable and accrued liabilities	\$ (999)	\$ -
Current portion of cash flow indenture	(4,864)	(2,762)
	\$ (5,863)	\$ (2,762)

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Selected Notes to Consolidated Financial Statements, Page 11

Three months ended March 31, 2006 and 2005

(Amounts in thousands of dollars, US dollars or Euro, except shares and per share amounts)

(Unaudited)

## 12. Change in non-cash working capital (continued):

The following cash payments have been made to March 31:

	2006	2005
Taxes	\$ 19	\$ -
Interest	\$ 771	\$ -

## 13. Segmented information:

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

	March 31, 2006		March 31, 2005	
	Revenue	Income (loss) before the following items*	Revenue	Income before the following items*
Canada	\$ 15,425	\$ 4,557	\$ 11,480	\$ 2,691
United States	361	(837)		-
Europe	15,684	2,661		-
<b>Total</b>	<b>\$ 31,470</b>	<b>\$ 6,381</b>	<b>\$ 11,480</b>	<b>\$ 2,691</b>

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

The location of the Corporation's property, plant and equipment, excluding Assets Held for Sale are as follows:

	March 31, 2006			December 31, 2005		
	Additions	Depreciation and Amortization	Total Assets	Additions	Depreciation and Amortization	Total Assets
Canada	\$ 2	\$ 807	\$ 50,278	\$ 7,056	\$ 2,853	\$ 51,079
United States	3,590	45	41,048	37,660	-	36,938
Europe	-	780	28,310	13,694	544	28,974
<b>Total</b>	<b>\$ 3,592</b>	<b>\$ 1,632</b>	<b>\$ 119,636</b>	<b>\$ 58,410</b>	<b>\$ 3,397</b>	<b>\$ 116,991</b>

In Canada, the majority of Alberta power sales are to the Power Pool of Alberta and power sales in British Columbia are completed under agreements with British Columbia Hydro and Power Authority. In Europe, power sales are completed under various power purchase agreements with Electricite de France.

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

# MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 12

Three months ended March 31, 2006 and 2005

(Amounts in thousands of dollars, US dollars or Euro, except shares and per share amounts)

(Unaudited)

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## 14. Financial instruments:

### (a) Foreign currency exchange risk:

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

### (b) Credit risk:

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

A portion of the trade accounts receivable defined as Assets Held for Sale are in Jupiter Power Asia Co. Ltd. and Jupiter Power (Cambodia) Co. Ltd., which are the operating Cambodian companies. These trade accounts receivable in the amount of \$2,163 are primarily due from EdC in Phnom Penh, Cambodia.

### (c) Operating risk:

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

### (d) Fair value of financial instruments:

The carrying amounts of financial instruments included in the balance sheet, other than long-term debt, approximate their fair value due to their short-term maturity. Long-term debt has carrying values that approximate fair value at March 31, 2006.

## 15. Subsequent event:

On April 10, 2006, MAXIM effected the consolidation of its issued and outstanding common shares on the basis of 1 new common share for each 10 common shares issued and outstanding. As a result of the consolidation and after providing for the rounding for fractional shares, MAXIM will have approximately 43,879,000 common shares issued and outstanding.

## 16. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial presentation adopted for the present year. As previously stated in note 5, the December 31, 2005 consolidated balance sheet has been restated to reflect re-classifying the Cambodian balance sheet items as Assets Held for Sale.