

power **growth** precision



*Quarterly Report of*

# **MAXIM POWER CORP.**

Second Quarter Ended June 30, 2008 and 2007  
(unaudited)



## Form 52-109F2 – Certification of Interim Filings

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

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Maxim Power Corp., (the issuer) for the interim period ending June 30, 2008;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based upon my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer and internal control over financial reporting for the issuer, and we have:
  - a. Designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared; and
  - b. Designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuers GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: August 13, 2008

"signed"

John R. Bobenic  
President & CEO



## Form 52-109F2 – Certification of Interim Filings

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

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Maxim Power Corp., (the issuer) for the interim period ending June 30, 2008;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based upon my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer and internal control over financial reporting for the issuer, and we have:
  - a. Designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared; and
  - b. Designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuers GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: August 13, 2008

"signed"

Michael R. Mayder  
Vice President, Finance and  
Chief Financial Officer

# MAXIM POWER CORP.

Consolidated Balance Sheets  
(In Thousands of Dollars)

	June 30, 2008 (unaudited)	December 31, 2007
<b>Assets</b>		
	(see basis of presentation - note 1)	
Current assets:		
Cash	\$ 7,338	\$ 20,167
Accounts receivable	20,246	36,972
Prepaid expenses, deposits and other	3,272	913
Inventory (note 6)	5,438	1,141
	36,294	59,193
Property, plant and equipment (note 7)	186,611	150,454
Deferred costs (note 8)	9,947	8,420
Future income tax asset	4,582	4,132
Intangibles (note 9)	29,693	23,908
Goodwill	15,632	15,632
	\$ 282,759	\$ 261,739
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 32,497	\$ 30,899
Income taxes payable	7,393	5,720
Current portion of long-term debt (note 11)	6,325	2,847
Current portion of capital lease obligations	4,455	3,528
Current portion of long-term contracts	973	1,310
Current portion of future income tax liability	-	7,651
	51,643	51,955
Long-term debt (note 11)	57,040	46,397
Capital lease obligations	13,791	12,613
Long-term contracts	393	662
Asset retirement obligation (note 10)	1,760	763
Future income tax liability	11,203	9,593
Non-controlling interest	75	-
Shareholders' equity:		
Share capital (note 12)	94,000	93,674
Contributed surplus (note 12)	3,896	2,819
Retained earnings	49,255	49,489
Accumulated other comprehensive (loss) income (note 3)	(297)	(6,226)
	48,958	43,263
	146,854	139,756
Commitments (note 13)		
Subsequent events (note 16)		
	\$ 282,759	\$ 261,739

See accompanying notes to interim consolidated financial statements.

On behalf of the Board:

(Signed) \_\_\_\_\_ Director  
John R. Bobenic

(Signed) \_\_\_\_\_ Director  
M. Bruce Chernoff

# MAXIM POWER CORP.

## Consolidated Statements of Operations and Retained Earnings

Three and six months ended June 30, 2008 and 2007

(In Thousands of Dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	(see basis of presentation - note 1)			
Revenue:				
Electricity sales	\$ 14,797	\$ 18,979	\$ 62,211	\$ 52,963
Expenses:				
Plant operations	18,187	14,253	48,848	36,888
General and administration	2,258	1,782	3,599	3,163
Depreciation and amortization	2,300	2,123	7,470	6,003
	22,745	18,158	59,917	46,054
Income (loss) before the following items	(7,948)	821	2,294	6,909
Interest expense:				
Long-term debt	1,192	872	2,143	1,746
Capital lease obligation	304	273	576	490
Long-term contract	28	74	61	162
Other	47	30	61	42
Interest income	(177)	(91)	(324)	(290)
Gain on disposal of assets (note 5)	(552)	-	(552)	-
Foreign exchange loss (gain)	8	128	(2)	137
Income (loss) before income taxes from continuing operations	(8,798)	(465)	331	4,622
Income taxes (recovery):				
Current	(289)	(661)	7,164	8,817
Future	(2,560)	426	(6,925)	(7,319)
Non-controlling interest	29	(50)	75	-
Net income (loss) from continuing operations	(5,978)	(180)	17	3,124
Net income (loss) from discontinued operations (note 5)	(15)	(27)	(54)	(9)
Net income (loss) for the period	(5,993)	(207)	(37)	3,115
Retained earnings, beginning of period	55,445	37,410	49,489	34,088
Normal course issuer bid	(197)	-	(197)	-
Retained earnings, end of period	\$ 49,255	\$ 37,203	\$ 49,255	\$ 37,203
Basic and diluted income per share – continuing operations	\$ (0.13)	\$ (0.01)	\$ 0.00	\$ 0.07
Basic and diluted loss per share – discontinued operations	-	-	-	-
Basic and diluted income per share	\$ (0.13)	\$ (0.01)	\$ 0.00	\$ 0.07

See accompanying notes to interim consolidated financial statements.

# MAXIM POWER CORP.

## Consolidated Statements of Comprehensive Income (Loss)

Three and six months ended June 30, 2008 and 2007

(In Thousands of Dollars)

(Unaudited)

	Three months ended		Six months ended	
	2008	June 30, 2007	2008	June 30, 2007
Net income (loss) for the period	\$ (5,993)	\$ (207)	\$ (37)	\$ 3,115
Other comprehensive income:				
Unrealized gains (losses) on translation of self- sustaining operations	(1,465)	(4,535)	5,929	(4,572)
Comprehensive income (loss)	\$ (7,458)	\$ (4,742)	\$ 5,892	\$ (1,457)

See accompanying notes to interim consolidated financial statements.

# MAXIM POWER CORP.

## Consolidated Statements of Cash Flows

Three and six months ended June 30, 2008 and 2007

(In Thousands of Dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Cash provided by (used in):	(see basis of presentation - note 1)			
Operations:				
Net income (loss) from continuing operations	\$ (5,978)	\$ (180)	\$ 17	\$ 3,124
Items not involving cash:				
Depreciation and amortization	2,300	2,123	7,470	6,003
Amortization of deferred financing costs	390	43	688	43
Write-off of deferred costs	475	-	475	-
Foreign exchange (gain) loss	10	72	-	86
Asset retirement obligation	(10)	4	20	13
Stock-based compensation	701	554	1,330	1,205
Non-controlling interest	29	(50)	75	-
Gain on disposal of assets	(552)	-	(552)	-
Future income taxes (recovery)	(2,560)	426	(6,925)	(7,319)
	(5,195)	2,992	2,598	3,155
Change in non-cash working capital (note 14)	(2,818)	78	6,412	21,724
Cash flows from continuing operations	(8,013)	3,070	9,010	24,879
Net income (loss) from discontinued operations	(15)	(27)	(54)	(9)
Items not involving cash:				
Depreciation and amortization	5	5	10	10
Future income taxes (recovery)	(3)	(10)	(18)	-
Change in non-cash working capital	60	-	60	-
Cash flows from discontinued operations	47	(32)	(2)	1
	(7,966)	3,038	9,008	24,880
Financing:				
Issuance of long-term debt	-	-	14,923	-
Repayment of long-term debt	(1,951)	(759)	(2,827)	(1,868)
Repayment of capital lease obligation	(1,628)	(1,106)	(2,836)	(2,133)
Shares purchased under normal course issuer bid	(423)	-	(423)	-
Issuance of common shares	186	729	299	1,396
Long-term contracts	(393)	-	(654)	-
Cash flows from continuing financing activities	(4,209)	(1,136)	8,482	(2,605)
Investing:				
Property, plant and equipment expenditures	(9,333)	(2,298)	(15,758)	(3,434)
Acquisitions, net of cash acquired	(20,419)	-	(20,522)	(20,999)
Deferred costs	(2,110)	(1,562)	(3,316)	(2,682)
	(31,862)	(3,860)	(39,596)	(27,115)
Change in non-cash working capital (note 14)	3,242	(1,126)	8,350	(7,376)
Cash flows used in investing in continuing operations	(28,620)	(4,986)	(31,246)	(34,491)
Change in cash related to discontinued operations	-	-	-	-
Proceeds on discontinued operations	885	-	885	-
	(27,735)	(4,986)	(30,361)	(34,491)
Foreign exchange gain (loss)	(1,067)	(550)	42	(587)
Decrease in cash	(40,977)	(3,634)	(12,829)	(12,803)
Cash, beginning of period	48,315	13,786	20,167	22,955
Cash, end of period	\$ 7,338	\$ 10,152	\$ 7,338	\$ 10,152

See accompanying notes to interim consolidated financial statements.

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three months ended June 30, 2008 and 2007

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

### 1. Basis of Presentation

These unaudited interim consolidated financial statements have been prepared by management of Maxim Power Corp. ("MAXIM" or the "Corporation") in accordance with accounting principles generally accepted in Canada and should be read in conjunction with MAXIM's audited consolidated financial statements and notes for the fiscal year ended December 31, 2007. The accounting policies and methods of application used in the preparation of these unaudited interim consolidated financial statements are consistent with the accounting policies used in MAXIM's most recent audited year-end consolidated financial statements, except as described in note 2.

The Corporation consolidates the accounts of its 95% interest in Basin Creek Holdco LLC, 90% interest in Pouchon Cogen SARL and 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 interests' proportion of the accounts.

### 2. New Accounting Pronouncements

#### *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. The requirements of the new section are not expected to have a material impact on the Corporation's consolidated financial statements.

### 3. Accumulated Other Comprehensive (Loss) Income

The composition of accumulated other comprehensive (loss) income is as follows:

	June 30, 2008	December 31, 2007
Balance, beginning of period	\$ (6,226)	\$ 3
Unrealized (losses) gains on translation of net foreign operations	5,929	(6,229)
Balance, end of period	\$ (297)	\$ (6,226)

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three and six months ended June 30, 2008 and 2007

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

### 4. Acquisitions

On April 17, 2008, MAXIM acquired the 86 megawatt ("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 \$21,570 (US\$21,311), 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., 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 S.A.S., 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:

	Forked River	Somal
Inventory	\$ 1,482	\$ -
Property, plant and equipment	15,977	-
Intangibles	4,555	241
Equipment under capital leases	-	3,424
	22,014	3,665
Capital lease obligation	-	(3,424)
Asset retirement obligation	(444)	-
	(444)	(3,424)
Total cash consideration including acquisition costs	\$ 21,570	\$ 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.

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three and six months ended June 30, 2008 and 2007

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

### 5. 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.

A summary of discontinued operations is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Electricity sales	\$ 76	\$ 52	\$ 131	\$ 120
Plant operations	(28)	(75)	(73)	(94)
General and administration	(61)	(9)	(120)	(25)
Depreciation and amortization	(5)	(5)	(10)	(10)
Income (loss) before income taxes	(18)	(37)	(72)	(9)
Income (taxes) recovery:				
Future	3	10	18	-
Net income (loss) from discontinued operations	\$ (15)	\$ (27)	\$ (54)	\$ (9)

### 6. Inventory

	June 30, 2008	December 31, 2007
Coal	\$ 3,573	\$ 717
Fuel oil	1,865	424
Balance, end of period	\$ 5,438	\$ 1,141

The cost of inventories recognized as an expense in plant operations during the period was \$5,527 (2007 - \$8,459).

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Three and six months ended June 30, 2008 and 2007

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

## 7. Property, Plant and Equipment

June 30, 2008	Cost	Accumulated Depreciation	Net book value
Land	\$ 6,944	\$ -	\$ 6,944
Generating facilities	164,045	27,865	136,180
Spare parts	6,992	-	6,992
Capital leases	38,190	2,563	35,627
Office furniture and equipment	1,320	452	868
	<u>\$ 217,491</u>	<u>\$ 30,880</u>	<u>\$ 186,611</u>
December 31, 2007			
Land	\$ 4,252	\$ -	\$ 4,252
Generating facilities	130,313	20,885	109,428
Spare parts	7,079	-	7,079
Capital leases	31,312	2,312	29,000
Office furniture and equipment	1,033	338	695
	<u>\$ 173,989</u>	<u>\$ 23,535</u>	<u>\$ 150,454</u>

## 8. Deferred Costs

June 30, 2008	Costs	Additions	Charged to income	Reclassified to PP&E	Transferred to long-term debt	Net book value
Acquisition costs	\$ 1,328	\$ 1,674	\$ -	\$ (1,288)	\$ -	\$ 1,714
Development costs	7,092	1,642	(474)	(27)	-	8,233
Total	<u>\$ 8,420</u>	<u>\$ 3,316</u>	<u>\$ (474)</u>	<u>\$ (1,315)</u>	<u>\$ -</u>	<u>\$ 9,947</u>
December 31, 2007						
Acquisition costs	\$ 617	\$ 711	\$ -	\$ -	\$ -	\$ 1,328
Development costs	4,661	2,431	-	-	-	7,092
Financing costs	1,994	(60)	-	-	(1,934)	-
Total	<u>\$ 7,272</u>	<u>\$ 3,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,934)</u>	<u>\$ 8,420</u>

PP&E - Property, plant and equipment.

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three and six months ended June 30, 2008 and 2007

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

### 9. Intangibles

June 30, 2008	Costs	Additions	Accumulated Amortization	Net book value
Coal supply contract	\$ 6,000	\$ -	\$ 2,165	\$ 3,835
Power sale contracts	23,239	4,829	2,210	25,858
	\$ 29,239	\$ 4,829	\$ 4,375	\$ 29,693

Additions are comprised of a tolling agreement with FirstEnergy Solutions Corp. acquired with the Forked River assets for \$4,555 and a power sale contract with Electricité de France ("EDF") acquired with the Somal assets for \$241 (refer to note 4). The fair values of tolling and power sales contracts are amortized over the remaining life of the contracts which is ten years and eighteen years respectively.

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

### 10. Asset Retirement Obligation

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%. The total undiscounted amounts of estimated obligations are approximately \$5,764 and are expected to be incurred in fourteen to twenty-four years from the date of these consolidated financial statements.

Balance, January 1, 2008	\$	763
Liabilities incurred		444
Liabilities settled		(25)
Accretion expense		20
Revisions to estimated future cash flow obligation		528
Revaluation of foreign currency liabilities		30
Balance, June 30, 2008	\$	1,760

### 11. Long-term Debt

	June 30, 2008	December 31, 2007
Canadian	\$ 32,405	\$ 18,646
United States	26,941	26,594
France	5,871	6,132
	65,217	51,372
Less deferred financing costs	(1,852)	(2,128)
	63,365	49,244
Less current portion	(6,325)	(2,847)
	\$ 57,040	\$ 46,397

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three and six months ended June 30, 2008 and 2007

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

### 11. Long-term Debt (continued)

During the six months ended June 30, 2008, the Corporation drew an additional \$14,923 under its Bank of Montreal ("BMO") loan facility B. During the second quarter, the Corporation converted \$32,784 drawn under its loan facility B, bearing interest at the Bankers' Acceptance rate plus 2.00% into \$32,784 of prime-based advances. This draw has an amortization period of eighty-six months, bearing interest at BMO prime plus 0.75%, and has monthly principal repayments of \$379.

The Corporation's anticipated repayment obligations as at June 30, 2008 related to its loans over the next five years are as follows:

2008	\$	2,808
2009		6,584
2010		6,650
2011		6,704
2012		6,711
Remaining		35,760
	\$	65,217

### 12. Share Capital

(a) Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares

(b) Issued:

Share capital:

Common shares of Maxim Power Corp.	Number	Amount
Balance, December 31, 2007	44,379,984	\$ 93,674
Stock options exercised	101,607	552
Normal course issuer bid (note 12 (c))	(52,100)	(111)
Common shares held for cancellation (note 12 (c))	(17,500)	(115)
Common shares, June 30, 2008	44,411,991	\$ 94,000
<b>Contributed Surplus</b>		
Balance, December 31, 2007		\$ 2,819
Fair value of stock based compensation		1,330
Stock options exercised		(253)
Balance, June 30, 2008		\$ 3,896

(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

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three and six months ended June 30, 2008 and 2007

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

### 12. Share Capital (continued)

cancelled and returned to treasury. During the six months ended June 30, 2008, the Corporation purchased and cancelled 52,100 shares. As at June 30, 2008, MAXIM had 17,500 shares which it had purchased but not cancelled and returned to treasury. Subsequent to June 30, 2008, these shares were cancelled and returned to treasury.

(d) Stock options:

The Corporation has one employee stock option plan under which employees, directors and key consultants are eligible to receive grants. Under the stock option plan, the granted stock options 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 based on market value at the time of granting.

Stock options issued and outstanding are as follows:

	Number	Weighted average exercise price
Balance, December 31, 2007	3,231,867	\$ 5.56
Exercised	(147,940)	(3.21)
Granted	240,000	5.84
Forfeited	(180,500)	(5.54)
Balance, June 30, 2008	3,143,427	\$ 5.70

Details of the stock options outstanding at June 30, 2008 are as follows:

Range of Exercise Prices	Options Outstanding at June 30, 2008			Options Exercisable at June 30, 2008	
	Number of Options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
\$3.51 to \$5.99	1,267,393	3.26	\$4.53	360,726	\$4.20
\$6.00 to \$8.00	1,876,034	3.65	\$6.49	433,852	\$6.17
	3,143,427	3.49	\$5.70	794,578	\$5.28

The Corporation accounts for its stock option plan using the fair value method. Under this method, the Corporation recorded non-cash stock-based compensation of \$701 for the three months ended June 30, 2008 (2007 - \$554) and \$1,330 for the six months ended June 30, 2008 (2007 - \$1,205). During the three and six months ended June 30, 2008, the Corporation also recorded cash stock-base compensation expense of \$97 (2007 - \$nil) and \$97 (2007 - \$nil), respectively.

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three and six months ended June 30, 2008 and 2007

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

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### 12. Share Capital (continued)

The fair value of each option granted was estimated at the date of grant using the Black-Scholes option pricing method with weighted average assumptions for stock option grants during the six months ended June 30, 2008 as follows:

Risk free interest rate (%)	2.67
Time to expiration (years)	5.00
Volatility (%)	50.00
Expected dividend	-

During the six months ended June 30, 2008, the Corporation granted 240,000 (2007 – 83,000) stock options to purchase common shares at an average price of \$5.84 (2007 - \$6.85) under the Corporation's stock option plan and the weighted average fair value of each option was calculated to be \$2.71 (2007 - \$3.20). The Corporation used the Black-Scholes option pricing model and the assumptions above to calculate the weighted average fair value.

(e) Earnings per share:

The weighted average number of shares outstanding for purposes of calculating basic earnings per share for the three and six months ended June 30, 2008 were 44,406,304 (2007 – 44,068,278) and 44,386,867 (2007 – 44,004,101), respectively.

For the three and six months ended June 30, 2008, the diluted income per share calculation excluded 107,071 (2007 - 137,089) and 92,383 shares, respectively, related to stock options from the average number of common shares outstanding as they were determined to be anti-dilutive. In addition, for six months ended June 30, 2007, diluted income per share calculation, 136,526 shares were added to the average number of common shares outstanding during the period for the dilutive effect of exercisable stock options.

### 13. Commitments

(a) Forked River Tolling Agreement:

The Corporation entered into a tolling agreement effective April 17, 2008 related to Forked River. The tolling agreement is for a ten year period whereby the Corporation provides 86 MW of capacity in exchange for a fixed monthly capacity fee and variable operating and maintenance charges.

(b) Somal:

As part of the Somal acquisition the Corporation assumed a sales contract with an original 12 year term with Electricite de France ("EDF"). Sales to the 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 this project is completed under gas purchase contracts. Gaz de France is the gas supplier for the gas purchase contracts. Somal has an operating and maintenance contract with La Societe Forclum. In addition, the Corporation assumed a capital lease with an outstanding balance of \$3,424 (2,135 Euros) related to the Somal acquisition.

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three and six months ended June 30, 2008 and 2007

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

### 14. Change in Non-Cash Working Capital

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Operations:				
Accounts receivable	\$ 17,301	\$ 11,032	\$ 16,726	\$ 20,619
Prepaid expenses, deposits and other	(2,227)	1,155	(2,360)	1,458
Inventory	(3,308)	2,012	(2,815)	910
Accounts payable and accrued liabilities	(9,946)	(13,321)	(6,812)	(10,142)
Income taxes (payable)/receivable	(4,638)	(710)	1,673	9,047
Deferred revenue	-	(18)	-	(82)
Unrealized foreign exchange	-	(72)	-	(86)
	\$ (2,818)	\$ 78	\$ 6,412	\$ 21,724

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Investing:				
Accounts payable and accrued liabilities	\$ 3,242	\$ -	\$ 8,350	\$ -
Cash flow indenture	-	\$ (1,126)	-	(7,376)
	\$ 3,242	\$ (1,126)	\$ 8,350	\$ (7,376)

The following cash payments have been paid or received:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Taxes paid	\$ 4,256	\$ 101	\$ 5,497	\$ 101
Interest paid	\$ 1,505	\$ 962	\$ 2,790	\$ 2,034

### 15. 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. The Corporation discloses segmented information based on geographical location of facilities. Details by geographic area are as follows:

	Three months ended		Three months ended	
	June 30, 2008		June 30, 2007	
	Revenue	Income (loss) before the following items*	Revenue	Income (loss) before the following items*
Canada	\$ 8,304	\$ (6,643)	\$ 14,557	\$ 1,859
United States	6,539	601	4,443	84
France	(46)	(1,906)	(21)	(1,122)
Total	\$ 14,797	\$ (7,948)	\$ 18,979	\$ 821

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three and six months ended June 30, 2008 and 2007

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

### 15. Segmented Information (continued)

	Six months ended June 30, 2008		Six months ended June 30, 2007	
	Revenue	Income (loss) before the following items*	Revenue	Income (loss) before the following items*
Canada	\$ 27,627	\$ (188)	\$ 28,538	\$ 5,576
United States	10,619	385	8,486	(353)
France	23,965	2,097	15,939	1,686
Total	\$ 62,211	\$ 2,294	\$ 52,963	\$ 6,909

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

MAXIM's operations are impacted by seasonality. All French operations are cogeneration facilities and annually operate only from November through March. Operations in the United States not under tolling agreements function as peak power facilities and operate more frequently when heating and cooling requirements increase. Canadian operations are impacted when annual maintenance programs are performed. The annual maintenance programs are normally completed during the second quarter of each year.

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

	Three months ended June 30, 2008			Three months ended June 30, 2007		
	Acquisitions	PP&E Additions	Depreciation and Amortization	Acquisitions	PP&E Additions	Depreciation and Amortization
Canada	\$ -	\$ 9,032	\$ 1,471	\$ -	\$ 1,305	\$ 1,342
United States	20,178	(13)	751	-	33	579
France	241	314	78	-	960	202
Total	\$ 20,419	\$ 9,333	\$ 2,300	\$ -	\$ 2,298	\$ 2,123

	Six months ended June 30, 2008			Six months ended June 30, 2007		
	Acquisitions	PP&E Additions	Depreciation and Amortization	Acquisitions	PP&E Additions	Depreciation and Amortization
Canada	\$ -	\$ 15,164	\$ 2,737	\$ -	\$ 2,395	\$ 2,644
United States	20,281	273	1,203	-	4	1,197
France	241	321	3,530	20,999	1,035	2,162
Total	\$ 20,522	\$ 15,758	\$ 7,470	\$ 20,999	\$ 3,434	\$ 6,003

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three and six months ended June 30, 2008 and 2007

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

### 15. Segmented Information (continued)

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

	June 30, 2008	December 31, 2007
Canada	\$ 111,308	\$ 110,630
United States	68,707	48,420
France	102,744	102,689
Total	\$ 282,759	\$ 261,739

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

	June 30, 2008	December 31, 2007
Canada	\$ 15,632	\$ 15,632
United States	-	-
France	-	-
Total	\$ 15,632	\$ 15,632

### 16. Subsequent Events

- On July 10, 2008, MAXIM closed its previously announced private placement of common shares. The Corporation issued 10,211,500 common shares at a per share price of \$6.50 for gross proceeds of \$66,400 including the exercised portion of the underwriters' option.
- On August 6, 2008, MAXIM completed the previously announced acquisition of the 170 MW Pittsfield Generating Company electric power plant in Pittsfield, Massachusetts, from affiliates of GE Energy Financial Services, a unit of General Electric Company for \$52,803 (US \$52,400) plus working capital estimated to be \$2,812 (US \$2,791).
- On July 23, 2008, Comax France S.A.S., MAXIM's wholly-owned French subsidiary, entered into an agreement to purchase the 3.1 MW electrical and 2.4 MW thermal Beauprau cogeneration power facility in France for total consideration of \$3,900 (2,457 Euro), including acquisition costs and assumption of the existing capital lease of \$3,288 (2,081 Euro). The cash consideration is expected to be \$612 (376 Euro) and will be funded from MAXIM's internal cash.
- On July 28, 2008, MAXIM began to sell excess fuel inventory resulting from the acquisition of Forked River. The Corporation agreed to sell 195,000 gallons of dyed diesel and expects the total proceeds from the sale to be approximately \$600.

### 17. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial presentation adopted for the current period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated August 13, 2008 and should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended June 30, 2008 for Maxim Power Corp. ("MAXIM" or "Corporation") and the audited annual consolidated financial statements for MAXIM for the year ended December 31, 2007. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

### OVERALL PERFORMANCE

(000's except MWh)	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Revenue <sup>(1)</sup>	\$ 14,797	\$ 18,979	\$ 62,211	\$ 52,963
Net income (loss) <sup>(1)</sup>	\$ (5,993)	\$ (207)	\$ (37)	\$ 3,115
EBITDA <sup>(2)</sup>	\$ (5,109)	\$ 2,912	\$ 10,254	\$ 12,913
Cash flow provided by (used in) operations <sup>(1)</sup>	\$ (7,966)	\$ 3,038	\$ 9,008	\$ 24,880
Electricity deliveries (MWh)	95,567	280,802	391,113	528,498

<sup>(1)</sup> The selected financial information is based on MAXIM's unaudited interim consolidated financial statements which were prepared in accordance with Canadian GAAP, except EBITDA information (see note 2 below). Certain comparative figures have been reclassified to conform with the current period presentation.

<sup>(2)</sup> EBITDA is a non-GAAP measure and calculated by adding/subtracting net interest expense/income, tax expense/recovery, non-controlling interest, depreciation and amortization to/from net income. For a reconciliation of EBITDA to net income, see "Non-GAAP Measures – EBITDA" section in this MD&A.

MAXIM completed the acquisition of Forked River Power Facility ("Forked River") on April 17, 2008. The acquisition increases the Corporation's generating capacity by 86 Megawatts ("MW"). As part of the acquisition MAXIM entered into a ten year tolling agreement with FirstEnergy Solutions Corp., a subsidiary of FirstEnergy Corp. The tolling agreement provides MAXIM with fixed capacity payments and other related revenues in exchange for the capacity of the plant. In addition, the Corporation acquired a cogeneration plant in France. The addition of these plants increased MAXIM's generating capacity by 93 MW to 584 MW. In addition, MAXIM sold a 0.8 MW power facility located in Alberta for proceeds of \$0.9 million.

During the second quarter, MAXIM completed a successful eight week turnaround on the HR Milner Facility ("Milner"). As a result of the extended duration of the turnaround the revenues for the second quarter decreased \$4.5 million to \$14.8 million in 2008. The decrease in revenues for the quarter was partially offset by revenues generated by Forked River, as well as, a strong average Alberta power price for the month of June 2008. As a result of the turnaround MAXIM recorded a net loss of \$6.0 million for the quarter compared to net loss of \$0.2 million for the comparative period of 2007 and EBITDA of \$(5.1 million) and \$2.9 million, respectively for the comparative periods.

Revenues for the first half of 2008 increased \$9.2 million to \$62.2 million from \$53.0 million for the same period of 2007. The increase for the period was due to additional revenues in France related to the acquisition of eight cogeneration power facilities in 2007 and Forked River in the second quarter of 2008. MAXIM recorded net income of \$0.0 million for the six months ended June 30, 2008 compared to \$3.1 million for the comparative period of 2007 and EBITDA was \$10.3 million and \$12.9 million, respectively for the comparative periods. These decreases, as mentioned previously, were primarily due to the extended turnaround at Milner partially offset by operating results of Forked River during the second quarter and strong operating results in France during the first quarter of 2008.

## RESULTS OF OPERATIONS

Generation of electricity by location for all plants except those plants solely receiving tolling or capacity payments is shown in the following table.

Summary of second quarter 2008 and 2007, as well as, year-to date generation (in MWh) by location:

Three months ended June 30	2008	2008	2007	2007
Facility	Generation (MWh)	% of Generation	Generation (MWh)	% of Generation
Canada - Milner plant	65,505	68.5	247,319	88.1
Canada - other plants	19,059	19.9	23,826	8.5
United States	11,003	11.6	9,657	3.4
France	-	-	-	-
<b>Total</b>	<b>95,567</b>	<b>100.0</b>	<b>280,802</b>	<b>100.0</b>

Six months ended June 30	2008	2008	2007	2007
Facility	Generation (MWh)	% of Generation	Generation (MWh)	% of Generation
Canada - Milner plant	289,880	74.1	428,227	81.0
Canada - other plants	42,264	10.8	45,374	8.6
United States	14,521	3.7	10,164	1.9
France	44,448	11.4	44,733	8.5
<b>Total</b>	<b>391,113</b>	<b>100.0</b>	<b>528,498</b>	<b>100.0</b>

- The tables exclude Forked River, Basin Creek and Alberta Power Projects (“APP”) as these facilities provide capacity in exchange for monthly capacity payments. In addition, the France cogeneration season is from November through March.

MAXIM’s generation capacity at June 30, 2008 was 584 MW and was comprised as follows: 192 MW in Canada (9 power plants), 263 MW in the United States (4 power plants) and 129 MW in France (21 power plants). At June 30, 2007, MAXIM’s generation capacity was 482 MW.

### Revenue

Summary of MAXIM’s revenue by geographic location:

(\$000's)	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Canada	8,304	14,557	27,627	28,538
United States	6,539	4,443	10,619	8,486
France	(46)	(21)	23,965	15,939
<b>Total</b>	<b>14,797</b>	<b>18,979</b>	<b>62,211</b>	<b>52,963</b>

Summary of MAXIM's power plants by source of revenue:

(\$000's)	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Tolling or capacity payments at fixed prices	3,522	2,603	5,880	5,301
Electricity sales at spot prices per MWh	6,846	11,609	19,447	21,621
Combined fixed capacity and sales of electricity	2,873	3,131	9,284	6,422
Electricity sales at fixed prices per MWh under PPA's	1,556	1,636	27,600	19,619
<b>Total</b>	<b>14,797</b>	<b>18,979</b>	<b>62,211</b>	<b>52,963</b>

Revenue for the quarter was \$14.8 million, a decrease of \$4.2 million from the \$19.0 million recorded in the second quarter of 2007. The decrease in revenue is primarily attributable to reduced generation at Milner as the turnaround was initiated later in the first quarter compared to the prior year and for a longer duration. This resulted in a reduction of 224,375 MWh generated at Milner during the second quarter of 2008 compared to 2007. This decrease in generating capacity at Milner was partially offset by a significantly higher Alberta power price for the month of June in 2008 compared to the same period of 2007. In addition, the decrease in revenue was partially offset by the stronger revenues from United States facilities primarily due to the acquisition of Forked River on April 17, 2008.

Revenue for the first half of 2008 was \$62.2 million, an increase of \$9.2 million from the \$53.0 million recorded in the first half of 2007. The increase is due to revenue from French operations related to the acquisition of eight French cogeneration facilities in 2007. In addition, revenue in the United States increased due to plant acquisitions and increased generation, as discussed in further detail below. These increases more than offset the decrease in revenue related to the 2008 Milner turnaround.

Canadian operations generated revenues of \$8.3 million and \$27.6 million during the second quarter and first half of 2008, respectively, compared to \$14.5 million and \$28.5 million for the same periods of 2007 respectively. The decrease in revenue of \$6.2 million for the quarter is due to the Milner turnaround being initiated at the end of the first quarter and continuing through the second quarter of 2008, as mentioned previously. In addition, the Milner turnaround was scheduled and completed in eight weeks compared to the turnaround in 2007 which took Milner offline for ten days. As a result of the requirement in 2008 for a more extensive turnaround the electricity generated by Milner decreased to 65,505 MWh and 289,880 MWh for the three and six months ended June 30, 2008, respectively, compared to generation of 247,319 MWh and 428,227 MWh for the same periods of 2007, respectively. MAXIM expects to realize improved output and efficiency which is anticipated to result in increase generation of electricity, lower fuel costs per unit of output and positive contributions toward meeting the facility's provincial emissions intensity targets due to the Milner turnaround. The decrease in generation was partially offset by the increase in Alberta power prices during the first half of 2008.

Revenue from United States operations increased for both the quarter and first half of 2008 to \$6.5 million and \$10.6 million, respectively, compared to \$4.4 million and \$8.5 million for the same period of 2007, respectively. The increase in revenues for the periods is attributable to increased power generation from MAXIM's New England power facilities and capacity payments received at Forked River. The four generating facilities in the United States received capacity revenue during the respective periods from ISO New England and the contracted counterparties at Basin Creek and Forked River. Pawtucket and CDECCA generated a combined 11,003 MWh and 14,521 MWh for the three and six months ended June 30, 2008, respectively compared to 9,657 MWh and 10,164 MWh for the same periods of 2007,

respectively. In addition, the increase in revenues for the respective 2008 periods is due to the inclusion of operating results for Forked River which was acquired on April 17, 2008.

MAXIM's French cogeneration power plants (129 MW) generate electrical and thermal power only from November to March of each cogeneration season. As such, no revenues were recorded for the three months ended June 30, 2008 and 2007. For the six months ended June 30, 2008 MAXIM's French power plants contributed \$24.0 million of revenue compared to \$16.0 million for the same period of 2007. The increase reflects a full quarter of operations from the six plants acquired on February 28, 2007 and the acquisition of two power plants in the second quarter of 2007.

## Plant Operations

Summary of plant operations expense for the three months ended June 30, 2008 and 2007:

(\$000's)	Three months ended June 30, 2008			Three months ended June 30, 2007		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	2,661	8,549	11,210	5,677	4,260	9,937
United States	2,110	3,172	5,282	1,376	2,473	3,849
France	29	1,666	1,695	137	330	467
Total	4,800	13,387	18,187	7,190	7,063	14,253
% of Plant operations expense	26%	74%	100%	50%	50%	100%

<sup>(1)</sup> Operations and Maintenance ("O&M") expense

Plant operations expense for the quarter increased by \$3.9 million or 27%, from \$14.3 million in the second quarter of 2007 to \$18.2 million in 2008. The increase was mainly attributable to O&M expenses incurred at Milner during the 2008 turnaround which was initiated at the end of the first quarter during 2008 versus the 2007 turnaround that was completed in the first quarter. In addition, the increase is also due to additional O&M expenses incurred at French and United States operations related to acquisitions in the prior year and current quarter. These increases were partially offset by reduced fuel costs related to the Milner turnaround for the quarter as discussed above.

Summary of plant operations expense for the six months ended June 30, 2008 and 2007:

(\$000's)	Six months ended June 30, 2008			Six months ended June 30, 2007		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	7,454	14,303	21,757	9,497	9,081	18,578
United States	3,565	5,562	9,127	2,829	4,814	7,643
France	12,641	5,323	17,964	7,297	3,370	10,667
Total	23,660	25,188	48,848	19,623	17,265	36,888
% of Plant operations expense	48%	52%	100%	53%	47%	100%

<sup>(1)</sup> Operations and Maintenance ("O&M") expense

Plant operations expense increased by \$11.8 million or 31%, from \$37.0 million in the first half of 2007 to \$48.8 million in 2008. The increase is primarily attributable to increased O&M expense as a result of the Milner turnaround initiated at the end of first quarter of 2008.

Fuel costs in France were \$12.6 million for the first half of 2008, compared to \$7.3 million for the first half of 2007, an increase of \$5.3 million or 73%. This increase resulted from additional gas interconnection costs for the new generating facilities added in France and higher natural gas commodity prices. The increase in O&M costs of \$1.9 million to \$5.3 million for the first half of 2008 compared to the \$3.4 million recorded for the same period of 2007 is attributable to the acquisition of several plants in 2007.

Fuel and O&M costs for United States operations increased \$1.5 million to \$9.1 million for the first half of 2008 compared to \$7.6 million in 2007. The increase was due to additional electrical generation in 2008 and the addition of Forked River in the second quarter of 2008.

#### General and Administration (“G&A”)

(\$000's)	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
G&A expense	2,258	1,782	3,599	3,163

G&A expense was \$2.3 million and \$3.6 million for the second quarter and first half of 2008 compared to \$1.8 million and \$3.2 million for the same periods in 2007. The increase represents additional staffing costs of the Corporation during the second quarter of 2008 related to acquisition activity.

#### Depreciation and Amortization

(\$000's)	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Depreciation expense	2,300	2,123	7,470	6,003

Depreciation and amortization expense increased by \$0.2 million, or 8% to \$2.3 million for the three month period ended June 30, 2008. In addition, depreciation and amortization expense increased by \$1.5 million, or 24% to \$7.5 million for the first half of 2008. The increases in depreciation and amortization expense for the periods were attributable to the acquisition of Forked River. In addition, the increases in depreciation and amortization resulted from the full period effect of the acquisition of eight French facilities in 2007 increased depreciation

#### Interest Expense

(\$000's)	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Long-term debt	1,192	872	2,143	1,746
Capital lease obligation	304	273	576	490
Long-term contract and other	28	74	61	162
Other	47	30	61	42
Total	1,571	1,249	2,841	2,440

MAXIM incurred interest expense of \$1.6 million and \$2.8 million for the second quarter and first half of 2008, respectively compared to \$1.2 million and \$2.4 million for the same periods of 2007. The overall increase in interest expense for both the second quarter and first half of 2008 was due to interest on higher outstanding long-term debt and capital lease obligations related to the addition of French cogeneration plants during 2007, partially offset by lower interest rates during the period.

## Income Taxes

(\$000's)	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Current expense (recovery)	(289)	(661)	7,164	8,817
Future expense (recovery)	(2,560)	426	(6,925)	(7,319)
Total	(2,849)	(235)	239	1,498

The second quarter income tax provision in 2008 was a recovery of \$2.8 million compared to a recovery of \$0.2 million for the second quarter of 2007. The increased recovery was attributable to the reduction in taxable income for the period primarily related to the costs and decreased revenues related to the Milner turnaround.

For the first half of 2008 MAXIM recognized tax expense of \$0.2 million compared to \$1.5 million for the first half of 2007. As mentioned above the decrease in tax expense is due to the operating effects and tax deductibility related to the Milner turnaround.

## Net Income

Net loss for the second quarter of 2008 was \$6.0 million or \$0.13 per share (basic and diluted) compared to a net loss of \$0.2 million or \$0.01 per share (basic and diluted) for the second quarter of 2007.

Net loss for the first half of 2008 was \$0.0 million or \$0.00 per share (basic and diluted) compared to net income of \$3.1 million or \$0.07 per share (basic and diluted) for the first half of 2007.

## LIQUIDITY AND CAPITAL RESOURCES

### Capital Expenditures Including Acquisitions

(in millions of \$)	Q2 - 2008	Q1 - 2008	Total
Milner turnaround	9.3	5.4	14.7
Milner	-	0.8	0.8
Acquisitions:			
Forked River	20.2	-	20.2
Somal	0.2	-	0.2
Other	-	0.3	0.3
Total	29.7	6.5	36.2

- During the first half of 2008, Milner had capital expenditures of \$0.8 million related to upgrades of the ash unloader silo, coal unloading station and other minor projects. Milner also incurred \$14.4 million of capital expenditures related to projects completed during the 2008 turnaround.
- On April 17, 2008 MAXIM acquired the 86 MW Forked River power facility in the United States for cash consideration of \$20.2 million.
- On April 1, 2008 MAXIM acquired the 7 MW Somal power facility in France for \$0.2 million.

## Working Capital

As at June 30, 2008 MAXIM had a working capital deficit of \$15.4 million, a decrease of \$22.6 million from the Corporation's December 31, 2007 working capital of \$7.2 million. The decrease was primarily due to the acquisition of Forked River in the quarter for \$20.2 million and the effect of the Milner turnaround capital expenditures and operating results for the second quarter of 2008. On July 10, 2008, MAXIM completed a private placement for gross proceed of \$66.4 million (see below for additional details) and as of the date of this MD&A was in a positive working capital position.

## Debt and Credit Facilities

During the first half of 2008, MAXIM drew \$14.9 million as long-term debt under the Bank of Montreal (“BMO”) Facility B bearing interest at BMO prime plus 0.75% per annum with monthly payments of principal and interest to fund Milner’s 2008 turnaround capital expenditures.

### Summary of long-term debt

(\$000's)	June 30, 2008	December 31, 2007
BMO Facility B	31,942	17,883
Basin Creek	25,552	25,229
France	5,871	6,132
Long term debt	63,365	49,244

- As at June 30, 2008 MAXIM had outstanding letters of credit in the amount of \$1.8 million.

## Capital Lease Obligations

MAXIM assumed a capital lease obligation of \$3.4 million related to the purchase of the Somal assets during the second quarter of 2008 and repaid \$1.0 million and \$2.2 million against the existing capital lease obligations for the three and six months ended June 30, 2008, respectively.

At June 30, 2008, MAXIM has one capital lease obligation in Canada with a carrying value of \$1.6 million and nine capital lease obligations in France with a cumulative carrying value of \$16.7 million.

## Equity Issuances

There were no equity issuances during the first half of 2008 other than common shares issued under MAXIM’s stock option plan. Under MAXIM’s stock option plan, 101,607 common shares were issued for proceeds of \$0.4 million in the first half of 2008.

On July 10, 2008, MAXIM closed its previously announced private placement of common shares. The Corporation issued 10,211,500 common shares at a per share price of \$6.50 for gross proceeds of \$66.4 million.

## 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. Since commencement of the normal course issuer bid the Corporation has purchased and cancelled 69,600 shares at a weighted average price of \$6.065 per share.

## SELECTED QUARTERLY FINANCIAL INFORMATION

### Financial Quarter Ended (Unaudited)

(\$000's except per share and per MWh amounts)	2008		2007				2006	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Revenue	14,797	47,469	37,992	33,687	19,031	34,052	40,470	29,521
EBITDA <sup>(1)</sup>	(5,109)	15,362	12,064	15,255	2,912	10,001	17,893	17,190
Net income (loss) from continuing operations	(5,978)	5,956	3,911	8,271	(207)	3,322	10,713	10,227
Net income (loss) from discontinued operations	(15)	-	104	-	-	-	(160)	(134)
Net income (loss)	(5,993)	5,956	4,015	8,271	(207)	3,322	10,553	10,093
Basic and diluted income (loss) per share – continuing operations	(0.13)	\$0.13	\$0.09	\$0.19	\$(0.01)	\$0.08	\$0.25	\$0.23
Basic and diluted loss per share – discontinued operations	0.00	-	-	-	-	-	\$(0.01)	-
Basic and diluted income (loss) per share	(0.13)	\$0.13	\$0.09	\$0.19	\$(0.01)	\$0.08	\$0.24	\$0.23
Total assets	282,759	303,285	261,739	235,341	228,686	254,491	243,969	206,596
Average Alberta pool price per MWh	\$108	\$77	\$62	\$92	\$50	\$64	\$117	\$95

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

The increase in revenue, EBITDA and net income during the first and fourth quarters of each year reflects the seasonal operations of the French facilities as the French cogeneration season operates from the start of November through to the end of March. Lower revenues, EBITDA and net losses incurred at June 30, 2008 and 2007 were due to annual plant turnarounds completed at Milner during those quarters.

Revenues, EBITDA and net income (loss) are also affected by seasonal Alberta power pool prices. The third quarters of 2007 and 2006 experienced higher average Alberta spot prices of, \$92 per MWh and \$95 per MWh, respectively, whereas the second quarter of each year experienced the lowest average Alberta power price, however during the second quarter of 2008 electricity prices were higher due to increased natural gas commodity prices. Alberta pool prices tend to be higher during winter and summer peak load months and further impacted by supply constraints such as outages at other Alberta generation facilities.

## Non-GAAP Measures - EBITDA

(\$000's)	Three months ended		Six months ended	
	June 30		June 30	
	2008	2007	2008	2007
GAAP Measures from Consolidated Statements of Operations and Retained Earnings				
Net income for the period	(5,993)	(207)	(37)	3,115
Non-controlling interest	29	(50)	75	-
Income taxes	(2,849)	(235)	239	1,498
Net interest and foreign exchange	1,402	1,286	2,515	2,287
Depreciation and amortization	2,300	2,123	7,470	6,003
Discontinued operations <sup>(1)</sup>	2	(5)	(8)	10
Non-GAAP measure - EBITDA	(5,109)	2,912	10,254	12,913

<sup>(1)</sup> Discontinued operations consist of depreciation and amortization and taxes.

Management believes that presentation of these non-GAAP measures provide useful information to investors and shareholders as it provides predictive value and performance trends.

## PROPOSED TRANSACTIONS AND SUBSEQUENT EVENTS

### (a) Private Placement

On July 10, 2008, MAXIM closed its previously announced private placement of common shares. The Corporation issued 10,211,500 common shares at a per share price of \$6.50 for gross proceeds of \$66.4 million.

### (b) Inventory

On July 28, 2008 MAXIM began to sell excess fuel inventory resulting from the acquisition of Forked River. The Corporation is selling 195,000 gallons of dyed diesel and expects the proceeds from the sale to be approximately \$0.6 million.

### (c) Pittsfield

On August 6, 2008, MAXIM completed the previously announced acquisition of the 170 MW Pittsfield Generating Company electric power plant in Pittsfield, Massachusetts, from affiliates of GE Energy Financial Services, a unit of General Electric Company for cash consideration of \$52.8 million plus working capital estimated to be \$2.8 million..

### (d) Beauprau

On July 23, 2008, Comax France, MAXIM's wholly owned French subsidiary, entered into an agreement to purchase the 3.1 MW Beauprau cogeneration power facility in France for total consideration of \$3.9 million including acquisition costs and assumption of the existing capital lease. The cash consideration is expected to be \$0.6 million and will be funded from MAXIM's internal cash.

With the additional 8 MW of electrical and thermal production, MAXIM's generation portfolio in France will consist of 22 power plants having 132.1 MW of electrical and 129 MW of thermal generating capacity.

## **OUTLOOK**

### **Operations**

During the quarter MAXIM completed the Forked River and Somal acquisitions increasing MAXIM's generating capacity from 492 MW electric and 125 MW thermal to 584 MW electric and 132 MW thermal. Of these amounts, 107 MW of electric capacity is exposed to Alberta spot prices during 2008.

With the acquisition of Forked River, MAXIM currently has 263 MW of generating capacity in the United States with 213 MW located in the northeast region. Each of the four American facilities sells its generation capacity in exchange for fixed monthly payments in the form of ISO New England forward capacity payments (Pawtucket and CDECCA facilities) or monthly tolls (Basin Creek and Forked River facilities). In addition, the Pawtucket and CDECCA facilities will offer their energy into the ISO New England power market on a real-time or day-ahead basis. MAXIM will continue to review different operational options in order to realize synergies from having three facilities (four including Pittsfield) located in the ISO New England market in the United States.

The next French cogeneration season will begin November 1. Before the start of the next cogeneration season, MAXIM will initiate the process of extending the original twelve year power sales contracts with Electricite de France ("EdF") for the 8MW D'Arnas facility. Under current rules, the EdF contracts can be renewed for an additional twelve years upon investing 350 Euro per kilowatt towards improvement of the facilities.

### **Milner Turnaround**

The turnaround at Milner was completed on time and within the budgeted amount of \$19.6 million. It is expected that Milner will achieve normal run times after the 2008 turnaround for the rest of the year.

### **Environmental Legislation**

Changes to federal environmental legislation are ongoing and will have an impact to MAXIM's operations, particularly legislation that impacts coal-fired power generation. It is anticipated that further regulatory clarification regarding greenhouse gas emissions will be forthcoming, specifically from the federal government who released draft regulations addressing greenhouse gas emissions on March 10, 2008. These draft regulations could result in discussions between the federal government and the provinces as to the harmonization of federal and provincial legislation and which governing body will be responsible in administering the legislation.

### **Acquisitions and Development**

MAXIM will continue its strategy of as an Independent Power Producer and is targeting growth through acquisitions and development of power plants that utilize hydrocarbon based fuels and renewables in markets of Western Canada, United States and France. MAXIM will give higher priority to those opportunities with generating capacity of 50 MW or greater, except in France where cogeneration power plants 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. Alberta has continued to experience a high rate of demand growth due to a strong economy from its oil and gas industry including the oil sands projects.

MAXIM is pleased to announce that it has received regulatory approvals from the Alberta Utilities Commission and Alberta Environment 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 30 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.

The Deerland Peaking Station will be constructed in two 95 MW phase with each phase configured with two General Electric LM6000 combustion turbine generator packages. Commercial operation for each of the phases is expected to be achieved in 2009 and 2010, respectively, subject to electricity market conditions and to MAXIM's ability to conclude all commercial arrangements necessary to support construction.

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

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. Public disclosure documents have been released and MAXIM will continue public consultations. Environmental and engineering studies will continue through the second and third quarters of 2008 to support applications to be filed on behalf of this project. MAXIM expects to file its regulatory applications in the fourth quarter of 2008.

## **CHANGE IN ACCOUNTING POLICIES**

### **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. The requirements of the new section are not expected to have a material impact on the Corporation's consolidated financial statements.

### **International Financial Reporting Standards**

Accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS"). MAXIM is required to begin reporting under IFRS by the first quarter of 2011 with comparative data also reported under IFRS. While IFRS has similarities to Canadian GAAP, there are significant differences with respect to recognition, measurement and disclosures.

The Company plans to assess the impact on accounting policies, data systems, internal controls over financial reporting, and business activities, such as financing and compensation arrangements during the period to the transition date.

## **CONTROLS AND PROCEDURES**

During the first half of 2008, there were no material changes identified in MAXIM's internal controls over financial reporting that had materially affected, or reasonably likely to materially affect, MAXIM's internal control over financial reporting. MAXIM does carry-out ongoing improvements to its internal controls over financial reporting but nothing considered at a material level.

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

Canadian Securities Administrators requires that companies with year-ends after December 15, 2008 be required to certify the effectiveness of internal controls over financial reporting. The proposal also requires a company use a control framework such as the Internal Control – Integrated Framework (COSO Framework) to design internal controls over financial reporting and the threshold for reporting a weakness of internal controls over financial reporting be of a “material weakness” rather than “reportable deficiency.” MAXIM has designed its internal controls in accordance with the COSO Framework and will carry out testing during 2008 to confirm effectiveness of these controls.

## **TRANSACTIONS WITH RELATED PARTIES**

There were no transactions with related parties during the first half of 2008. During 2007, MAXIM received legal services from a legal firm that is related to an officer of MAXIM. The officer was no longer an officer of MAXIM as at November 7, 2007 and MAXIM continues to receive legal services from the firm. These legal services are in the normal course of operations and transacted at normal market terms. The legal firm received \$0.4 million from MAXIM for its services in 2007.

## **OTHER INFORMATION**

### **Outstanding Share Data**

Issued common shares at December 31, 2007	44,379,984
Stock options exercised	101,607
Normal course issuer bid	(69,600)
Total issued common shares at June 30, 2008	44,411,991
Private placement – July 10, 2008	10,211,500
Total issued common shares at August 13, 2008	54,623,491
Outstanding share options	3,443,927
Total diluted common shares at August 13, 2008	58,067,418

Additional information relating to the Corporation is posted on SEDAR at [www.sedar.com](http://www.sedar.com) under Maxim Power Corp. and at the Corporation’s website [www.maximpowercorp.com](http://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.