



QUARTERLY REPORT

**For the Second Quarter
Ended**

**June 30, 2005 and 2004
(unaudited)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") dated August 11, 2005, should be read in conjunction with the unaudited interim consolidated financial statements of Maxim Power Corp ("Maxim") for the three and six months ended June 30, 2005 and the audited financial statements for Milner Power Limited Partnership at December 31, 2004 and the audited annual consolidated financial statements for Maxim for the fiscal year ended December 31, 2004.

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 takeover of Maxim. On March 31, 2005, the acquisition was closed with the issuance of 242,398,584 common shares of Maxim at a price of \$0.32 per share, for the aggregate consideration of \$77.6 million plus certain post-closing adjustments. For legal purposes, MPLP is a wholly-owned partnership of Maxim. For accounting purposes, MPLP is considered to have acquired Maxim. At June 30, 2005, the interim consolidated balance sheets reflect the historical accounts of MPLP together with the accounts of Maxim from the effective date of the business combination, March 31, 2005. The first quarter operating results of 2005 reflect only the operating results of MPLP. At June 30, 2005, the year-to-date operating results reflect six month of operations from MPLP and three months of operations from Maxim. The comparative year-to-date operating results at June 30, 2004 reflect only the operating results of MPLP.

The Milner Power Limited Partnership acquired the 144 megawatt HR Milner power station ("Milner") on January 29, 2004 for \$19.0 million with the operations of HR Milner to be managed by Maxim under an operating services agreement. Prior to the acquisition of the remaining outstanding partnership units of Milner Power Limited Partnership, Maxim held a 19.5% ownership interest in MPLP.

OVERALL PERFORMANCE

Second quarter revenue for the Corporation was \$1.8 million higher than the second quarter of 2004, (\$17.8 million versus \$16.0 million) representing an increase of 11%. During the second quarter of 2005, 263,042 megawatt hours ("MWh") were generated compared to 260,393 MWh for the same period of 2004, an increase of 1%. As previously mentioned above, the second quarter of 2005 includes Milner and all Maxim projects but the second quarter of 2004 represents Milner alone.

Net income during the second quarter of 2005 was \$1.5 million compared to \$6.2 million for the same quarter of 2004, a decrease of \$4.7 million. This decrease principally reflects higher power prices during the second quarter of 2004 for the principal asset, Milner, a negative production variance of 41,220 MWh in 2005 and lower coal cost during 2004. Milner received an average of \$62 per MWh during the second quarter of 2004, compared to \$54 per MWh during the same quarter of 2005. In addition, Milner produced 260,393 MWh during the second quarter of 2004 compared to 219,173 MWh during the second quarter of 2005, a decrease of 41,220 MWh or 16%. The decreased

generation during the second quarter of 2005 was caused by a number of unplanned outages. The lower coal cost during 2004 was the result of blending larger amounts of low-cost coal tailings to fuel the plant. The negative pricing and production variance in 2005 and use of low-cost coal tailings in 2004, accounted for substantially all of the \$4.7 million decrease in net income, quarter over quarter.

Maxim's remaining facilities contributed a net loss of approximately \$0.3 million during the second quarter of 2005. The negative contribution was principally due to three factors: 1) seasonality of the European operations which operate during the first and fourth quarters of the calendar year but incur expenses such as depreciation, general and administrative and interest expenses throughout the year 2) lower demand for power in Cambodia during non-peak hours and 3) an equity loss from Maxim's investee, Organic Waste Recycling Stade ("ORS"), located in Germany.

2005 year-to-date net income of \$4.3 million was \$2.9 million lower than 2004 year-to-date net income of \$7.2 million. The significant negative variance of \$4.7 million discussed above for the second quarter of 2005 was offset by a \$1.8 million favorable variance comparing the first quarter of 2005 to the first quarter of 2004. The favorable variance was due to Milner receiving \$49 per MWh during the first quarter of 2005 compared to \$46 per MWh for the same quarter of 2004, and the HR Milner power station was acquired effective January 29, 2004 which reduced its generation ability by approximately one month in 2004.

Other significant events for Maxim during the second quarter of 2005 included: 1) commencement of Basin Creek construction, 2) acquisition of three French companies on June 22, and 3) trading on the Toronto Stock Exchange effective June 23.

RESULTS OF OPERATIONS

As stated previously, the results of operations reflect those of Milner for the six months ended June 30, 2005 plus Maxim's operations since March 31, 2005.

Summary of 2005 Second Quarter MWh generation by major facility and geographical location:

Facility	Second Quarter MWh Generation	Percentage of Second Quarter MWh
Milner	219,173	83.3%
Alberta projects (2)*	7,974	3.0%
British Columbia projects (2)	14,062	5.4%
Cambodia (2)	15,653	6.0%
Europe (6)	6,180	2.3%
Total	263,042	100%

* The table does not include power generation from the 25 MW APP project (4 sites). Maxim entered into a power purchase agreement with AltaGas Limited Partnership (“AltaGas”), effective September 1, 2004. The agreement with AltaGas is a tolling arrangement whereby Maxim provides the 25 MW capacity at APP in exchange for fixed monthly capacity payments. In addition, the table does not include the seven French facilities acquired on June 22, 2005 as these facilities will not operate until November 1, the start of the French cogeneration season.

Revenue

2005 second quarter revenue was \$17.8 million compared to \$16.0 million for the second quarter of 2004. In spite of increased revenue from recognizing Maxim’s operations in the second quarter, Milner revenue was lower when compared to the second quarter of 2004 due to a price and production variance.

Milner received \$54 per MWh during the second quarter of 2005 compared with \$62 per MWh during the second quarter of 2004. Milner produced 219,173 MWh of the total 263,042 MWh during the second quarter of 2005, compared to 260,393 MWh for the same period of 2004 which resulted in a negative variance of 41,220 MWh. Milner experienced six unplanned outages during the second quarter of 2005 which caused approximately 9 days of downtime. The outages were caused by tube leaks which prevented an adequate supply of water to the boiler. In addition, Milner had 4 days of planned outages in April. By comparison, Milner operated more efficiently during the second quarter of 2004, with only one unplanned outage during that quarter. During May 2004, Milner also recorded its highest month of power generation in the history of the facility by producing 95,845 MWh during that month.

Maxim’s facilities generated 43,869 MWh during the second quarter of 2005, representing 17% of that quarter’s MWh generation. Alberta facilities produced 7,974 MWh from its two facilities (combined 7.3 MW capacity) which receive Alberta spot power prices. The other four Alberta projects collectively known as APP, received tolling revenues under agreement with AltaGas. APP’s generators were made available to AltaGas at a 99% availability rate during the second quarter. The two British Columbia facilities (combined net 6.0 MW capacity) produced 14,062 MWh. British Columbia’s generation is sold to BC Hydro under 20 year contracts. European facilities, which operate seasonally, produced 6,180 MWh in April, the last month of generation in the second quarter. All European generation is produced under power purchase agreements. In Cambodia, net 15,653 MWh, representing Maxim’s 51% interest in the Cambodian joint venture, were generated during the quarter. Cambodian generation was lower than budget during non-peak hours. Cambodia has increased the access to local power suppliers which reduced opportunities to generate power in Phnom Penh.

Plant Operations

Plant operations expenses increased by \$3.5 million or 39%, from \$9.0 million in the second quarter of 2004 to \$12.5 million during the second quarter of 2005, due primarily to the inclusion of Maxim facilities in 2005 results.

Fuel is the major component of plant operations. Milner’s fuel costs accounted for 36% of 2005 second quarter plant expenses and Cambodian fuel costs accounted for 23%. Coal is the primary

source of fuel at Milner and is purchased from Luscar Ltd. at fixed prices under a long-term supply agreement. Cambodian fuel costs “flow through” to affect both revenues and fuel expenses with no effect on operating income.

On a per MWh basis, plant operations expenses were \$36.60 per MWh at Milner during the second quarter of 2005 versus \$34.50 per MWh for 2004. The increase was due to maintenance and repair costs incurred to fix tube leaks discussed previously and use of low-cost coal tailings during 2004. When Milner performs its annual plant turnaround in the third quarter, the tube leak problem will be thoroughly addressed in order to reduce future occurrences.

Milner’s other plant operations expenses include maintenance and interconnection costs, which represent 28% of the 2005 second quarter plant expenses. Maxim contracts its operations and maintenance to various external parties.

General and Administration

General and administration (“G&A”) expenses of \$1.8 million during the second quarter of 2005 were higher by \$1.2 million than G&A expenses of \$0.6 million (Milner only) during the same quarter in 2004. Of the 2005 second quarter G&A expenses, Milner accounted for \$0.4 million. The higher 2005 G&A costs reflect the activities of Maxim’s Calgary office. G&A expenses were higher than anticipated with the inclusion of Toronto Stock Exchange listing fees as Maxim began trading on the Exchange effective June 23. The Corporation also incurred higher levels of business development costs in its Calgary and French offices. The increased business development costs related to the study of new business opportunities in the United States and France.

Depreciation

Depreciation expense increased to \$1.4 million during the second quarter of 2005 compared to \$0.3 million for the second quarter of 2004. On a year-to-date basis, 2005 depreciation was \$1.8 million compared to \$0.7 million in 2004.

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%. The Maxim facilities are amortized based on their fair values as determined on March 31, 2005, over terms varying from 15 months to 16 years.

Interest expense

At June 30, 2005, Maxim incurred \$0.4 million of interest expenses from interim financing provided by shareholders, corporate debt facilities with BMO Bank of Montreal and project financing in conjunction with Maxim’s facilities in Cambodia and Europe.

The interim financing bears interest at 10% per annum. BMO Bank of Montreal credit facilities are outlined in Section C of Liquidity and Capital Resources. Cambodian operations have two non-recourse term loans, each bearing interest at 15% per annum. Both term loans will be repaid in October, 2005. Each of the six European projects have project financing with interest rates based on

Eurobor plus various additional rates ranging from 0.75% to 2.75% per annum. Construction loan interest from Basin Creek construction loans has been capitalized.

Equity loss

The equity loss of \$0.2 million during the second quarter of 2005 was from Maxim's investment in ORS. During that quarter, a digester was damaged and disabled by lightning which also reduced the project's ability to generate power. It is expected the reduction of revenue caused by the lightning will be recovered through business interruption insurance.

Income taxes

Maxim does not anticipate paying income taxes in 2005, other than large corporation taxes in Canada and income taxes in Cambodia. At June 30, 2005, Maxim recorded an immaterial amount related to these income taxes. Maxim has sufficient non-capital loss carryforwards to mitigate 2005 taxable income. Income earned by MPLP is taxed directly in the hands of the partnership's unitholders.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

(\$000's except per share amounts and \$ per MWh)	June 30, 2005	Mar 31, 2005*	Dec 31, 2004*	Sept 30, 2004*	June 30, 2004*	Mar 31, 2004*
Revenue	17,810	11,480	11,584	10,970	16,032	6,859
Net income	1,523	2,731	2,306	1,151	6,153	1,068
Net income per share	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.00	\$ 0.03	\$ 0.01
Total assets	158,162	103,860	32,465	29,596	31,940	30,499
Average Milner Price (\$ per MWh)	\$54	\$49	\$55	\$54	\$62	\$46

* Reflects only results of operations from MPLP from the date of acquisition on January 29, 2004 to March 31, 2005. Financial quarter ended June 30, 2005 reflects operations from MPLP and Maxim. Average Milner Price by quarter reflects power prices received by Milner.

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

LIQUIDITY AND CAPITAL RESOURCES

a) Capital Expenditures

2005 year-to-date and second quarter capital expenditures of \$37.4 million are primarily the result of the French acquisition on June 22, 2005, which increased capital expenditures by \$11.0 million, and the beginning of construction at Basin Creek which contributed second quarter capital expenditures of \$25.3 million. Basin Creek is expected to incur approximately \$48.0 million of gross capital

expenditures, continuing through to June 30, 2006. The remainder of capital expenditures, \$1.1 million, relates primarily to the construction of Bataneres. Compared to June 30, 2004, MPLP had \$4.4 million of property, plant and equipment expenditures which represent the acquisition of the HR Milner power station on January 29, 2004. There was less than \$0.1 million spent during the second quarter of 2004 for capital projects at Milner.

b) Working Capital

The working capital deficiency at June 30, 2005 was \$17.0 million, an increase of \$12.1 million from the working capital deficiency of \$4.9 million at March 31, 2005 and a decrease of \$23.3 million from the working capital position of \$6.3 million at December 31, 2004.

The increase to the working capital deficiency at June 30, 2005 was primarily the result of \$28.9 million of interim financing provided by three major shareholders of Maxim. The interim financing, which is due and payable on demand, was required to fund two projects: \$13.8 million to begin construction at Basin Creek and \$15.1 million for the acquisition of three French companies on June 22. \$25.2 million of the interim financing was disclosed as due to related parties and \$3.7 million was disclosed as loans payable at June 30, 2005. The Company intends to repay interim financing from the proceeds of future equity financings and accordingly reinstate its working capital.

During the second quarter of 2005, Maxim repaid \$4.5 million to two major shareholders who provided the funds as interim financing at March 31, 2005. Maxim used these funds to repay \$12.1 million of outstanding construction financing from its former largest shareholder, Finning International Inc. The \$4.5 million due to the major shareholders was repaid on June 30, 2005 from the proceeds of a \$9.5 million credit facility from BMO Bank of Montreal (see Facility E in Section c below).

At June 30, 2005, Maxim had approximately \$10.5 million of cash and cash equivalents of which \$7.3 million was restricted. Approximately \$1.0 million of the restricted cash was used as collateral for various agreements and approximately \$6.3 million was considered restricted for use under the construction and term loan agreement for the construction of Basin Creek.

c) Canadian Credit Facilities

On May 10, 2005, Maxim amended its existing Canadian credit facilities with BMO Bank of Montreal. Prior to May 10, 2005, Maxim had \$13.5 million of credit facilities with BMO Bank of Montreal and subsequently negotiated an increase in credit facilities to \$26.5 million. Maxim increased its demand revolving facilities by \$3.5 million and received a new \$9.5 million credit facility, Facility E. The amended BMO Bank of Montreal credit facilities are comprised of five facilities (Facilities A through E). Except for Facility C and Facility E, the loans are demand revolving in nature bearing various rates of interest and available for working capital purposes or new project development. At June 30, 2005, the Corporation had utilized \$0.8 million under Facility A and had drawn \$1.9 million under Facility B.

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 repaid \$4.5 million owing to two Maxim shareholders. 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 during the second quarter of 2006.

MPLP had a \$3.0 million operating line of credit with ScotiaBank, of which \$1.5 million had been utilized as collateral for various letters of credit. The operating line of credit was secured by the assignment of accounts receivable from MPLP. With the increase of credit facilities from BMO Bank of Montreal, arrangements were made to close the ScotiaBank facility.

d) Long-Term Debt

Maxim concluded long-term debt financing of \$27.4 million during the second quarter of 2005. Maxim also repaid \$1.8 million of long-term debt during the quarter. At June 30, 2005, the Corporation had long-term debt of \$40.6 million compared to \$15.0 million at March 31, 2005.

Under a USD\$29 million construction and term loan facility, Maxim utilized USD\$16.3 million from the facility as of June 30, 2005 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. It is expected the conversion will occur on July 1, 2006 and the term loan will have a maturity of 20 years. As mentioned previously, Maxim also received \$7.5 million from Facility E which accounted for the remainder of long-term debt advances during the second quarter of 2005.

At June 30, 2005, long-term debt of the Corporation was \$40.6 million and is allocated to 4 geographical regions, Canada (\$15 million), United States (\$19.9 million), Europe (\$5.2 million) and Cambodia (\$0.5 million). European long-term debt is the result of various project financings and the Cambodian long-term debt is comprised of 2 non-recourse term loans which will be repaid by October, 2005.

e) 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. 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 June 30, 2005 was \$1.3 million compared to \$0.7 million at March 31, 2005 and \$2.8 million at June 30, 2004. During the first quarter of 2005, MPLP repaid \$2.8 million of the obligation to the Balancing Pool which represented their share of cash flows to December 31, 2004.

f) Purchase Obligation

HR 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 five-year agreement which will expire January, 2009, can be extended at MPLP's option for a further five years. Should HR 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.

g) Equity Issuances

MPLP issued 9.7 million partnership units for \$9.7 million as its initial capitalization during the first quarter of 2004 with no significant issuances thereafter. On March 31, 2005 Maxim issued 242,398,584 common shares to complete the acquisition of MPLP including 1,006,169 common shares which were issued after June 30, 2005 as a post-closing working capital adjustment. Since March 31, 2005, 2,062,167 stock options were exercised for proceeds of \$0.7 million.

TRANSACTIONS WITH RELATED PARTIES

See Note 6 of the June 30, 2005 unaudited interim financial statements.

OUTLOOK

Alberta power pool prices averaged \$51 per MWh during the second quarter of 2005 and \$46 per MWh during the first quarter. For the remainder of 2005, it is anticipated that Alberta spot prices will continue to trend higher than the second quarter average pool price due to high natural gas prices and planned facility outages in Alberta beginning in August. Published forecasts for the forward Alberta spot price are \$64 per MWh for the balance of 2005. At June 30, 2005, Maxim had 151.3 MW of its total net installed capacity of 262.3 MW exposed to Alberta spot prices.

The three French power companies, acquired on June 22, 2005 and accounting for 54 MW of capacity including 8 MW of merchant capacity, will not begin to generate power and thermal energy until the start of the next French co-generation season on November 1, 2005. The 5.6 MW Bataneres project in France will also commence operations on this date. Except for the 8 MW of merchant capacity, all French projects have power purchase agreements indexed to the price of natural gas with the state utility, Electricite de France, and agreements for the purchase of natural gas with Gaz de France. The Basin Creek project (net 51.8 MW) is expected to begin operations in January, 2006. When Basin Creek commences operations, Maxim is expected to have 318 MW of net installed capacity.

Beyond Basin Creek, Maxim plans to continue adding generation capacity primarily through acquisitions. Maxim expects to incur approximately \$12.0 million of capital expenditures for the remainder of 2005 related to the construction of Basin Creek and another \$11.2 million will be spent in 2006 to complete construction. In addition, Maxim will begin to incur developments costs to exploit coal leases at Milner and to expand VLF. Budgeted expenditures for the remainder of 2005 for the coal leases and VLF expansion are \$1.8 million and \$0.8 million respectively. Maxim will have completed construction of its Bataneres project in France by the end of the third quarter in 2005.

With this additional capacity, Maxim expects to generate over 1 million MWh in 2005. Revenue is forecasted in the range of \$66 to \$70 million but can be affected by power prices, foreign exchange rates and fuel prices. These estimates do not include the operations of Maxim facilities during the first quarter of 2005; however, they do provide for the scheduled turnaround at the Milner plant during the third quarter of 2005.

Maxim continues to review alternatives in Cambodia. By September 30, 2005, operations at Cambodia will be reduced to one power purchase agreement (“PPA”) located in Phnom Penh. However, this PPA is the most significant Cambodian PPA and governs 12.2 MW of net generation. The Phnom Penh PPA will expire at June 30, 2006. Discussions with the Cambodian state owned utility, Electricite du Cambodge, are underway to extend the PPA beyond June 30, 2006. If the PPA is not extended, alternatives for the generators in Phnom Penh include sale of the generators and equipment or relocating the assets to other locations controlled by Maxim’s current joint venture partner in Cambodia, Caterpillar Power Ventures International, Ltd.

OTHER INFORMATION

Outstanding Share Data

Maxim Power Corp. common shares at March 30, 2005	136,773,198
Issued on acquisition of Milner Power Limited Partnership on March 31, 2005	242,398,584
Exercised share options from April 1 to August 11, 2005	2,262,167
Total issued common shares at August 11, 2005	381,433,949
Outstanding share options	9,143,333
Total diluted common shares at August 11, 2005	390,577,282

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.

MAXIM POWER CORP.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2005 and 2004

The consolidated financial statements for the 3 and 6 months ended June 30, 2005 and the comparative operations from January 29, 2004 to June 30, 2004 have not been reviewed by the Corporation's auditors.

MAXIM POWER CORP.

FORM 52-109FT2

CERTIFICATION OF INTERIM FILINGS DURING TRANSITION PERIOD

I, JOHN R. BOBENIC, President and Chief Executive Officer of Maxim Power Corp., 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, 2005;
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; and
3. Based on 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.

Date: August 11, 2005

MAXIM POWER CORP.

“signed”

John R. Bobenic
President and Chief Executive Officer

MAXIM POWER CORP.

FORM 52-109FT2

CERTIFICATION OF INTERIM FILINGS DURING TRANSITION PERIOD

I, VICTOR S. DUSIK, Vice-President, Finance and Chief Financial Officer of Maxim Power Corp., 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, 2005;
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; and
3. Based on 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.

Date: August 11, 2005

MAXIM POWER CORP.

“signed”

Victor S. Dusik
Vice-President, Finance and
Chief Financial Officer

MAXIM POWER CORP.

Consolidated Balance Sheets
(in Thousands of Dollars)

	June 30, 2005 (unaudited) (see basis of presentation – note 1)	December 31, 2004 (audited)
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 10,480	\$ 5,283
Accounts receivable	16,501	6,635
Prepaid expenses and deposits	741	137
Coal inventory	2,285	1,046
Plant inventory	913	450
Other assets	133	–
	<u>31,053</u>	<u>13,551</u>
Property, plant and equipment (note 4)	114,650	18,914
Deferred costs	3,057	–
Coal contract	1,167	–
Investments	787	–
Due from related parties	1,695	–
Goodwill (note 2)	8,943	–
	<u>\$ 161,352</u>	<u>\$ 32,465</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,159	\$ 4,526
Due to related parties (note 6)	25,186	–
Loans payable (notes 7 and 8(a))	5,590	–
Current portion of long-term debt (note 8)	3,359	–
Current portion of capital lease obligation (note 9)	418	–
Current portion of cash flow indenture (note 10)	1,340	2,762
	<u>48,052</u>	<u>7,288</u>
Long-term debt (note 8)	37,184	–
Capital lease obligation (note 9)	4,483	–
Cash flow indenture (note 10)	10,898	12,238
Deferred revenue	83	–
Asset retirement obligation (note 11)	166	–
Shareholders' equity:		
Share capital (note 12)	54,231	10,261
Cumulative translation adjustment	(677)	–
Retained earnings	6,932	2,678
	<u>60,486</u>	<u>12,939</u>
Commitments (note 13)		
Contingency (note 17)		
	<u>\$ 161,352</u>	<u>\$ 32,465</u>

See accompanying selected notes to consolidated financial statements.

MAXIM POWER CORP.

Statement of Operations and Retained Earnings
(In Thousands of Dollars, except per share amounts)
(unaudited)

	3 months ended June 30		6 months ended June 30	
	2005	2004	2005	January 29 to June 30 2004
	(see basis of presentation – note 1)			
Revenue:				
Electricity sales	\$ 17,810	\$ 16,032	\$ 29,290	\$ 22,891
Expenses:				
Plant operations	12,479	8,980	20,022	14,069
General and administration	1,820	554	2,616	889
Depreciation and amortization	1,388	348	1,838	731
	15,687	9,882	24,476	15,689
Income before the following items	2,123	6,150	4,814	7,202
Interest (income) expense	385	(3)	345	(19)
Foreign exchange loss	15	–	15	–
Equity loss	162	–	162	–
Income before income taxes	1,561	6,153	4,292	7,221
Income taxes	38	–	38	–
Net income	1,523	6,153	4,254	7,221
Retained earnings, beginning of period	5,409	1,068	2,678	–
Retained earnings, end of period	\$ 6,932	\$ 7,221	\$ 6,932	\$ 7,221
Basic and diluted income per share	\$ 0.00	\$ 0.03	\$ 0.01	\$ 0.04

See accompanying selected notes to consolidated financial statements.

MAXIM POWER CORP.

Consolidated Statements of Cash Flows
(In Thousands of Dollars)
(unaudited)

	3 months ended		6 months	
	June 30		ended	
	2005	2004	2005	January 29 to June 30 2004
	(see basis of presentation – note 1)			
Cash provided by (used in):				
Operations:				
Net income	\$ 1,523	\$ 6,153	\$ 4,254	\$ 7,221
Items not involving cash:				
Depreciation and amortization	1,388	348	1,838	731
Foreign exchange loss	15	–	15	–
Equity loss	162	–	162	–
Asset retirement obligation	2	–	2	–
Fair value of stock based compensation	56	–	56	–
Funds from operations	3,146	6,501	6,327	7,952
Change in non-cash working capital (note 15)	(5,961)	(3,610)	(5,508)	(3,190)
	(2,815)	2,891	819	4,762
Financing:				
Advances from related parties (note 6)	25,186	–	29,686	–
Repayment of advances from related parties	(4,500)	–	(4,500)	–
Loans payable (note 7)	3,690	–	3,690	–
Repayment of long-term debt	(1,756)	–	(1,756)	–
Issuance of long-term debt	27,431	–	27,431	–
Repayment of advances from Finning (note 6(a))	–	–	(12,069)	–
Repayment of capital lease obligation	(12)	–	(12)	–
Repayment of cash flow indenture	–	–	(2,762)	–
Cash increase due to acquisition (note 2)	–	–	4,532	–
Issuance of common shares	734	–	734	–
Issuance of partnership units	–	–	–	9,700
Partners' distributions	–	(3,000)	–	(3,000)
	50,773	(3,000)	44,974	6,700
Investing:				
Property, plant and equipment	(26,396)	(73)	(26,408)	(4,406)
Acquisition, net of cash acquired (note 5)	(11,002)	–	(11,002)	–
Deferred costs	(3,033)	–	(3,033)	–
	(40,431)	(73)	(40,444)	(4,406)
Foreign exchange loss	(152)	–	(152)	–
Increase (decrease) in cash	7,375	(182)	5,197	7,056
Cash, beginning of period	3,105	7,338	5,283	100
Cash, end of period	\$ 10,480	\$ 7,156	\$ 10,480	\$ 7,156

See accompanying selected notes to consolidated financial statements.

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

1. Basis of presentation:

On December 31, 2004, Maxim Power Corp. ("Maxim" or "Corporation") entered into an agreement to acquire the remaining partnership units (approximately 80.5%) of Milner Power Limited Partnership ("MPLP") from the existing partners of MPLP, each of whom acted at arm's length to the Corporation. The business combination became effective March 31, 2005 and resulted in a reverse take-over of Maxim. On March 31, 2005, the acquisition was finalized with the issuance of 242,398,584 common shares of Maxim at a price of \$0.32 per share, for aggregate consideration of \$77,568. 1,006,169 additional common shares (aggregate consideration of \$322) were issued subsequent to June 30, 2005 as a post-closing working capital adjustment. For accounting purposes, MPLP is considered to have acquired Maxim (see Note 2) and these interim consolidated financial statements reflect the historical accounts of MPLP together with the accounts of Maxim and its wholly-owned and controlled subsidiaries from the effective date of the business combination, March 31, 2005.

The consolidated balance sheet at June 30, 2005 reflects the accounts of both MPLP and Maxim and the balance sheet at December 31, 2004 reflects only the accounts of MPLP. The statement of operations and retained earnings reflects the operating results of MPLP for the six months ended June 30, 2005 plus three months of operations of Maxim compared to MPLP operations from January 29, 2004, the date of acquisition of the HR Milner power station, to June 30, 2004.

The Corporation accounts for its 51% interest in Jupiter Power Holdings (Bermuda) Ltd. ("JPH") using the proportionate consolidation method of accounting as the investment is considered to be of joint control.

The Corporation accounts for its 66% interest in Pouchon Cogen S.A.R.L., 50% interest in Mirail Cogen S.A.R.L. and its 45% interest in Cambo-Cana Power Corporation and Import Export Co. Ltd. using the purchase method of accounting for business combinations. Using this method, the Corporation has reflected 100% of the accounts of these entities in its consolidated financial statements with a deduction provided for the non-controlling interest's proportion of the accounts.

The interim consolidated financial statements have been prepared by Maxim's management in accordance with accounting principles generally accepted in Canada. The accounting principles and practices used in the preparation of these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements of the Corporation and those used in the audited annual financial statements of Milner Power Limited Partnership for the fiscal year ended December 31, 2004.

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 2

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

2. Business combination:

On March 31, 2005, Maxim issued 242,398,584 common shares to acquire the remaining outstanding partnership units of MPLP bringing the total issued and outstanding common shares to 379,171,782. At the completion of this transaction, the existing shareholders of Maxim held 36% of the outstanding common shares and the former partners of MPLP held the remaining outstanding common shares, representing 64%. Consequently, the transaction has been accounted for as a reverse take-over and MPLP is deemed to have acquired Maxim. In conjunction with the MPLP acquisition, the major partners in MPLP (excluding the Corporation) on their own behalf and on behalf of certain nominees purchased 50,000,000 common shares owned by Finning International Inc. ("Finning"), formerly the largest shareholder of Maxim, for an aggregate purchase price of \$16 million, based on a price of \$0.32 per common share. As a result, the two largest shareholders of the Corporation control 58% of the outstanding common shares.

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

Property, plant and equipment	\$ 61,185
Coal contract	1,200
Other long-term assets	2,600
Goodwill	8,943
Working capital	1,582
Long-term debt and capital lease obligation	(16,591)
Due to related parties	(10,136)
Cash flow indenture	(2,385)
Other long-term obligation	(2,518)
	<hr/>
	\$ 43,880

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 3

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

3. Cash:

As at June 30, 2005, the Corporation has restricted cash of \$7,268. Of this balance, \$956 was used as collateral for various agreements and \$6,312 was restricted for construction of the Basin Creek project in Montana. In addition, MPLP has utilized \$1,595 from the revolving line of credit to secure letters of credit required in its operations at June 30, 2005.

The Corporation's cash balance also includes \$365 relating to its interest in JPH. Any repatriation of funds requires agreement from the joint venture's partner.

4. Property, plant and equipment:

June 30, 2005	Cost	Accumulated depreciation	Net book value
Property, plant and equipment	\$ 90,259	\$ 3,411	\$ 86,848
Plant under construction	27,802	—	27,802
	\$ 118,061	\$ 3,411	\$ 114,650
December 31, 2004			
Property, plant and equipment	\$ 20,520	\$ 1,606	\$ 18,914

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

- (a) Under the terms of the acquisition agreement for the HR Milner power station, MPLP will pay cash in relation to a cash flow indenture of 20% of future cash flows to a maximum of \$15 million. The contingent payments are based on a profit sharing arrangement whereby the estimated present value of future cash flows of \$15 million was added to the purchase consideration for the HR Milner power station acquisition on January 29, 2004. The cash flow indenture was recognized in the accompanying consolidated financial statements as a long-term obligation (see note 10).
- (b) At June 30, 2005, the capital lease assets of Hartland with cost of \$1,750, accumulated amortization of \$76 and net book value of \$1,674 are included in property, plant and equipment. Furthermore, at June 30, 2005, property, plant and equipment includes the cost of \$3,200 related to the capital lease assets at Cogenia S.A.S., the French company acquired by Maxim on June 22, 2005 (see note 5).

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 4

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

4. Property, plant and equipment (continued):

(c) At June 30, 2005, property, plant and equipment includes the fair value of \$12,000 and accumulated depreciation of \$200 for 25 megawatts of capacity related to the Corporation's gas-fired Alberta Power Project ("APP"). On August 31, 2004, the Corporation entered into a long-term Power Purchase Agreement ("PPA") for APP. The PPA is structured as a tolling agreement, obligating the other party to pay a fixed monthly capacity fee and variable operating and maintenance charges. The initial term of the arrangement is 10 years with an option to extend it for a further 15 years or acquire the asset.

(d) At June 30, 2005, plant under construction consists of costs incurred for the construction of the 51.8 megawatt ("MW") Basin Creek project in Butte, Montana and the 5.6 MW Bataneres project in France. At June 30, 2005, costs of \$25,330 have been incurred at Basin Creek and costs of \$2,472 have been incurred at Bataneres. It is expected that Basin Creek will become operational in January, 2006 and Bataneres will become operational on November 1, 2005, the start of the French co-generation season.

5. Acquisition

Effective June 22, 2005, Maxim acquired the common shares of 3 French companies, Energieia S.A., Societe Electrique D'Arnas S.A. and Cogenia S.A.S. for cash consideration of \$13,200. The transaction including transaction costs, is accounted for at fair value using the purchase method of accounting. The total purchase consideration has been allocated to the financial statements as follows:

Property, plant and equipment	\$	14,058
Working capital (excluding cash)		134
Capital lease		(3,190)
		<hr/>
		11,002
Cash		2,198
		<hr/>
	\$	13,200

The allocation of the purchase price to the Corporation's assets and liabilities will be finalized after certain post-closing adjustments have been completed and the fair values of the assets and liabilities have been finalized; accordingly, the above allocation will change.

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 5

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

6. Related party transactions:

- (a) At March 31, 2005, the two largest shareholders of Maxim provided interim financing of \$4.5 million to facilitate the repayment of outstanding construction financing of \$12.1 million previously provided by Finning International inc. ("Finning"). This interim financing bore interest at 10% per annum and was repayable on demand. No associated fees were incurred to place this interim financing. The Corporation had pledged the assets at Vancouver Landfill ("VLF") as collateral security for the bridge facility and provided a second charge on its other assets, approved by its principal lender, BMO Bank of Montreal. The March 31, 2005 interim financing of \$4.5 million was repaid from loan proceeds of \$7.5 million issued under Facility E from BMO Bank of Montreal (see note 8(a)).
- (b) On April 4, 2005, Maxim received approximately \$5,043 from each of the same two shareholders related to interim financing for the construction of Basin Creek. There are no associated fees with the interim financing of the Basin Creek project. Demand promissory notes were issued bearing interest at 10% per annum payable on a monthly basis. The promissory notes can be repaid in whole or in part at any time by Maxim without notice or penalty. The promissory notes are secured by a first charge over the property of Maxim's subsidiary, Maxim Power (USA), Inc. related to the Basin Creek project and a second ranking charge secured through a security agreement issued by Maxim and Maxim Power (USA), Inc.
- (c) On June 17, 2005, the same two shareholders each provided an additional \$7.55 million of interim financing to Maxim to acquire three power companies in France, Energiea S.A., Societe Electrique D'Arnas S.A. and Cogenia S.A.S. Two demand promissory notes, each in the amount of \$7.55 million, were issued and bear interest at 10% per annum payable on a monthly basis. In addition, a combined commitment fee of \$302 was paid to these related parties. The interest on each promissory note will increase by 1.5% per annum per quarter commencing on September 17, 2005. The promissory notes can be paid in whole or in part at any time by Maxim without notice or penalty. The promissory notes are secured by a first charge over all shares of the three French power companies and a second ranking charge through a security agreement issued by Maxim and Comax France, a subsidiary of Maxim.

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 6

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

7. Loans payable:

On April 4, 2005, Maxim received approximately \$3,690 from Desjardins Trust related to interim financing for the construction of Basin Creek. Desjardins Trust received a demand promissory note from Maxim which contains the same terms and security as the demand promissory notes issued to each of the two largest shareholders (see note 6(a)).

BMO Bank of Montreal credit facility, Facility B, has also been presented as loans payable (see note 8(a)).

8. Long-term debt:

	June 30, 2005
Canadian projects (note 8(a))	\$ 14,955
United States project (note 8(b))	19,931
European projects (note 8(c))	5,114
Cambodian projects (note 8(d))	543
	40,543
Less current portion	3,359
	\$ 37,184

(a) The Corporation entered into a loan agreement with BMO Bank of Montreal on December 22, 2003. This loan agreement was amended on May 10, 2005. The amended debt arrangement is comprised of five facilities as follows:

Facility A is a \$3,000 demand revolving facility for general working capital purposes, margined up to 90% of current accounts receivable from the Power Pool of Alberta. Prior to May 10, 2005, Facility A was a \$1,000 demand revolving facility. At June 30, 2005, the amount of \$573 has been utilized under this facility and classified as an offset to cash and cash equivalents.

Facility B is a \$2,000 demand revolving facility for new project development. At June 30, 2005, the amount of \$1,900 has been utilized under this facility and classified as a component of loans payable.

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

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 7

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

8. Long-term debt (continued):

Facility C is a \$9,500 non-revolving reducing fixed rate term loan bearing interest at 6.79% per annum with blended monthly repayments of \$142 and matures in January 2009. In addition, the Corporation is required to make quarterly principal repayments of 50% of any defined excess cash flow. At June 30, 2005 the Corporation had an outstanding balance of \$7,455 under Facility C.

Facility D is a \$2,500 demand revolving facility for letters of credit required for general corporate purposes. The letters of credit are to be cash collateralized and bears interest at 1.25% per annum.

Facility E is a \$9,500 non-revolving floating rate term loan used to refinance debt at the Vancouver Landfill project ("VLF") and to provide financing for expansion at VLF. At June 30, 2005, loan proceeds of \$7,500 from Facility E were used to repay \$4.5 million of interim financing received from related parties. \$2,000 of additional financing under Facility E will be available upon completion of expansion at VLF which is expected to be in the first quarter of 2006. Facility E, which matures in 2010, bears interest at floating prime lending interest rate plus 1% per annum with blended monthly repayments of \$70. In addition, the Corporation is required to make quarterly principal repayments of 50% of any defined excess cash flow.

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

- (b) Maxim entered into a construction and term loan agreement dated March 31, 2005 through its subsidiary, Basin Creek Equity Partners, L.L.C. ("Basin Creek") with CIT Capital Securities, L.L.C., lead arranger, and The Bank of New York, collateral agent. The construction and term loan can be for a maximum principal amount of USD\$29,000, with an interest rate of US treasury rate plus 2.5% per annum for each borrowing. The term loan matures 20 years after commercial operation date, estimated to be July 1, 2006, and carries quarterly principal and interest repayments. A commitment fee of 0.375% of the available construction loan advances will be accrued during the construction period. The construction loan advances will be converted to a term loan facility upon certification of completion of construction by the independent engineer and approval of project construction in accordance with the Capacity and Energy Sale Agreement. At June 30, 2005, Basin Creek was advanced approximately USD\$16.3 million as construction loan advances. The amount has been classified as long-term debt.

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 8

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

8. Long-term debt (continued):

(c) The Corporation has six project bank term loans associated with projects in operation in Europe at June 30, 2005:

- (i) The Ravne project financing of 2,916 Euro is a 10 year term loan, which commenced May 1999 and terminates on October 31, 2009. The interest rate is Euribor plus 2.75% per annum. Security for the loan is an assignment of material sales contracts and equipment maintenance contracts for the project and a charge against the equipment. The loan agreement requires quarterly prepayments calculated at approximately 40% of the project cash flow for the preceeding quarter. These prepayments will reduce the term of the loan from 10 years to approximately 8 years.
- (ii) The Ammann project financing of 279 Euro is a 7 year term loan, which commenced September 1999 and terminates on September 30, 2006. The interest rate is Euribor plus 0.75% per annum. Security for the loan is an assignment of material sales contracts and equipment maintenance contracts for the project and a charge against the equipment as well as a pledge of any undistributed cash in the project account.
- (iii) The Ruegen project financing of 160 Euro is a 5 year term loan which commenced in 2003 and terminates in 2008. The interest rate is Euribor plus 1.75% per annum. Principal and interest is repayable quarterly. Security for the loan is an assignment of material sales contracts and a charge against the equipment.
- (iv) Pouchon has project financing with Raiffeisen Zentralbank Osterreich Aktiengesellschaft AG ("RZB") bank for 1,530 Euro. The loan has a maturity date of November 15, 2012, an interest rate based on Euribor plus 1.80% per annum and 27 principal and interest repayments over the term of loan.
- (v) Mirail has project financing with RZB bank for 1,390 Euro. The loan has a maturity date of November 15, 2012, an interest rate based on Euribor plus 1.80% per annum and 27 principal and interest repayments over the term of loan.
- (vi) Bataneres project financing is for 3,370 Euro and with the RZB bank. The loan has a maturity date of November 15, 2014, an interest rate based on Euribor plus 2.75% per annum and 27 principal and interest repayments over the term of the loan.

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

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 9

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

8. Long-term debt (continued):

(d) The Corporation's long-term debt in Cambodia is non-recourse debt and composed of two term loans. During June, 2003, JPH closed a debt financing of US \$3,375. The Corporation's share was US \$1,688. The 3-year term loan bears interest at 15% with quarterly fixed principal payments of US\$375 plus interest. In conjunction with this term loan issuance, the Corporation also issued a US\$58 guaranty to the lender. In 2002, JPH closed a debt financing of US\$2,800 with the same lender. The Corporation's share was US\$1,428. This 3-year term loan, bearing interest at 15%, was raised in conjunction with the expansion of the existing C-1 power station in Cambodia. JPH is required to make quarterly fixed principal payments of US\$233 plus interest on this term loan. It is anticipated both term loans will be repaid by October, 2005.

Both term loans are secured by a first priority security interest issued by JPH to the lender. Further quarterly repayments will be required if any distributions to shareholders exceed US\$6,175.

The Corporation's anticipated repayment obligations as at June 30, 2005 on the above loans over the next five years are as follows:

2006	\$	3,359
2007		3,452
2008		3,454
2009		3,150
2010 and thereafter		27,128
	\$	40,543

9. Capital leases:

(a) The Corporation entered into an agreement with the Capital Regional District ("CRD") to lease equipment at Hartland and the capital lease obligation became effective in February 2004. The capital lease obligation bears interest at 6.5% per annum, is repayable on a monthly basis and is amortized over a 20 year term. Upon termination of the lease, the Corporation shall return the equipment to CRD or dispose of the equipment at the CRD's expense.

(b) Maxim's newly acquired French subsidiary, Cogenia S.A.S, (see note 5) entered into an agreement with Caterpillar Finance France SA ("Caterpillar") in December 1998 to lease its

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 10

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

9. Capital leases (continued):

production equipment. The capital lease obligation bears interest at 7.03% per annum, is repayable on a monthly basis and is amortized over a twelve year term. Upon termination of the lease, Cogenia S.A.S. has the option to purchase leased equipment at the option price equal to \$566.

Future minimum payments under this capital lease consisted of the following at June 30, 2005:

2006	\$	974
2007		974
2008		974
2009		974
2010 and thereafter		3,141
Total minimum lease payments		7,034
Amounts representing interest		(2,133)
Present value of net minimum lease payments		4,901
Less: current portion		418
	\$	4,483

10. Cash flow indenture:

Under the terms of the acquisition agreement, MPLP has an obligation to pay cash to the Balancing Pool in relation to a cash flow indenture of 20% of its future annual cash flows to a maximum of \$15 million. The payments are based on a profit sharing arrangement whereby the estimated present value of future cash flows of \$15 million was added to the purchase price consideration for the plant acquisition. The obligation is non-interest bearing and MPLP has pledged a second charge on its accounts receivable as collateral for the payments due under the cash flow indenture. At June 30, 2005, the outstanding balance was \$12,238 (December 31, 2004 - \$15,000) of which \$1,340 (December 31, 2004 - \$2,762) is classified as current portion of the cash flow indenture.

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 11

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

11. Asset retirement obligation:

Balance, June 30, 2005	\$	166
------------------------	----	-----

At June 30, 2005, the total undiscounted cash flow required to retire the obligation is \$515. A credit-adjusted risk free rate of 7% was applied to obtain the net present value of the obligation. The asset retirement obligation will be settled in future years, ranging from 18 to 26 years.

12. Share capital:

(a) Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of Class A non-voting preferred shares

Unlimited number of Class B non-voting preferred shares

(b) Issued:

Share capital:

	Number	Amount
Partnership units of Milner Power Limited Partnership		
Balance, December 31, 2003	300,000	\$ 300
Issued for cash	9,700,000	9,700
Issued for services	21,300	21
Issued for plant acquisition	240,000	240
Balance, December 31, 2004 and at March 31, 2005	<u>10,261,300</u>	<u>10,261</u>
Common shares of Maxim Power Corp.		
Balance, March 30, 2005	136,773,198	–
Issued on business combination (note 2)	242,398,584	43,180
Stock options exercised	2,062,167	734
Contributed Surplus		
Fair value of stock based compensation	–	56
Balance, June 30, 2005	<u>381,233,949</u>	<u>\$ 54,231</u>

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 12

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

12. Share capital (continued):

(c) Stock options:

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

Details of the stock options outstanding at June 30, 2005 are as follows:

	Options Outstanding at June 30, 2005			Options Exercisable at June 30, 2005	
	Number Of Options	Weighted Average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
Range of Exercise Prices					
\$0.13 to \$0.32	2,463,500	2.5	\$ 0.24	1,602,167	\$ 0.26
\$0.33 to \$0.58	2,837,833	3.0	\$ 0.47	1,524,832	\$ 0.52
\$0.59 to \$0.80	3,150,000	2.0	\$ 0.70	2,933,333	\$ 0.70
\$0.81 to \$1.34	892,000	1.5	\$ 1.12	892,000	\$ 1.12
	9,343,333	2.4	\$ 0.55	6,952,332	\$ 0.61

The fair value of each option granted is estimated at the date of grant using the Black-Scholes option pricing method with weighted average assumptions for grants at June 30, 2005:

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

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 13

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

12. Share capital (continued):

(d) Income per share:

The weighted average number of shares outstanding for purposes of calculating basic and diluted income per share at June 30, 2005 was 311,599,426 and 205,106,494 at June 30, 2004.

13. Commitments:

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

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

(b) The Ravne facility has a long-term sales contract with Energetica Ravne d.o.o., a wholly-owned subsidiary of the state-owned Slovenian Steel Works, for the production of electricity and heat. This contract provides for minimum monthly fixed revenue of 43 Euro and a variable revenue on the basis of Kilowatt hours ("Kwh") of electricity generated.

The Corporation has a long-term operations and maintenance contract for the Ravne facility which is payable quarterly and is based on the number of Kwh produced from the facility for the preceding quarter.

(c) All French projects, including those acquired on June 22, 2005 (see note 5), have original 12 year sales contracts with Electricite de France ("EDF") and all, except for two facilities, have original 12 year contracts for thermal heat sales. Sales to EDF are at fixed hourly rates with a bonus based on specific levels of efficiency. Thermal sales delivered must reach a specific minimum level. The gas supply for these French projects is completed under 3 year contracts with Gaz de France.

French projects acquired on June 22, 2005 have operations and maintenance contracts with Wartsila. The remaining French projects have operating and maintenance contracts with La Societe Forclum.

(d) Electricity generated from the Corporation's Cambodian facilities is sold under contract to various Governments of the Provinces and Electricite Du Cambodge ("EdC"), the central power supply agency for the Cambodian Government. The Corporation receives a fixed capacity payment and a variable fuel tariff. The fuel tariff is tied to the price of diesel used to

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 14

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

13. Commitments (continued):

generate the electricity and effectively provides a pass-through of the fuel costs into the sales price of the electricity produced.

- (e) The Corporation has entered into an agreement with the City of Vancouver to utilize its methane gas from the City's landfill. In exchange for gas from the landfill, the City of Vancouver will receive up to 10% of the electrical and thermal energy sales based on the volume of gas extracted from the landfill. The term of the agreement is 20 years. The Corporation has also entered into 20 year contracts to sell electricity to British Columbia Hydro ("BC Hydro"), at fixed hourly rates, and to sell thermal energy to a greenhouse facility. The operations and maintenance contract is with Finning at fixed rates based on the hours of electrical production.
- (f) The Corporation entered into an agreement with the Capital Regional District ("CRD") for the CRD to supply landfill gas from the Hartland landfill. The initial term of the agreement is five years and the parties shall enter into a new five-year landfill gas supply agreement unless the CRD is approved to enter into a longer term agreement. In exchange for landfill gas, the CRD will receive a percentage of the electrical revenues based on the volume of gas supplied from the Hartland landfill. In addition, the Corporation entered into a long-term equipment lease with the CRD as disclosed in Note 9. At Hartland, the Corporation also entered into a twenty- year contract to sell electricity to BC Hydro at fixed hourly rates. The operations and maintenance contract is with Finning at fixed rates based on the hours of electrical production.

14. Income taxes:

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

	Canadian	Foreign	Total
2005	\$ –	\$ 514	\$ 514
2006	–	–	–
2007	–	–	–
2008	–	18	18
2009	–	–	–
After 2009	4,885	2,019	6,904
	\$ 4,885	\$ 2,551	\$ 7,436

MAXIM POWER CORP.

Selected Notes to Consolidated Financial Statements, Page 15

Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

14. Income taxes (continued):

The potential benefit of the above loss carry forwards, which begin to expire at December 31, 2005, have not been recognized in the financial statements.

15. Change in non-cash working capital:

	3 months ended June 30		6 months ended June 30	January 29 to June 30
	2005	2004	2005	2004
Operations:				
Accounts receivable	\$ (2,303)	\$ (1,442)	\$ (603)	\$ (4,723)
Prepaid expenses	(101)	(86)	(9)	36
Inventory	(886)	(352)	(1,298)	(961)
Other assets	11	–	11	–
Accounts payable and accrued liabilities	(2,763)	(1,730)	(3,690)	2,458
Deferred revenue	81	–	81	–
	\$ (5,961)	\$ (3,610)	\$ (5,508)	\$ (3,190)

The following cash payments have been made to June 30:

	2005	2004
Taxes	\$ 37	\$ –
Interest	\$ 400	\$ 24

MAXIM POWER CORP.

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Six months ended June 30, 2005 and 2004

(Amounts in thousands of Canadian dollars, U.S. dollars or Euro, except shares and per share amounts)
(unaudited)

16. Segmented information:

The Corporation is an independent power Corporation engaged in the ownership, development and operation of power generation facilities which produce electricity and heat for sale.

The location of the Corporation's capital assets by geographic area to June 30 are as follows:

	2005	2004
Canada	\$ 51,879	\$ 18,914
United States	25,207	—
Europe	31,286	—
Asia	3,088	—
Total	\$ 111,460	\$ 18,914

The Corporation's goodwill at June 30, 2005 is fully allocated to Canada.

The Corporation's revenue by geographic area are as follows:

	June 30, 2005		June 30, 2004	
	Revenue	Income (Loss) Before the following items	Revenue	Income (Loss) Before the following items
Canada	\$ 24,967	\$ 4,877	\$ 22,891	\$ 7,202
United States	—	—	—	—
Europe	677	64	—	—
Asia	3,646	(127)	—	—
Total	\$ 29,290	\$ 4,814	\$ 22,891	\$ 7,202

17. Contingency:

In July, 2003, ORS Organic Waste Recycling Stade GmbH of Germany ("ORS"), the Corporation's investee, initiated legal proceedings against A/S Cimbria the major contractor responsible to construct ORS. ORS initiated legal proceedings to recover damages resulting from the delayed construction of the facility. ORS is seeking remaining damages of \$2,900 plus interest from A/S Cimbria. To date, ORS has recovered \$850 from damages over the delayed construction. In addition, A/S Cimbria has issued a final construction invoice of \$1,945 to ORS, which has not been recorded by ORS. The legal proceedings regarding the delayed construction damages are to begin in August 2005.