

Quarterly Report of

MAXIM POWER CORP.

Second Quarter Ended June 30, 2006 and 2005
(unaudited)

MAXIM POWER CORP.

Consolidated Balance Sheets
(In Thousands of Dollars)

	June 30, 2006 (unaudited)	December 31, 2005
Assets		
(see basis of presentation - note 1)		
Current assets:		
Cash and cash equivalents (note 2)	\$ 20,954	\$ 23,309
Accounts receivable	9,078	20,656
Prepaid expenses, deposits and other	653	586
Coal inventory	2,352	1,860
Plant inventory	2,752	1,667
Assets held for sale (note 4)	2,074	3,384
	37,863	51,462
Property, plant and equipment (note 3)	123,957	116,991
Assets held for sale (note 4)	579	4,113
Deferred costs	4,551	3,274
Coal contract	5,167	5,500
Goodwill	15,489	15,489
	\$ 187,606	\$ 196,829
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,911	\$ 22,612
Liabilities of assets held for sale (note 4)	1,199	3,495
Current portion of long-term debt (note 5)	3,709	3,452
Current portion of capital lease obligations (note 6)	636	609
Current portion of cash flow indenture (note 7)	-	4,863
	18,455	35,031
Long-term debt (note 5)	47,471	40,932
Capital lease obligations (note 6)	3,969	4,291
Cash flow indenture (note 7)	7,374	7,374
Future income tax liability	6,958	6,752
Deferred revenue	192	236
Non-controlling interest	150	-
Asset retirement obligation	328	321
Shareholders' equity:		
Share capital (note 8)	91,445	90,331
Cumulative translation adjustment	(2,241)	(2,684)
Retained earnings	13,505	14,245
	102,709	101,892
Subsequent events (note 11)		
	\$ 187,606	\$ 196,829

See accompanying selected notes to interim consolidated financial statements.

MAXIM POWER CORP.

Interim Consolidated Statements of Operations and Retained Earnings

Six months ended June 30, 2006 and 2005

(In Thousands of Dollars)

(unaudited)

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Revenue:				
Electricity sales	\$ 9,776	\$ 13,681	\$ 41,246	\$ 25,161
Expenses:				
Plant operations	11,945	9,015	33,607	16,558
General and administration	2,033	1,612	3,634	2,408
Depreciation and amortization	1,382	841	3,208	1,291
	15,360	11,468	40,449	20,257
Income (loss) before the following items	(5,584)	2,213	797	4,904
Interest expense	645	374	1,016	334
Interest income	(292)	-	(292)	-
Foreign exchange loss	92	15	115	15
Income (loss) before income taxes from continuing operations	(6,029)	1,824	(42)	4,555
Future income taxes (reduction)	(1,754)	1,550	206	1,550
Non-controlling interest	(14)	-	150	-
Net income (loss) from continuing operations	(4,261)	274	(398)	3,005
Net loss from assets held for sale (note 4)	(262)	(281)	(342)	(281)
Net income (loss) for the period	(4,523)	(7)	(740)	2,724
Retained earnings, beginning of period	18,028	5,409	14,245	2,678
Retained earnings, end of period	13,505	5,402	13,505	5,402
Basic and diluted income (loss) per share	\$ (0.10)	\$ 0.00	\$ (0.02)	\$ 0.09

See accompanying selected notes to interim consolidated financial statements.

MAXIM POWER CORP.

Interim Consolidated Statements of Cash Flows

Six months ended June 30, 2006 and 2005

(In Thousands of Dollars)

(unaudited)

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Cash provided by (used in):				
Operations:				
Net income (loss) from continuing operations	\$ (4,261)	\$ 274	\$ (398)	\$ 3,005
Items not involving cash:				
Depreciation and amortization	1,382	841	3,208	1,291
Foreign exchange loss	-	15	-	15
Asset retirement obligation	2	2	7	2
Fair value of stock based compensation	157	56	419	56
Non-controlling interest	(14)	-	150	-
Future income taxes (reduction)	(1,754)	1,530	206	1,530
	(4,488)	2,718	3,592	5,899
Change in non-cash working capital (note 9)	(7,653)	(6,081)	(842)	(5,625)
Cash flows from continuing operations	(12,141)	(3,363)	2,750	274
Net loss from assets held for sale	(262)	(281)	(342)	(281)
Items not involving cash:				
Depreciation and amortization	300	547	728	547
Loss on disposal of assets	165	-	165	-
Loss from equity investment	-	162	16	162
Change in non-cash working capital	(289)	250	(598)	357
Cash flows from assets held for sale	(86)	678	(31)	785
	(12,227)	(2,685)	2,719	1,059
Financing:				
Issuance of long-term debt	5,233	27,431	9,030	27,431
Repayment of long-term debt	(1,490)	(1,114)	(2,234)	(472)
Repayment of advances from Finning	-	-	-	(12,069)
Advances from related parties	-	25,186	-	29,686
Repayment to related parties	-	(4,500)	-	(4,500)
Repayment of lease obligation	(12)	(12)	(295)	(12)
Loans payable	-	3,690	-	3,690
Issuance of common shares	78	734	695	734
Cash flows from continuing financing activities	3,809	51,415	7,196	44,488
Repayment of long-term debt related to assets held for sale	-	(642)	(136)	(1,284)
	3,809	50,773	7,060	43,204
Investing:				
Property, plant and equipment	(5,644)	(26,396)	(9,236)	(26,408)
Acquisition, net of cash acquired	-	(11,002)	-	(6,470)
Deferred costs	(780)	(3,033)	(1,329)	(3,033)
	(6,424)	(40,431)	(10,565)	(35,911)
Change in non-cash working capital (note 9)	2,147	-	(3,718)	(2,762)
Cash flows used in investing in continuing operations	(4,277)	(40,431)	(14,283)	(38,673)
Change in cash related to assets held for sale	(391)	(130)	(252)	(240)
Proceeds on sale of assets held for sale	1,913	-	1,913	-
Cash used in investing in assets held for sale	1,048	-	715	-
	(1,707)	(40,561)	(11,907)	(38,913)
Foreign exchange loss	(364)	(152)	(227)	(153)
Increase (decrease) in cash	(10,489)	7,375	(2,355)	5,197
Cash, beginning of period	31,443	3,105	23,309	5,283
Cash, end of, period	\$ 20,954	\$ 10,480	\$ 20,954	\$ 10,480

See accompanying selected notes to interim consolidated financial statements.

MAXIM POWER CORP.

Selected Notes to Interim Consolidated Financial Statements

Six months ended June 30, 2006 and 2005

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

1. Basis of presentation:

The unaudited interim consolidated financial statements have been prepared by Maxim Power Corp's (MAXIM or the "Corporation") management in accordance with accounting principles generally accepted in Canada and should be read in conjunction with the year-end consolidated financial statements and notes included in MAXIM's 2005 Annual Report. 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 year-end consolidated financial statements. These unaudited interim consolidated financial statements do not include all disclosures required for annual financial statements and therefore these statements should be read in conjunction with the most recent year-end consolidated financial statements.

On March 31, 2005, Maxim Power Corp. ("MAXIM" or "Corporation") completed a business combination by acquiring the remaining partnership units (approximately 80.5%) of Milner Power Limited Partnership ("MPLP") from the existing partners of MPLP. The business combination resulted in a reverse take-over of MAXIM through the issuance of 24,239,858 common shares of MAXIM at a price of \$3.20 per share, for aggregate consideration of \$77,568. For accounting purposes, MPLP is considered to have acquired MAXIM and these consolidated financial statements reflect the historical accounts of MPLP together with the accounts of MAXIM and its wholly-owned and controlled subsidiaries from the effective date of the business combination, March 31, 2005.

The consolidated balance sheets at June 30, 2006 and December 31, 2005 reflect the accounts of both MPLP and MAXIM. The statement of operations and retained earnings and the statement of cash flows reflects the operating results of both MPLP and MAXIM for the six months ended June 30, 2006 and the statement of operations and retained earnings and the statement of cash flows at June 30, 2005 reflects six months of operating results of MPLP plus three months of operations of MAXIM.

MAXIM's operations in Cambodia, held through its 51% interest in Jupiter Power Holdings (Bermuda) Ltd. have been classified as Assets Held for Sale at June 30, 2006 (see note 4).

2. Cash:

As at June 30, 2006, the Corporation has restricted cash of \$2,871.

3. Property, plant and equipment:

	Cost	Accumulated Depreciation	Net book value
June 30, 2006			
Property, plant and equipment	\$ 124,706	\$ 7,692	\$ 117,014
Plant under construction	2,388	-	2,388
Capital leases	4,783	228	4,555
	<u>\$ 131,877</u>	<u>\$ 7,920</u>	<u>\$ 123,957</u>
December 31, 2005			
Property, plant and equipment	\$ 84,098	\$ 4,835	\$ 79,263
Plant under construction	33,205	-	33,205
Capital leases	4,660	137	4,523
	<u>\$ 121,963</u>	<u>\$ 4,972</u>	<u>\$ 116,991</u>

MAXIM POWER CORP.

Selected Notes to Interim Consolidated Financial Statements, Page 2

Six months ended June 30, 2006 and 2005

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

(Unaudited)

3. Property, plant and equipment (continued):

The Basin Creek 51.8 megawatt facility located in Butte, Montana commenced operations on May 16, 2006. At June 30, 2006, Basin Creek property, plant and equipment is \$39,704.

4. Assets Held for Sale:

On March 29, 2006 the Corporation entered into binding purchase and sale agreements for the sale of its wholly-owned subsidiaries, Maxim Power GmbH (Austria) and Maxim Power GmbH (Germany), for total proceeds of 1,350 Euro. On April 15, 2006, the sale was completed with receipt of proceeds. The disposition of these projects resulted in a loss of \$165 which has been included in the Net loss from assets held for sale within the Interim Consolidated Statements of Operations and Retained Earnings. MAXIM intends to sell its remaining German development opportunities by September 30, 2006 and the disposition of these projects will result in a nominal gain which will be reflected in the accounts when realized.

Effective March 31, 2006, MAXIM and its joint venture partner in Cambodia decided to rationalize existing operations in Cambodia, concurrent with the June 30, 2006 expiration of the power purchase agreement with the Cambodian state-owned utility. Proceeds from the disposition and wind-up are expected to exceed the current carrying value of the remaining generation equipment and any reclamation and disposition costs. It is expected the sale of the Cambodia assets will close in the third quarter of 2006 (see note 11c).

The December 31, 2005 consolidated balance sheet and the 2005 interim consolidated statement of operations were restated to reflect the reclassification of Cambodian operations as Assets Held for Sale.

A summary of the assets and liabilities held for sale in Cambodia at June 30, 2006 is as follows:

Cash	\$	166
Accounts receivable		1,205
Inventory		114
Prepays and other current assets		589
	\$	2,074
Property, plant and equipment		532
Other		47
	\$	579
Accounts payable and accrued liabilities		1,142
Taxes payable		57
	\$	1,199

MAXIM POWER CORP.

Selected Notes to Interim Consolidated Financial Statements, Page 3

Six months ended June 30, 2006 and 2005

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

(Unaudited)

4. Assets Held for Sale (continued):

A summary of Operations from Assets Held for Sale is as follows:

	Three months ended June 30,.		Six months ended June 30,	
	2006	2005	2006	2005
Electricity sales	\$ 2,656	\$ 4,129	\$ 6,357	\$ 4,129
Plant operations	2,313	3,464	5,396	3,464
General and administration	92	208	349	208
Depreciation and amortization	300	547	728	547
Loss before the following items:	(49)	(90)	(116)	(90)
Interest expense and other	30	11	13	11
Loss from equity investment	-	162	16	162
Loss on sale of assets	165	-	165	-
Income taxes	18	18	32	18
Net loss	\$ (262)	\$ (281)	(342)	\$ (281)

5. Long-term debt:

	June 30, 2006
Canadian projects (note 5(a))	\$ 12,581
United States project (note 5(b))	31,220
French projects (note 5(c))	7,379
	51,180
Less current portion	3,709
	\$ 47,471

(a) The Corporation has a loan agreement with BMO Bank of Montreal that is comprised of five facilities. The outstanding balances of each of the facilities at June 30, 2006 are as follows:

Facility A and Facility B are demand revolving facilities that have not been utilized.

Facility C is a non-revolving term loan with an outstanding balance of \$5,598.

Facility D is a \$2,500 demand revolving facility for letters of credit. Letters of credit in the amount of \$1,565 had been issued at June 30, 2006, reducing the availability of Facility D to \$935. Facility D is classified as working capital.

Facility E is a non-revolving term loan with an outstanding balance of \$6,983. An additional \$2,000 will be advanced in August, 2006 upon completion of expansion of the Vancouver Landfill facility.

MAXIM POWER CORP.

Selected Notes to Interim Consolidated Financial Statements, Page 4

Six months ended June 30, 2006 and 2005

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

(Unaudited)

5. Long-term debt (continued):

- (b) MAXIM entered into a construction and term loan agreement dated March 31, 2005 through its 97% subsidiary, Basin Creek Equity Partners, L.L.C. ("Basin Creek") with CIT Capital Securities, L.L.C., lead arranger. The construction and term loan is for a maximum principal amount of US\$29,000, with an interest rate of US treasury rate plus 2.5% per annum for each borrowing during the construction phase. At June 30, 2006, the construction loan balance of US\$28,000 was converted to a term loan effective July 1, 2006 with an interest rate of 6.95% per annum with quarterly principal and interest repayments. The term loan is to mature on July 1, 2026.
- (c) The Corporation has project bank term loans associated with projects operating in France. The outstanding balances at June 30 are as follows:
- (i) Pouchon had an outstanding loan balance of 1,170 Euro.
 - (ii) Mirail had an outstanding loan balance of 1,060 Euro.
 - (iii) Bataneres had an outstanding loan balance of 3,040 Euro.

The Corporation's repayment obligations as at June 30, 2006 on the above loans over the next 5 years are as follows:

2007	\$	3,709
2008		3,682
2009		3,971
2010		3,686
2011		2,593
Remaining		33,539
		51,180
Less current portion		(3,709)
	\$	47,471

6. Capital leases:

MAXIM has two capital lease obligations at June 30, 2006 as follows:

- (a) The Hartland capital lease obligation with the Capital Regional District has an outstanding balance of \$1,661.
- (b) MAXIM's French subsidiary, Cogenia S.A.S. entered into an agreement with Caterpillar Finance France SA ("Caterpillar") to lease its production equipment. The capital lease obligation has an outstanding balance of \$2,944.

Future minimum payments under the two capital leases at June 30, 2006 are as follows:

2007	\$	937
2008		937
2009		937
2010		969
2011		478
Remaining		2,022
Total minimum lease payments		6,280
Amounts representing interest		(1,675)
Present value of net minimum lease payments		4,605
Less: current portion		(636)
	\$	3,969

MAXIM POWER CORP.

Selected Notes to Interim Consolidated Financial Statements, Page 5

Six months ended June 30, 2006 and 2005

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

(Unaudited)

7. Cash flow Indenture:

MPLP has an obligation to pay cash to the Balancing Pool in relation to a cash flow indenture of 20% of its future annual cash flows to a maximum of \$15,000. The obligation is non-interest bearing and MPLP has pledged a second charge on its accounts receivables as collateral for the payments due under the cash flow indenture. At June 30, 2006, the outstanding balance was \$7,374. At December 31, 2005, the outstanding balance was \$12,237 which was reduced by a payment of \$4,863 on March 30, 2006 to the Balancing Pool.

8. Share capital:

(a) Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares

(b) Issued:

Share capital:

	Number	Amount
Common shares		
Balance, December 31, 2005	43,758,709	\$ 89,298
Stock options exercised	144,633	695
Adjustment on share consolidation	(17,040)	-
Common shares, June 30, 2006	43,886,302	\$ 89,993
Contributed surplus		
Balance, December 31, 2005	-	\$ 1,033
Fair value of stock based compensation	-	419
Contributed surplus, June 30, 2006	-	\$ 1,452
Balance, June 30, 2006	43,886,302	\$ 91,445

On April 13, 2006, the common shares of MAXIM were consolidated on a ten for one basis. The common share data and per share information have been restated to reflect the impact of the share consolidation.

(c) Stock options:

Stock options issued and outstanding are as follows:

	Number	Weighted average exercise price
Balance, December 31, 2005	1,749,550	\$ 5.81
Exercised	(144,633)	(4.82)
Cancelled	(44,200)	(13.29)
Granted	176,500	6.58
Balance, June 30, 2006	1,737,217	\$ 5.78

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Selected Notes to Interim Consolidated Financial Statements, Page 6

Six months ended June 30, 2006 and 2005

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

(Unaudited)

8. Share capital (continued):

Details of the stock options outstanding at June 30, 2006 are as follows:

Range of Exercise Prices	Options Outstanding at June 30, 2006			Options Exercisable at June 30, 2006	
	Number of Options	Weighted Average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
\$2.00 to \$3.50	149,583	2.0	\$ 2.20	149,583	\$ 2.20
\$3.51 to \$5.99	178,584	3.3	\$ 4.15	98,936	\$ 4.01
\$6.00 to \$9.00	1,409,050	4.0	\$ 6.36	349,000	\$ 7.18
	1,737,217	3.8	\$ 5.78	597,519	\$ 5.41

The Corporation accounts for its stock option plan using the fair value method. Under this method, at June 30, 2006, \$419 of costs were recorded as expense for options granted to employees and directors.

The fair value of each option granted is estimated at the date of grant using the Black-Scholes option pricing method with weighted average assumptions for grants at June 30, 2006 as follows:

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

During the first six months of 2006, the Corporation granted 176,500 stock options to purchase common shares at an average price of \$6.58 under the Corporation's stock option plan and the weighted average fair value of each option was calculated to be \$2.40. The Corporation used the Black-Scholes option pricing model and assumptions above to calculate the weighted average fair value.

(d) Income per share:

The weighted average number of shares outstanding for purposes of calculating basic income per share at June 30, 2006 was 43,858,966 and 31,159,943 at June 30, 2005.

MAXIM POWER CORP.

Selected Notes to Interim Consolidated Financial Statements, Page 7

Six months ended June 30, 2006 and 2005

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

(Unaudited)

9. Change in non-cash working capital:

	June 30, 2006	June 30, 2005
Operations:		
Accounts receivable	\$ 11,578	\$ (917)
Prepaid expenses, deposits and other	(67)	33
Inventory	(1,577)	(1,128)
Accounts payable and accrued liabilities	(10,732)	(3,694)
Deferred revenue	(44)	81
	<u>\$ (842)</u>	<u>\$ (5,625)</u>
Investing:		
Accounts payable and accrued liabilities	\$ 1,145	\$ -
Current portion of cash flow indenture	(4,863)	(2,762)
	<u>\$ (3,718)</u>	<u>\$ (2,762)</u>

The following cash payments have been made to June 30:

	2006	2005
Taxes	\$ 19	\$ 31
Interest	\$ 1,519	\$ 334

10. Segmented information:

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

	Six months ended June 30, 2006		Six months ended June 30, 2005	
	Revenue	Income (loss) before the following items*	Revenue	Income before the following items*
Canada	\$ 23,656	\$ 395	\$ 24,967	\$ 4,877
United States	1,286	(1,735)	-	-
France	16,304	2,137	194	27
Total	<u>\$ 41,246</u>	<u>\$ 797</u>	<u>\$ 25,161</u>	<u>\$ 4,904</u>

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

MAXIM POWER CORP.

Selected Notes to Interim Consolidated Financial Statements, Page 8

Six months ended June 30, 2006 and 2005

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

(Unaudited)

10. Segmented information (continued):

MAXIM's operations are impacted by seasonality. All French operations are cogeneration facilities and annually operate from November through March only. The American operations are 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 or third quarter of each year.

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

	June 30, 2006			December 31, 2005		
	Additions	Depreciation and Amortization	Total Assets	Additions	Depreciation and Amortization	Total Assets
Canada	\$ 3,663	\$ 1,619	\$ 56,337	\$ 7,056	\$ 2,853	\$ 51,079
United States	6,262	256	42,944	37,660	-	36,938
France	(126)	949	24,676	13,694	544	28,974
Total	\$ 9,799	\$ 2,824	\$ 123,957	\$ 58,410	\$ 3,397	\$ 116,991

11. Subsequent events:

- MAXIM entered into an agreement to purchase Capital District Energy Centre Cogeneration (CDECCA), a 67 megawatt natural gas fired combined cycle cogeneration plant located in Hartford on July 5, 2006 for nominal cash consideration. The purchase will be effective upon receiving regulatory approval.
- MAXIM purchased the 5.2 megawatt Canteleu cogeneration plant in France on July 19, 2006. The acquisition was completed for cash consideration of 750 Euro.
- MAXIM and its 49% joint venture partner in Cambodia have executed a sales agreement for the plant equipment at Phnom Penh. The plant equipment has been idle since June 30, 2006 and classified as Assets Held for Sale by MAXIM. A related company to MAXIM's joint venture partner will be used to broker the transaction with the equipment purchaser. The gross proceeds will be US\$2.2 million which will be realized in the third quarter of 2006. Included in the proceeds are funds to offset costs incurred for dismantling, packing and shipping the equipment. Future decommissioning and wind-up costs for the remaining Cambodian operations will be completed by September 30, 2006 with no significant gain or loss on wind-up.

12. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial presentation adopted for the present year.