

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") dated May 10, 2006, should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2006 for Maxim Power Corp ("MAXIM" or "Corporation") and the audited annual financial statements for MAXIM for the fiscal year December 31, 2005.

OVERVIEW

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

At March 31, 2006 and December 31, 2005, the consolidated balance sheets reflect the accounts of both MPLP and MAXIM. The statement of operations and retained earnings reflects the operating results of both MPLP and MAXIM for the three month period ended March 31, 2006 and the statement of operations and retained earnings at March 31, 2005 reflects only the operating results of MPLP.

OVERALL PERFORMANCE

First quarter revenue for MAXIM was \$20.0 million higher than the first quarter of 2005, \$31.5 million versus \$11.5 million, an increase of 174%. First quarter megawatt hour ("MWh") production for 2006 was 327,432 MWh compared to 235,966 for the same period of 2005, an increase of 39%. The first quarter variance in both revenue and MWh during 2006 compared to the first quarter of 2005 is due principally to the inclusion of the operations from MAXIM. MAXIM's average Alberta pool price per MWh for the first quarter of 2006 was \$57 per MWh compared to \$49 per MWh during the same quarter of 2005.

The resultant net income for the first quarter of 2006 was \$3.8 million compared to \$2.7 million for the same period of 2005 or \$11.55 per MWh compared to \$11.40 per MWh. Funds from operations were \$8.1 million for the first quarter of 2006 compared to \$3.2 million for the same period of 2005. Increased revenue, net income and funds from operations during the first quarter of 2006 compared to the same period of 2005, reflect MAXIM's exit generating capacity of 362 MW at March 31, 2006 compared to 144 MW at March 31, 2005.

On a HR Milner ("Milner") stand alone basis and comparison quarter over quarter, Milner recorded \$13.5 million of revenue in the first quarter of 2006 versus \$11.5 million in 2005. Milner produced 231,881 MWh in the first quarter 2006 versus 235,966 MWh in 2005.

MAXIM's net generation capacity at March 31, 2006 was as follows: 182 MW in Canada (9 projects), 117 MW in the United States (2 projects) and 63 MW in France (10 projects). At March 31, 2006, there was 23 MW of generation classified as Assets Held for Sale. Assets Held for Sale include projects in Europe excluding France, and one remaining project in Cambodia located at Phnom Penh. On April 15, 2006 MAXIM completed the sale of its European generating facilities (10.2 MW).

RESULTS OF OPERATIONS

As stated previously, the results of operations reflect those of MPLP and MAXIM while the results for the first quarter of 2005 are comprised of three months of operations of MPLP only.

Summary of March 31, 2006 MWh generation by major facility and geographic location:

Facility	Q1 MWh Generation	Percentage of Q1 MWh
Milner	231,881	70.8%
Alberta projects (6)*	9,150	2.8%
British Columbia projects (2)	12,148	3.7%
France (10)	74,253	22.7%
Total	327,432	100.0%

* The table excludes 2 facilities in the United States, Pawtucket acquired on November 10, 2005 and Basin Creek, which is under construction. The table does not include power generation from the 25 MW Alberta Power Project ("APP") (4 sites) as APP is operated under a tolling arrangement whereby MAXIM provides the 25 MW capacity at APP in exchange for fixed monthly capacity payments.

Revenue

Increased revenue for the first quarter of 2006 compared to 2005 was the result of higher Alberta pool prices (\$57 per MWh versus \$49 per MWh) and increased generation (327,432 MWh versus 235,966 MWh) principally due to combined operating results of MPLP and MAXIM. The first quarter of 2005 reflects MPLP operations only. The increase in power prices and generation was 16% and 39% respectively.

With increased prices and MWh production, the first quarter of 2006 recorded revenue of \$31.5 million versus \$11.5 million for the first quarter of 2005, an increase of 174%.

MAXIM's 20 other projects, produced 95,551 MWh in the first quarter of 2006 compared to 67,121 MWh during the same quarter of 2005. During the first quarter of 2005, MAXIM had 14 other projects excluding Milner.

Plant Operations

Plant operations expense increased by \$14.1 million or 187%, from \$7.5 million in the first quarter of 2005 to \$21.7 million for the first quarter of 2006. On a per MWh basis, plant operations expense was \$66.16 per MWh during the first quarter of 2006 versus \$31.97 per MWh during the first quarter 2005. This increase is principally due to the combined operating results of MPLP and MAXIM in 2006 whereas operations in 2005 included only those of MPLP.

Fuel is the major component of plant operations expense. MAXIM's fuel costs accounted for 72% of first quarter 2006 plant operations expense compared to 61% in first quarter of 2005. Inclusion of the French natural gas fired projects, which experienced significant gas price increases in 2006, was the primary reason for higher fuel costs. Coal is the principle source of fuel at Milner and is purchased primarily from Luscar Ltd. at fixed prices under a long-term supply agreement.

Excluding fuel, Milner incurred \$3.0 million of plant operations expense in the first quarter of 2006. In comparison, Milner incurred \$3.1 million of plant operations expense in the first quarter of 2005. On a per MWh basis, Milner's operating costs, excluding fuel, was \$12.97 per MWh for the first quarter of 2006 compared to \$13.05 for the same quarter in 2005.

At Milner, the facility has 69 employees who conduct the operations and maintenance. The remaining Canadian operations are managed through contracts with external parties. The two projects in the United States are contract managed. The French projects, except for one, have their operations and maintenance provided under contracts with La Societe Forclum.

General and Administration

General and administration ("G&A") expense of \$1.6 million during the first quarter of 2006 was higher by \$0.8 million than G&A expense of \$0.8 million during the first quarter of 2005. The higher G&A costs were attributed to the combined results of MPLP and MAXIM.

Depreciation

Depreciation expense increased to \$1.8 million during the first quarter of 2006 compared to \$0.5 million for the same quarter of 2005. MAXIM facilities accounted for \$1.3 million of the increase in depreciation expense when comparing 2006 over 2005. An analysis of the French generation equipment was completed and the principal generating equipment has been re-assessed to have an economic life of 18 years rather than the original contract life of 12 years.

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

Interest expense

During the first quarter of 2006, MAXIM incurred \$0.4 million of interest expense with respect to its corporate debt facilities with BMO Bank of Montreal, three project financings in France and capital lease obligations at Hartland and France. At March 31, 2006 all debt facilities are in compliance with their respective loan agreements.

At March 31, 2006 Basin Creek continues to capitalize interest until the project commences commercial operations anticipated to be July 1, 2006.

Net loss from Asset Held for Sale

Effective March 31, 2006, MAXIM's projects in Cambodia were classified as assets held for sale. The European projects, excluding France were classified as such on December 31, 2005. The net loss for the quarter from these operations was \$0.1 million. On March 29, 2006, MAXIM entered into an agreement to sell the European assets for 1.35 million Euros and the sale was completed on April 15, 2006. It is expected the remaining European activities will be sold by the end of the second quarter of 2006.

MAXIM and its joint venture partner in Cambodia have decided to rationalize the existing operations there, concurrent with the expiration of the PPA with the Cambodian state-owned utility on June 30, 2006.

Income taxes

With significant income generated in 2005 and the first quarter of 2006, MAXIM has fully utilized all Canadian tax losses available for carry forward and has provided for deferred income taxes of \$2.0 million in the first quarter of 2006. Income from the first quarter of 2005 was attributed entirely to Milner and did not include a provision for income taxes as Milner operations were conducted as a partnership.

Net Income

Net income during the first quarter of 2006 was \$3.8 million or \$0.01 per share, versus net income of \$2.7 million or \$0.01 per share for the first quarter of 2005.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

(\$000's except per share amounts)	Mar 31, 2006	Dec 31, 2005	Sept 30, 2005	June 30, 2005	Mar 31, 2005 *
Revenues	31,470	41,585	12,000	17,810	11,480
EBITDA	8,207	20,260	(212)	3,511	3,141
Net income (loss)	3,783	9,867	(2,554)	1,523	2,731
Net income (loss) per share	0.01	0.03	(0.01)	0.01	0.00
Total assets	205,631	196,829	157,651	158,162	103,860
Average Alberta Price (\$ per MWh)	\$57	\$117	\$67	\$51	\$49

* Reflects results of operations from MPLP only.

Selected quarterly unaudited financial information was prepared in accordance with Canadian generally accepted accounting principles.

The increase in revenues, EBITDA and net income during the first and fourth quarter reflect the seasonal operations of the French plants as the French co-generation season operates from November through to the end of March. In addition, the fourth quarter of 2005 was a record quarter for MAXIM as Alberta power prices averaged \$117 per MWh. The lower revenues and net loss during the quarter ended September 30, 2005 was due to the extended plant turnaround at Milner.

LIQUIDITY AND CAPITAL RESOURCES

a) Capital Expenditures

At March 31, 2006, MAXIM had \$3.6 million of property, plant and equipment ("PP&E") expenditures compared to less than \$0.1 million at March 31, 2005. The PP&E expenditures during the first quarter of 2006 primarily reflect the continued development of the Basin Creek project. The Basin Creek project is

virtually complete at March 31, 2006 and undergoing final tests to confirm its operational standards. Once the tests are confirmed, MAXIM and its partner will accept ownership of the facility from the contractor who constructed the facility under a turnkey construction agreement. The project could expect to begin partial commercial operations during May and is contracted to commence full operations on July 1, 2006.

There were no other projects planned during the first quarter of 2006 as PP&E projects such as the Milner plant turnaround, are generally completed during the second and third quarters each year. The 2006 Milner turnaround was budgeted to occur during the second quarter of 2006 and commenced on April 28, 2006.

b) Working Capital

Working capital at March 31, 2006 was \$23.0 million, an increase of \$6.6 million from the working capital position of \$16.4 million at December 31, 2005. Despite lower Alberta power prices during the first quarter of 2006 compared to the fourth quarter of 2005, working capital increased quarter over quarter, primarily the result of operations from the French projects. The French projects annually operate from November through March.

It is anticipated that the positive working capital position at March 31, 2006 will be reduced by the end of the second quarter as Milner completes its annual plant turnaround in May.

c) Canadian Credit Facilities

At March 31, 2006, MAXIM has combined credit facilities of \$26.5 million with BMO Bank of Montreal compared to \$13.5 million at March 31, 2005. On May 10, 2005, MAXIM amended its existing Canadian credit facilities with BMO Bank of Montreal and increased its demand revolving facilities by \$3.5 million and added a new \$9.5 million credit facility to finance its Vancouver Landfill operations. The amended BMO Bank of Montreal credit is comprised of five facilities (Facilities A through E). Except for Facility C and Facility E, the loans are demand in nature, bearing various rates of interest and available for working capital purposes or new project development. Both Facility A and Facility B were not utilized as of March 31, 2006.

Facility C is a non-revolving reducing fixed rate term loan bearing interest at 6.79% per annum with blended monthly repayments as well as quarterly repayments based on available cash flow. Facility E is a non-revolving reducing term loan with floating interest rates. MAXIM was advanced \$7.5 million under Facility E and an additional \$2.0 million from Facility E will be advanced to MAXIM upon completion of the expansion at the Vancouver Landfill project which is expected to be completed at the end of the second quarter of 2006. The total outstanding balance of Facility C and Facility E was \$13.6 million at March 31, 2006. At March 31, 2006 the credit facilities are in compliance with the BMO Bank of Montreal credit agreement.

d) Long-Term Debt

Under a US\$29 million construction and term loan facility, MAXIM utilized US\$22.3 million (\$26.0 million) of the facility as of March 31, 2006 for the construction of Basin Creek. Under the construction agreement, advances are made at US treasury rate plus 2.5% per annum with the construction loans to be converted to a term loan with a maturity of 20 years. On June 30, 2006 the outstanding construction loans will be converted to a term loan.

Three project financings in France are through the RZB bank. Each of the project financings have an interest rate of Euribor plus a margin ranging from 1.8% to 2.75%. Each of the RZB loans has similar

terms and covenants and a maturity of 12 years to coincide with the 12 year power purchase agreements with Electricite de France. At March 31, 2006, the three French projects had an outstanding balance of 5.5 million Euro (\$7.8 million).

At March 31, 2006, the combined amount of long-term debt outside of Canada was \$33.8 million. Compared to March 31, 2005 and excluding long-term debt associated with assets held for sale, long-term debt outside of Canada was \$4.3 million. The increase of long-term debt outside of Canada from \$4.3 million to \$33.8 million at March 31, 2006 reflects the construction of the Basin Creek project in Montana and the completed Bataneres project in France.

e) Capital Lease Obligation

MAXIM has agreed to lease equipment at the Hartland facility, located near Victoria, British Columbia, from the Capital Regional District. The lease obligation bears interest at 6.5% per annum and is repayable on a monthly basis over a 20 year term. At March 31, 2006, the outstanding balance of this lease obligation was \$1.7 million. At March 31, 2005, the lease obligation at Hartland was the only such obligation for MAXIM.

In conjunction with the acquisition of the French projects in June, 2005, MAXIM assumed a capital lease obligation of \$3.2 million with Caterpillar Finance France for production equipment. The capital lease bears interest at 7.03% per annum with monthly repayments over a 12 year term. Upon termination of the lease, MAXIM has the option to purchase the leased equipment at an option price of \$0.6 million. At March 31, 2006 the outstanding balance of the French lease obligation was \$2.9 million.

f) Cash Flow Indenture

Under the terms of the acquisition agreement and a cash flow indenture, MPLP will pay annually to the Balancing Pool 20% of cash flows to a maximum of \$15 million over the life of the indenture. The obligation is non-interest bearing and MPLP has pledged accounts receivable as collateral for the payments due under the cash flow indenture. The current portion at March 31, 2006 was \$1.0 million compared to \$4.9 million at December 31, 2005 based on 20% of the cash flow for the respective period of three months versus a full year. The long-term portion at March 31, 2006 was \$6.3 million versus \$7.4 at December 31, 2005. During the first quarter of 2006, MPLP repaid \$4.9 million of the obligation to the Balancing Pool.

g) Purchase Obligation

Milner holds a long-term coal supply agreement with Luscar Ltd. for the supply of a minimum of 11.3 million gigajoules of coal per annum to the facility. The initial 5 year agreement, which will expire January, 2009, can be extended at MPLP's option for a further 5 years. Should Milner be unable to fulfill its purchase obligation to Luscar Ltd., the coal would be resold in international markets in excess of the contracted prices. The long-term coal supply agreement has been in place since the acquisition of Milner in January, 2004.

h) Equity Issuances

During the first quarter of 2006, 119,000 stock options (post-share consolidation) were exercised for proceeds of \$0.6 million. There were no other equity issuances during the first quarter of 2006 or the first quarter of 2005.

PROPOSED TRANSACTIONS

Effective December 31, 2005, MAXIM's projects in Europe, excluding France, were classified as Assets Held for Sale. On March 29, 2006 MAXIM 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 1.35 million Euro. On April 15, 2006, the sale was completed with receipt of proceeds. In addition, MAXIM expects to complete the disposition of the remaining European assets by the end of the second quarter of 2006.

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 operations concurrent with the expiration of the PPA with the Cambodian state-owned utility.

Cambodian power authorities have requested a reduced tariff under any future PPA. The Cambodian operations have been conducted under a current PPA which has a term of 6 months compared to earlier PPA agreements which were for terms of 3 years. Without a long term PPA at favorable prices, it has become increasingly difficult to sustain future operations. In addition, Cambodian authorities have been unwilling to bear the rising cost of fuel which is fully recovered currently, through the electricity tariff.

OUTLOOK

Alberta power pool prices averaged \$57 per MWh during the first quarter of 2006 which was significantly lower than the average Alberta power price of \$117 per MWh during the fourth quarter of 2005. At March 31, 2006, MAXIM has 151 MW of its total net installed capacity of 362 MW exposed to Alberta spot prices. For the month of April, 2006, the Alberta average power price was \$43. For the remainder of 2006, it is anticipated that Alberta forward prices will be in the range of \$61 to \$66 per MWh. Current estimates for Alberta power prices in 2007 are approximately \$63 to \$69 per MWh. Power prices have a high correlation to natural gas prices. Natural gas prices have decreased during the first quarter of 2006 when compared to natural gas prices during the fourth quarter of 2005. If natural gas prices rise, power prices are expected to rise as well and vice versa.

Milner began its annual turnaround on April 28, 2006. The annual turnaround is scheduled to be completed during May. This turnaround was planned to occur earlier than previous annual turnarounds which occurred during the months of August and September. Pending results of the 2006 turnaround, the 2006 Milner turnaround will likely be of a shorter duration than previously.

The Basin Creek project is anticipated to commence full commercial operations at July 1. Should Basin Creek be available before July 1, the project will collect reduced capacity revenues as stipulated under its Capacity and Energy Sale Agreement. MAXIM's Pawtucket facility will have increased activity during the third quarter of 2006. Pawtucket normally experiences a higher demand for power during this period. Pawtucket is a distressed merchant gas asset that was purchased at low cost in November, 2005. Recent developments within the New England market could allow for short-term to medium term tolling arrangements for the facility.

France has completed its co-generation season at March 31 and will begin operations at the start of the next co-generation season in November. During non-production months, the French plants will undergo planned turnarounds. As previously mentioned, Cambodian operations will cease after June 30, 2006, the expiry of the current PPA. It is anticipated that the Cambodian joint venture will require 3 to 6 months to sell the remaining generation equipment in Phnom Penh. Discussions are underway with various local

and international vendors who are interested in purchasing the remaining generation equipment after June 30.

Two development opportunities at Milner continue to be advanced. Both opportunities are in the preliminary stages. The first is the exploitation of the coal leases which contain an estimated 13 million tonnes of recoverable coal reserves. Milner has completed the marketing review, transportation study and 75% of environmental fieldwork. Milner has budgeted to increase activity to develop the coal lease during the second quarter of 2006 and development drilling is expected to commence as all drilling permit approvals have been received. The second development opportunity would be expansion of the Milner facility. This opportunity is currently at a very preliminary stage. The development of the Milner coal reserves could serve as the source of fuel for any Milner expansion and the existing facility. Outside of Milner, MAXIM has been in the process of expanding the Vancouver Landfill project from 5.6 MW to 7.4 MW with addition of a fourth co-generation unit. The fourth unit has been delivered to the site and the expansion is expected to commence commercial operations in July, 2006. The fourth unit project has been budgeted for approximately \$2.7 million.

MAXIM plans to continue adding generation capacity primarily through acquisitions which utilize hydrocarbon based fuels. MAXIM will also give higher priority to those acquisitions that are 50MW or greater of generation capacity. The exception to acquisitions greater than 50MW would be in France where cogeneration projects are of smaller scale. With the pending divestiture of the smaller European and Cambodian facilities, MAXIM is committed to moving to larger scale generation projects in selected regions in North America. In the short-term, MAXIM will likely forego most new greenfield development opportunities unless the such projects offer a high value proposition. MAXIM's strategic plan is to incorporate more greenfield opportunities within the next 3 to 5 years.

OTHER INFORMATION

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. The common shares commenced trading on the Toronto Stock Exchange on a post-consolidation basis at the open of markets on April 18, 2006. The following outstanding share data reflects the consolidation of issued common shares and outstanding share options. There will be an insignificant adjustment to the above number of issued common shares due to the rounding for fraction shares issued as a result of the common share consolidation.

Outstanding Share Data

Issued common shares at December 31, 2005	43,758,709
Exercised share options	119,000
Total issued common shares at May 11, 2006	43,877,709
Outstanding share options	1,733,350
Total diluted common shares at May 11, 2006	45,611,059

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

FORWARD- LOOKING INFORMATION

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