

power **growth** precision



Quarterly Report of

MAXIM POWER CORP.

Second Quarter Ended June 30, 2007 and 2006
(unaudited)

MAXIM POWER CORP.

Consolidated Balance Sheets
(In Thousands of Dollars)

	June 30, 2007 (unaudited)	December 31, 2006
Assets		
	(see basis of presentation - note 1)	
Current assets:		
Cash and cash equivalents	\$ 10,152	\$ 22,955
Accounts receivable	14,217	34,836
Prepaid expenses, deposits and other	750	2,128
Coal inventory	987	1,784
Plant inventory	500	614
Current assets of discontinued operations	-	80
	26,606	62,397
Property, plant and equipment (note 5)	172,761	151,108
Deferred costs	9,187	8,373
Coal contract	4,500	4,834
Goodwill	15,632	15,632
	\$ 228,686	\$ 242,344
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,939	\$ 24,081
Income taxes payable	13,784	4,738
Current portion of long-term debt (note 6)	3,682	3,606
Current portion of capital lease obligations (note 7)	3,376	2,149
Current portion of cash flow indenture (note 8)	-	6,250
Current portion of long-term contracts (note 9)	1,753	1,851
	36,534	42,675
Long-term debt (note 6)	41,199	47,956
Capital lease obligations (note 7)	12,620	8,252
Cash flow indenture (note 8)	-	1,126
Long-term contracts (note 9)	2,109	3,282
Asset retirement obligation	770	787
Future income tax liability	7,902	11,668
Deferred revenue	-	82
Non-controlling interest	48	48
Shareholders' equity:		
Share capital (note 10)	94,870	92,377
Retained earnings	37,203	34,088
Accumulated other comprehensive income (note 3)	(4,569)	3
	127,504	126,468
Commitments (note 11)		
Subsequent event (note 14)		
	\$ 228,686	\$ 242,344

See accompanying selected notes to interim consolidated financial statements.

On behalf of the Board:

(Signed) _____ Director

(Signed) _____ Director

MAXIM POWER CORP.

Consolidated Statements of Operations and Retained Earnings

Three and six months ended June 30, 2007 and 2006

(In Thousands of Dollars)

(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
	(see basis of presentation - note 1)			
Revenue:				
Electricity sales	\$ 19,031	\$ 9,776	\$ 53,083	\$ 41,246
Expenses:				
Plant operations	14,328	11,945	36,982	33,607
General and administration	1,791	2,033	3,188	3,634
Depreciation and amortization	2,128	1,382	6,013	3,208
	18,247	15,360	46,183	40,449
Income (loss) before the following items	784	(5,584)	6,900	797
Interest expense	1,249	645	2,440	1,016
Interest income	(91)	(292)	(290)	(292)
Foreign exchange loss	128	92	137	115
Income (loss) before income taxes from continuing operations	(502)	(6,029)	4,613	(42)
Income taxes (recovery):				
Current	(661)	-	8,817	-
Future	416	(1,754)	(7,319)	206
Non-controlling interest	(50)	(14)	-	150
Net income (loss) from continuing operations	(207)	(4,261)	3,115	(398)
Net loss from discontinued operations	-	(262)	-	(342)
Net income (loss) for the period	(207)	(4,523)	3,115	(740)
Retained earnings, beginning of period	37,410	18,028	34,088	14,245
Retained earnings, end of period	\$ 37,203	\$ 13,505	\$ 37,203	\$ 13,505
Basic and diluted income per share – continuing operations	\$ (0.01)	\$ (0.09)	\$ 0.07	\$ (0.01)
Basic and diluted loss per share – discontinued operations	-	(0.01)	-	(0.01)
Basic and diluted income (loss) per share	\$ (0.01)	\$ (0.10)	\$ 0.07	\$ (0.02)

Consolidated Statements of Comprehensive Income

Three and six months ended June 30, 2007 and 2006

(In Thousands of Dollars)

(unaudited)

	2007	2006	2007	2006
Net income (loss) for the period	\$ (207)	\$ (4,523)	3,115	\$ (740)
Other comprehensive income, net of tax:				
Unrealized gains (losses) on translation of self-sustaining operations	(4,535)	(119)	(4,572)	443
Comprehensive income	\$ (4,742)	\$ (4,642)	\$ (1,457)	\$ (297)

See accompanying selected notes to interim consolidated financial statements.

MAXIM POWER CORP.

Interim Consolidated Statements of Cash Flows

Three and six months ended June 30, 2007 and 2006

(In Thousands of Dollars)

(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
	(see basis of presentation - note 1)			
Cash provided by (used in):				
Operations:				
Net income (loss) from continuing operations	\$ (207)	\$ (4,261)	\$ 3,115	\$ (398)
Items not involving cash:				
Depreciation and amortization	2,128	1,382	6,013	3,208
Amortization of transaction costs on long-term debt included in interest expense	43	-	43	-
Foreign exchange loss	72	(23)	86	-
Asset retirement obligation	4	2	13	7
Fair value of stock based compensation	554	157	1,205	419
Non-controlling interest	(50)	(14)	-	150
Future income taxes (recovery)	416	(1,754)	(7,319)	206
	2,960	(4,511)	3,156	3,592
Change in non-cash working capital (note 12)	78	(7,630)	21,724	(842)
Cash flows from continuing operations	3,038	(12,141)	24,880	2,750
Net loss from discontinued operations	-	(262)	-	(342)
Items not involving cash:				
Depreciation and amortization	-	300	-	728
Loss on disposal of assets	-	165	-	165
Loss from equity investment	-	-	-	16
Change in non-cash working capital	-	(289)	-	(598)
Cash flows from discontinued operations	-	(86)	-	(31)
	3,038	(12,227)	24,880	2,719
Financing:				
Issuance of long-term debt	-	5,233	-	9,030
Repayment of long-term debt	(759)	(1,490)	(1,868)	(2,234)
Repayment of lease obligation	(1,106)	(12)	(2,133)	(295)
Issuance of common shares	729	76	1,396	695
Cash flows from continuing financing activities	(1,136)	3,807	(2,605)	7,196
Repayment of long-term debt related to discontinued operations	-	-	-	(136)
	(1,136)	3,807	(2,605)	7,060
Investing:				
Property, plant and equipment	(2,298)	(5,644)	(3,434)	(9,236)
Acquisition, net of cash acquired (note 4)	-	-	(20,999)	-
Deferred costs	(1,562)	(780)	(2,682)	(1,329)
	(3,860)	(6,424)	(27,115)	(10,565)
Change in non-cash working capital (note 12)	(1,126)	2,145	(7,376)	(3,718)
Cash flows used in investing in continuing operations	(4,986)	(4,279)	(34,491)	(14,283)
Change in cash related to discontinued operations	-	(391)	-	(252)
Proceeds on discontinued operations	-	1,913	-	1,913
Cash used in investing in discontinued operations	-	1,048	-	715
	(4,986)	(1,709)	(34,491)	(11,907)
Foreign exchange loss	(550)	(360)	(587)	(227)
Increase (decrease) in cash	(3,634)	(10,489)	(12,803)	(2,355)
Cash, beginning of period	13,786	31,443	22,955	23,309
Cash, end of, period	\$ 10,152	\$ 20,954	\$ 10,152	\$ 20,954

See accompanying selected notes to interim consolidated financial statements.

MAXIM POWER CORP.

Notes to Interim Consolidated Financial Statements

Six months ended June 30, 2007 and 2006

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

(Unaudited)

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, 2006. 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 interest's proportion of the accounts.

2. Changes in accounting policies:

Effective January 1, 2007, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook accounting requirements for Comprehensive Income (Section 1530); Financial Instruments - Recognition and Measurement (Section 3855); and Hedges (Section 3865). Adjustments to these unaudited interim consolidated financial statements have been made in accordance with the transitional provisions of these new standards.

(a) Financial instruments:

Under the new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives and embedded derivatives, unless exempted from derivative treatment as a normal purchase and sale, are included on the consolidated balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost based on the effective interest rate method. Changes in fair value are recognized in the statement of operations, except for available-for-sale financial instruments which are recognized in the statement of comprehensive income on a net of tax basis or certain financial instruments that are part of a designated hedging relationship that qualify for special accounting treatment in accordance with CICA handbook section 3865 on hedges.

Upon adoption of these new standards, the Corporation designated cash and cash equivalents as held for trading assets measured at fair value. Accounts receivable are classified as loans and receivables, measured at amortized cost. Accounts payable and accrued liabilities, cash flow indentures, long term debt, and income taxes payable are designated as other financial liabilities. The Corporation's carrying values for all above items approximate their fair value at the time of transition and at June 30, 2007. The Corporation had neither available for sale, nor held to maturity instruments during the six months ended June 30, 2007.

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Notes to Consolidated Financial Statements, Page 2

Six months ended June 30, 2007 and 2006

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

(Unaudited)

2. Changes in accounting policies (continued):

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial instrument. Effective January 1, 2007, the Corporation began offsetting long-term debt transaction costs against the associated debt and began amortizing these costs using the effective interest rate method. Previously, these costs were amortized straight-line over the life of the debt.

The new CICA handbook sections on financial instruments have been adopted on a prospective basis, in accordance with the transitional provisions of those sections. However, there has been no impact on these unaudited interim consolidated financial statements for the adoption of these new sections.

(b) Hedges:

The new standards on hedges apply when a designated hedging relationship qualifies for hedge accounting and the option of applying hedge accounting is chosen. The Corporation does not apply hedge accounting and therefore there is no impact on these unaudited interim consolidated financial statements of this new policy.

(c) Comprehensive income:

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. The new standards require the presentation of comprehensive income and its components in a financial statement with the same prominence as other financial statements that constitute a complete set of financial statements.

The comparative statements have been restated for foreign currency translation of self-sustaining foreign operations to reflect application of the transitional provisions of this section.

Two new Canadian accounting standards have been issued that will require additional disclosure in the Corporation's financial statements commencing January 1, 2008 about the Corporation's financial instruments as well as its capital and how it is managed.

3. Accumulated other comprehensive income:

The composition of accumulated other comprehensive income is as follows:

	June 30, 2007	December 31, 2006
Unrealized gains (losses) on translation of net foreign operations	\$ (4,569)	\$ 3

4. Acquisition:

On February 28, 2007, MAXIM acquired 100% of the common shares of six French cogeneration companies having a combined net generating capacity of 36.9 megawatts electrical and 27.2 megawatts thermal.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 3

Six months ended June 30, 2007 and 2006

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

(Unaudited)

4. Acquisition (continued):

The acquisition was accounted for at fair value using the purchase method of accounting for business combinations. The total purchase consideration, including acquisition costs, has been allocated as follows:

Other current assets	\$	6,213
Property, plant and equipment		17,393
Capital leases		16,326
		39,932
Bank indebtedness, net of cash		(159)
Other current liabilities		(5,758)
Capital lease obligation		(9,191)
Future income tax liability		(3,825)
		(18,933)
Total cash consideration including acquisition costs (net of bank indebtedness of \$159)	\$	20,999

The amounts recorded on the acquisition above are based upon information available to management as of the date of this report. The above amounts are subject to change if the information obtained by management changes subsequent to the date of this report.

5. Property, plant and equipment:

June 30, 2007	Cost	Accumulated Depreciation	Net book value
Property, plant and equipment	\$ 157,518	\$ 16,568	\$ 140,950
Capital leases	28,719	1,256	27,463
Spare parts	4,348	-	4,348
	\$ 190,585	\$ 17,824	\$ 172,761
December 31, 2006			
Property, plant and equipment	\$ 144,978	\$ 12,306	\$ 132,672
Capital leases	14,393	559	13,834
Spare parts	4,602	-	4,602
	\$ 163,973	\$ 12,865	\$ 151,108

6. Long-term debt:

	June 30, 2007	December 31, 2006
Canada	\$ 11,056	\$ 11,939
United States	27,529	31,980
France	6,296	7,643
	44,881	51,562
Less current portion	(3,682)	(3,606)
	\$ 41,199	\$ 47,956

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Notes to Consolidated Financial Statements, Page 4

Six months ended June 30, 2007 and 2006

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

(Unaudited)

6. Long-term debt (continued):

The Corporation's anticipated repayment obligations as at June 30, 2007 on the above loans over the next 5 years are as follows:

2008	\$	3,682
2009		3,822
2010		3,710
2011		2,432
2012		2,538
Remaining		28,697
		44,881
Less current portion		(3,682)
	\$	41,199

The actual anticipated repayment obligation may differ, as the Corporation entered into a new credit facility related to Canada subsequent to June 30, 2007 (note 14) which provides for additional credit capacity.

7. Capital leases:

MAXIM, through its newly acquired French subsidiaries, has assumed five capital lease obligations related to production equipment.

These capital lease obligations bear variable interest at Euribor plus 1.6% or fixed interest in the range of 5.76%-7.24%, with quarterly repayments and are amortized over a period in the range of 8-12 years. Upon termination of the leases, there is an option to purchase the leased equipment at the option price of one Euro.

Future minimum payments under the nine capital leases at June 30, 2007 are as follows:

2008	\$	4,168
2009		3,745
2010		3,745
2011		2,714
2012		2,292
Remaining		2,580
Total minimum lease payments		19,244
Amounts representing interest		(3,248)
Present value of net minimum lease payments		15,996
Less: current portion		(3,376)
	\$	12,620

8. Cash flow indenture:

Under the terms of the acquisition agreement, Milner Power Limited Partnership ("MPLP") had 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 payments were based on a profit sharing arrangement whereby the estimated present value of future cash flows of \$15,000 was added to the purchase price consideration for the plant. The obligation was non-interest bearing and MPLP had pledged a second charge on its accounts receivable as collateral for the payments due under the cash flow indenture. At June 30, 2007, the obligation was fully settled and all pledged assets had been released.

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Notes to Consolidated Financial Statements, Page 5

Six months ended June 30, 2007 and 2006

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

(Unaudited)

9. Long-term contracts:

In conjunction with the acquisition of Capitol District Energy Centre Cogeneration Associates ("CDECCA") on September 30, 2006, MAXIM assumed three contractual obligations related to natural gas distribution and transportation. The natural gas distribution contract will expire in February 2009 and the transportation contracts will expire in September 2008 and September 2011. At June 30, 2007, the natural gas distribution contract liability was \$2,322 (December 31, 2006 - \$3,245) of which \$1,361 (December 31, 2006 - \$1,437) was classified as current portion of long-term contracts and the natural gas transportation contracts liabilities were \$1,540 (December 31, 2006 - \$1,888) of which \$392 (December 31, 2006 - \$414) was also classified as current portion of long-term contracts.

Future minimum payments under long-term contracts at June 30, 2007 are as follows:

2008	\$	1,753
2009		1,305
2010		342
2011		366
2012		96
		3,862
Less: current portion		(1,753)
	\$	2,109

10. Share capital:

(a) Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares

(b) Issued:

Share capital:

	Number		2007 Amount
Common shares of Maxim Power Corp.			
Balance, December 31, 2006	43,905,468	\$	90,628
Stock options exercised	274,534		1,689
Common shares, June 30, 2007	44,180,002		92,317
Contributed surplus			
Balance, December 31, 2006			1,749
Fair value of stock based compensation			1,097
Stock options exercised			(293)
Contributed surplus, June 30, 2007			2,553
Balance, June 30, 2007	44,180,002	\$	94,870

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Notes to Consolidated Financial Statements, Page 6

Six months ended June 30, 2007 and 2006

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

(Unaudited)

10. 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 3 year period and the grantee has the right to exercise those stock options for 5 years from the date of the granting. The maximum number of outstanding stock options under the plan is limited to 10% of the number of common shares outstanding. The number of stock options and the exercise price is set by the Corporation's Board of Directors based on market value at the time of granting. Stock options issued and outstanding are as follows:

	Number	2007 Weighted average exercise price
Balance, December 31, 2006	2,864,050	\$ 4.88
Exercised	(274,534)	(5.09)
Granted	83,000	6.85
Balance, June 30, 2007	2,672,516	\$ 4.92

Details of the stock options outstanding at June 30, 2007 are as follows:

Range of Exercise Prices	Options Outstanding at June 30, 2007			Options Exercisable at June 30, 2007	
	Number of Options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
\$2.00 to \$3.50	74,833	1.0	\$2.20	74,833	\$2.20
\$3.51 to \$5.99	1,590,983	4.8	\$4.23	93,317	\$4.00
\$6.00 to \$8.00	1,006,700	4.0	\$6.17	293,332	\$6.15
	2,672,516	4.4	\$4.92	461,482	\$5.08

The Corporation accounts for its stock option plan using the fair value method. Under this method, at June 30, 2007, \$1,205 (2006 - \$419) of costs are recorded as expense for 2007 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, 2007 as follows:

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

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Notes to Consolidated Financial Statements, Page 7

Six months ended June 30, 2007 and 2006

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

(Unaudited)

10. Share capital (continued):

During the first six months of 2007, the Corporation granted 83,000 (2006 – 176,500) stock options to purchase common shares at an average price of \$6.85 (2006 - \$6.58) under the Corporation's stock option plan and the weighted average fair value of each option was calculated to be \$3.20 (2006 - \$2.40). The Corporation used the Black-Scholes option pricing model and the 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, 2007 was 44,004,101 (2006 - 43,858,966).

For the June 30, 2007 fully diluted income per share calculation, 136,526 (2006 – 47,345) shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options.

11. Commitments:

(a) On June 7, 2007, the Corporation committed to the purchase of certain replacement parts and materials to be used in the generator refurbishment at the HR Milner power station; planned for the 2008 annual turnaround. The total cost of the parts and materials committed to at June 30, 2007 is \$3,095.

(b) Pursuant to a direct sales transaction agreement with Powerex Corp. ("Powerex") dated June 1, 2005, Milner Power Limited Partnership ("MPLP") sold 25 MW of power to Powerex for the period January 1, 2007 to March 31, 2007, and May 1, 2007 to December 31, 2007 at a fixed price per megawatt hour, subject to production level at Milner being adequate to satisfy this volume.

(c) On June 18, 2007, MPLP entered into a direct sales transaction agreement with TransAlta Energy Marketing Corp. ("TransAlta"). Under the terms of the agreement MPLP will sell a fixed portion of its generation production to TransAlta at a fixed price per megawatt hour. Pursuant to this agreement, MPLP sold 25 MW of power for a six month term ending December 31, 2007 to TransAlta subject to production level at Milner being adequate to satisfy this volume.

12. Change in non-cash working capital:

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Operations:				
Accounts receivable	\$ 11,032	\$ 9,394	\$ 20,619	\$ 11,578
Prepaid expenses, deposits and other	1,155	(393)	1,458	(67)
Inventory	2,012	(1,509)	911	(1,577)
Accounts payable and accrued liabilities	(13,321)	(15,047)	(10,142)	(10,732)
Income taxes payable	(710)	-	9,046	-
Deferred revenue	(18)	(75)	(82)	(44)
Unrealized foreign exchange	(72)	-	(86)	-
	\$ 78	\$ (7,630)	\$ 21,724	\$ (842)
Investing:				
Accounts payable and accrued liabilities	\$ -	\$ 2,145	\$ -	\$ 1,145
Cash flow indenture	(1,126)	-	(7,376)	(4,863)
	\$ (1,126)	\$ 2,145	\$ (7,376)	\$ (3,718)

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Notes to Consolidated Financial Statements, Page 8

Six months ended June 30, 2007 and 2006

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

(Unaudited)

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

The following cash payments have been made:

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Taxes	\$ 101	\$ -	\$ 101	\$ 19
Interest	\$ 962	\$ 748	\$ 2,034	\$ 1,519

13. 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. Details by geographic area is as follows:

	Six months ended June 30, 2007		Six months ended June 30, 2006	
	Revenue	Income (loss) before the following items*	Revenue	Income (loss) before the following items*
Canada	\$ 28,658	\$ 5,566	\$ 23,656	\$ 395
United States	8,486	(353)	1,286	(1,735)
France	15,939	1,687	16,304	2,137
Total	\$ 53,083	\$ 6,900	\$ 41,246	\$ 797

	Three months ended June 30, 2007		Three months ended June 30, 2006	
	Revenue	Income (loss) before the following items*	Revenue	Income (loss) before the following items*
Canada	\$ 14,609	\$ 1,822	\$ 8,231	\$ (4,162)
United States	4,443	84	925	(898)
France	(21)	(1,122)	620	(524)
Total	\$ 19,031	\$ 784	\$ 9,776	\$ (5,584)

* 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 from November through March only. Operations in the United States 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 quarter of each year.

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Notes to Consolidated Financial Statements, Page 9

Six months ended June 30, 2007 and 2006

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

(Unaudited)

13. Segmented information (continued):

The location of the Corporation's assets, is as follows:

	June 30, 2007			December 31, 2006		
	PP&E Additions	Depreciation and Amortization	Total Assets	PP&E Additions	Depreciation and Amortization	Total Assets
Canada	\$ 2,395	\$ 2,136	\$ 98,282	\$ 6,133	\$ 4,023	\$ 120,511
United States	4	1,197	48,868	12,011	1,384	57,405
France	33,480	2,162	81,536	14,922	2,249	64,348
Discontinued	-	-	-	-	-	80
Total	\$ 35,879	\$ 5,495	\$ 228,686	\$ 33,066	\$ 7,656	\$ 242,344

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

	2007		2006	
Canada	\$	15,632	\$	15,632
United States		-		-
France		-		-
Total	\$	15,632	\$	15,632

14. Subsequent event:

On July 5, 2007 the Corporation entered into a new credit facility with the Bank of Montreal ("BMO") and settled its existing BMO facilities C and E. Letters of credit previously drawn on existing facilities A and D are now drawn on new facility A and previously restricted cash is now released. The new loan agreement is comprised of three facilities as follows:

Facility A	\$	10,000
Facility B		35,000
Facility C		2,500
	\$	47,500

Facility A is a demand revolving facility which bears interest at either the bank's prime interest rate plus 0.50%-0.75% or the bank's US base interest rate plus 0.50%-0.75%. Bankers' acceptances under this facility bear a stamping fee at +1.75%+2.00% per annum and letters of credit and letters of guarantee, up to an aggregate face amount of \$3,000 bear interest at 1.00% - 1.25% per annum.

Facility B is a five year non-revolving reducing term loan facility which bears interest at either the bank's prime interest rate plus 0.75%-1.00% or at the bank's fixed rate term loan interest rate plus 2.00% - 2.25%. Bankers' acceptances issued under this facility bear a stamping fee of +2.00% - +2.25% per annum. Monthly principal plus interest payments for each separate advance will be based on an eight year amortization period and will commence on August 31, 2007. There is a standby fee on the unused portion of this facility of 0.25% and no further advances will be available after December 31, 2007. On July 5, 2007, the Corporation borrowed \$19,201 under Facility B and used the proceeds to repay amounts outstanding under the previous BMO Facilities as well as to pay certain current liabilities.

Facility C is a risk management facility for hedging interest rate swaps and foreign exchange exposure.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 10

Six months ended June 30, 2007 and 2006

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

(Unaudited)

14. Subsequent event (continued):

The Corporation has granted security which includes a general security agreement constituting a first priority security interest on all of its present and after acquired property and assets in Canada and the United States ("US") (excluding the Basin Creek generation facility), security \$45,000 fixed and floating charge demand debenture on Canadian assets and a \$10,000 fixed and floating charge demand debenture on US assets. The Corporation also pledged as collateral its limited partnership interest in Milner Power Limited Partnership and Maxim Power (USA), Inc.

15. Comparative figures:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") dated August 9, 2007, should be read in conjunction with the unaudited interim consolidated financial statements for the six months ended June 30, 2007 for Maxim Power Corp. ("MAXIM" or "Corporation") and the audited annual financial statements for MAXIM for the fiscal year ended December 31, 2006.

OVERALL PERFORMANCE

MAXIM concluded a significant acquisition in France on February 28, 2007. The acquisition increased MAXIM's electricity generating capacity¹ by 37 MW to 482 MW through the addition of six power plants. Since the quarter ending June 30, 2006, MAXIM acquired the Capitol District Energy Centre Cogeneration Associates ("CDECCA") plant, eight generating plants in France, and began commercial operation of its Basin Creek facility in Montana. This cumulative acquisition and development activity has had a positive impact on MAXIM's performance this quarter compared to the quarter ending June 30, 2006. Since June 30, 2006, MAXIM has increased its generating capacity by 120 MW to 482 MW and now operates a total of 30 power plants.

MAXIM recorded net income for the six months ended June 30, 2007 of \$3.1 million compared to a net loss of \$0.7 million for the same period of 2006. Funds from continuing operations² were \$3.1 million for six months ended June 30, 2007 compared to \$3.6 million for the same period of 2006 reflecting a decrease of \$0.5 million. The increase in net income for the six month period ended June 30, 2007 reflects the positive impact of acquisition and development activity undertaken in the latter half of 2006. The decline in funds from operations of \$0.4 million is primarily due to the increase in EBITDA³ being more than offset by increases to income taxes payable and financing costs.

MAXIM recorded a net loss for the second quarter of 2007 of \$0.2 million compared to a net loss of \$4.5 million for the same period of 2006. Funds from operations were \$2.9 million for the second quarter of 2007 compared to funds used in operations of \$4.5 million for the same period of 2006 reflecting an increase of \$7.4 million. The increase in net income and funds from operations in the second quarter of 2007 reflect the impact of advancing the turnaround of Milner to the first quarter of 2007, versus the second quarter of 2006.

RESULTS OF OPERATIONS

Generating plants dedicated to the receipt of tolling or capacity payments increased by 80 MW since June 30, 2006 through the France acquisition on February 28, 2007 and a decision by MAXIM to receive capacity payments from Electricité de France ("EdF") on certain existing plants in France (versus operating these plants in cogeneration mode and receiving PPA payments for the sale of electricity and capacity). Generating plants receiving a combination of capacity payments and payments for sale of electricity increased by 127 MW since June 30, 2006 due to the acquisition of the CDECCA plant on October 1, 2006 and both the CDECCA and Pawtucket Power Associates LP ("Pawtucket") plants becoming eligible to receive capacity payments from the ISO New England Inc. (operator of New England's bulk power and transmission system) effective October 31, 2006. Generating plants dedicated solely to selling electricity at spot prices decreased by 71 MW since June 30, 2006, primarily due to the New England Pawtucket plant becoming eligible to receive capacity payments from the ISO New England effective October 31, 2006.

¹ All references to "capacity" are the nameplate capacity as designated by the manufacturer under specific operating conditions, reduced for minority ownership interests of third parties.

² Refer to "Non-GAAP measures" under the Selected Quarterly Financial Information section

³ Ibid.

Summary of MAXIM's power plants by source of revenue

(MW)	June 30, 2007	June 30, 2006
Tolling or capacity payments at fixed prices	157	77
Electricity sales at spot prices per MWh	132	203
Combined fixed capacity and sale of electricity	127	-
Electricity sales at fixed prices per MWh under PPA's	66	82
Total	482	362

MAXIM initiated the annual turnaround of Milner during the first quarter to coordinate the turnaround with other work underway at the plant. Milner was taken offline on March 7, 2007, generated intermittently when scheduling of work permitted, resumed continuous operation on April 4, 2007 at 95 MW, and increased output to full capacity on April 9, 2007. 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 June 30, 2007 generation by location

Facility	Q2	% of Q2 Generation	YTD	% of YTD Generation
	Generation (MWh)		Generation (MWh)	
Canada - Milner power plant	247,319	88.4%	428,227	81.0%
Canada - other plants	23,826	8.5%	45,374	8.6%
United States	8,753	3.1%	10,164	1.9%
France	-	-	44,733	8.5%
Total	278,898	100.0%	528,498	100.0%

Revenue

Revenue increased by \$11.8 million or 28% from \$41.2 million year-to-date June 30, 2006 to \$53.1 million year-to-date June 30, 2007. The addition of ten generating plants since the quarter ended June 30, 2006 increased year-to-date revenue by \$12.5 million over the year-to-date ended June 30, 2006.

Revenue increased by \$9.3 million or 95%, from \$9.8 million for the second quarter of 2006 to \$19.1 million for the second quarter of 2007. The decision to advance the timing of the annual turnaround of Milner to the first quarter, the acquisition of CDECCA and the commencement of commercial operations at Basin Creek since the quarter ending June 30, 2006 contributed to an increase in revenues of \$3.2 million over the quarter ending June 30, 2006.

Average Alberta power pool prices have declined 19% since the end of the first quarter 2007. The average Alberta power price was \$52 MWh during the second quarter of 2007 and \$64 MWh during the first quarter of 2007. In comparison, the average Alberta power price was \$54 MWh during the second quarter of 2006 and \$57 per MWh during the first quarter of 2006. For the first six months of 2007, the average Alberta power price was \$58 MWh to June 30 compared to 2006 of \$55 MWh, an increase of 5%.

Generation production was 278,898 MWh during the quarter, up 124,163 MWh or 80% from 154,735 MWh during the quarter ending June 30, 2006, primarily due to the decision to advance the turnaround of Milner to the first quarter, the acquisition of CDECCA and the commencement of commercial operations at Basin Creek. Year-to-date generation production was 528,498 MWh to the end of June 2007, up 46,322 MWh or 10% from 482,176 MWh to the end of June 2006, primarily due to acquisition and development activity undertaken in the latter half of 2006.

Plant operations

Plant operation expenditures – year-to-date June 30

(\$000's)	YTD ended June 30, 2007			YTD ended June 30, 2006		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	9,497	9,175	18,672	7,350	10,924	18,274
United States	2,829	4,814	7,643	922	1,684	2,606
France	7,297	3,370	10,667	10,371	2,356	12,727
Total	19,623	17,359	36,982	18,643	14,964	33,607
Percent	53%	47%	100%	55%	45%	100%

Year-to-date plant operations expense increased by \$3.4 million or 10% from \$33.6 million in 2006 to \$36.9 million for 2007.

The fuel component of plant operations increased \$1 million or 5% compared to the year-to-date ended June 30, 2006. On a per MWh basis, plant fuel cost was \$37 per MWh for the year-to-date ended June 30, 2007 versus \$39 per MWh for the year-to-date ended June 30, 2006. The operations and maintenance ("O&M") component of plant operation expenditures increased \$2.4 million or 16% primarily due to the addition of new generating plants.

Plant operation expenditures – quarter ended June 30

(\$000's)	Quarter ended June 30, 2007			Quarter ended June 30, 2006		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	5,677	4,335	10,012	2,494	7,205	9,699
United States	1,376	2,473	3,849	530	943	1,473
France	137	330	467	-	773	773
Total	7,190	7,138	14,328	3,024	8,921	11,945
Percent	50%	50%	100%	25%	75%	100%

Plant operations expense increased by \$2.3 million or 20%, from \$11.9 million in the second quarter of 2006 to \$14.3 million for the second quarter of 2007.

The fuel component of plant operations increased \$4.2 million or 138% compared to the second quarter of 2006. This was due primarily to advancing the timing of the annual Milner turnaround to the first quarter of 2007. On a per MWh basis, plant fuel cost was \$26 per MWh during the second quarter of 2007 versus \$20 per MWh during the second quarter of 2006. The operations and maintenance ("O&M") component of plant operation expenditures decreased \$1.8 million or 20% primarily due to advancing the timing of the annual Milner turnaround to the first quarter of 2007.

General and administration

General and administration ("G&A") expense of \$3.2 million during the six months of 2007 was lower by \$0.4 million or 11% than G&A expense of \$3.6 million for the same period of 2006. The lower G&A costs were attributed to increased capital and development activity which resulted in the capitalization of \$0.3 million to property and equipment and \$0.8 million to deferred costs.

G&A expense of \$1.8 million during the second quarter of 2007 was \$0.2 million or 12% lower than G&A expense of \$2.0 million during the second quarter of 2006. The lower G&A costs were attributed to increased capital and development activity which resulted in the capitalization of \$0.3 million to property and equipment and \$0.5 to deferred costs.

Depreciation

Depreciation expense increased by \$2.8 million, or 88% to \$6.0 million for the six month period ending June 30, 2007 from \$3.2 million for the same period in 2006. The year-to-date increase is due primarily to the addition of ten generating plants over the last year, principally in France with the Balleycourt and Canteleu acquisitions, the six French generating facilities acquired on February 28, 2007, the Basin Creek generating facility which came on line May 17, 2006, and the CDECCA plant which was acquired during October 2006.

Depreciation expense increased by \$0.7 million, or 54% to \$2.1 million during the second quarter of 2007 compared to \$1.4 million for the same quarter of 2006. This increase is due to the addition of the Basin Creek generating facility which came on line May 17, 2006, and the CDECCA plant which was acquired in October 2006. The 2007 French cogeneration season ended on March 31, 2007 therefore depreciation expense in the second quarter was not affected by the acquisition of plants in France.

Interest expense

MAXIM incurred interest expense of \$2.4 million to the end of June 30, 2007 compared to \$1 million for the same period in 2006. The increase of \$1.4 million or 140% is the result of interest on capital leases assumed with the acquisition of French generating units and interest expense for the Basin Creek project loan. Interest was capitalized during the construction of the Basin Creek generating facility until the facility began commercial operations.

MAXIM incurred interest expense of \$1.3 million during the second quarter of 2007 compared to \$0.7 million for the same quarter of 2007. The increase of \$0.6 million or 86% is the result of interest expense on capital leases assumed with the acquisition of French generating units and interest expense for the Basin Creek project loan. Interest was capitalized during the construction of the Basin Creek generating facility until the facility achieved commercial operation.

Income taxes

MAXIM has provided \$1.5 million for income taxes for the first six months of 2007 compared to the future income tax provision of \$0.2 million for the first six months of 2006. Income before income taxes from continuing operations increased from a loss of \$42 thousand for the period ending June 30, 2006 to income of \$4.6 million for the period ending June 30, 2007, resulting in a higher tax provision. The income tax provision of \$1.5 million for the period ending June 30, 2007 reflects a current tax provision of \$8.8 million, offset by a reduction in future tax obligations of \$7.3 million.

MAXIM has recorded a \$0.3 million tax recovery for the quarter, a reduction of \$1.6 million or 89% compared to \$1.7 million for the second quarter of 2006. Loss before income taxes from continuing operations decreased from \$6.0 million for the quarter ending June 30, 2006 to \$0.5 million for the quarter ending June 30, 2007, resulting in a smaller tax recovery. The income tax recovery of \$0.3 million for this quarter reflects a current tax recovery of \$0.7 million, partially offset by an increase in future tax obligations of \$0.4 million.

Net income

Year-to-date net income at June 30, 2007 was \$3.1 million or \$0.07 per share, versus June 30, 2006 net loss of \$0.7 million or \$0.02 per share.

Net loss during the second quarter of 2007 was \$0.2 million or \$0.01 per share versus net loss of \$4.5 million or \$0.10 per share for the second quarter of 2006.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

(\$000's except per share and per MWh amounts)	2007		2006				2005	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Revenue	19,031	34,052	40,470	29,521	9,776	31,470	39,907	8,931
EBITDA ¹	2,912	10,001	17,893	17,190	(4,202)	8,207	20,530	(456)
Net income (loss)	(207)	3,322	10,523	10,093	(4,523)	3,783	10,663	(1,820)
Net income (loss) per share	(0.01)	\$0.08	\$0.24	\$0.23	\$(0.10)	\$0.01	\$0.30	\$(0.05)
Total assets	228,686	254,491	242,344	206,596	187,606	205,631	196,829	157,651
Alberta pool price per MWh	\$ 52	\$ 64	\$ 117	\$ 95	\$ 54	\$ 57	\$ 117	\$ 67

¹ Refer to Non-GAAP measures below

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

The increased revenue, EBITDA and net income during the quarter ended June 30, 2007 compared to the second quarter ended June 30, 2006, reflect the advancement of the Milner turnaround to the first quarter of 2007, the acquisition of CDECCA, and the commencement of commercial operations at Basin Creek, all offset by lower average power pricing. The decrease in revenue, EBITDA and net income during the quarters ending March 31, 2007, June 30, 2006, and September 30, 2005 reflect the annual turnaround of Milner. The lower revenue during the quarters ending June 30, 2007, September 30, 2006 and September 30, 2005 reflect the seasonal operations of the French plants as the French co-generation season is from November through to the end of March. Revenues, EBITDA, and net income are also affected by seasonal Alberta pool prices as shown above, which are higher during winter and summer peak load months.

Non-GAAP measures

(\$000's)	Quarter ended June 30		Six months ended June 30	
	2007	2006	2007	2006
"Income (loss) before the following items", as reflected in the Interim Consolidated Statements of Operations and Retained Earnings	784	(5,584)	6,900	797
Depreciation and Amortization	2,128	1,382	6,013	3,208
EBITDA	2,912	(4,202)	12,913	4,005
"Cash flow from continuing operations", as reflected in the Interim Consolidated Statement of Cash Flows	3,038	(12,141)	24,880	2,750
Less: Change in non-cash working capital	78	(7,630)	21,724	(842)
Funds from continuing operations	2,960	(4,511)	3,156	3,592

"Income (loss) before the following items", as reflected in the Interim Consolidated Statements of Operations and Retained Earnings is reported as Operating Income by the Corporation. Management believes that this presentation of these non-GAAP measures provides useful information to investors and shareholders as it provides predictive value and performance trends.

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures

At June 30, 2007 MAXIM had \$3.4 million of property, plant and equipment ("PP&E") expenditures excluding acquisitions compared to \$9.2 million at June 30, 2006. The PP&E expenditures during the second quarter of 2007 are primarily due to the annual turnaround for Milner. MAXIM capitalized \$1.1 million of the Milner turnaround expenditures as these expenditures are expected to extend the useful life of the plant. MAXIM also continued to develop the Milner #14 Mine leases and incurred \$0.7 million of development expenditures during the second quarter of 2007 for a cumulative total of \$5.0 million at June 30, 2007. Expenditures for the Milner #14 Mine leases are classified as deferred costs.

Working capital

Working capital at June 30, 2007 was negative \$9.9 million, a decrease of \$29.6 million from the working capital position of \$19.7 million at December 31, 2006. The decrease primarily is due to the acquisition of French generating facilities on February 28, 2007 (funded from existing cash) and an increase in the current tax provision. It is anticipated that the negative working capital position at June 30, 2007 will return to a positive position following an amendment to MAXIM's credit facilities on July 5, 2007 and a subsequent draw of funds to satisfy certain short-term obligations.

Long term debt

At June 30, 2007 MAXIM had credit facilities with BMO Bank of Montreal ("BMO") (Facilities A through E), a project loan with AIG Global Investments Corporation ("AIG") for the Basin Creek generating facility, and three loans with Raiffeisen Zentrelbank Osterreich Aktiengesellschaft AG ("RZB") for French generating facilities.

Summary of long term debt

(\$000's)	June 30, 2007	December 31, 2006
BMO Bank of Montreal	11,056	11,939
AIG Global Investments Corporation	29,059	31,980
Raiffeisen Zentrelbank Osterreich Aktiengesellschaft AG	6,297	7,643
Deferred costs ¹	(1,531)	-
Long term debt ¹	44,882	51,562

¹ Effective January 1, 2007 deferred costs related to debt are netted against long term debt. Refer to change in accounting policies below.

BMO loans under facilities A, B, and D are demand in nature, bearing various rates of interest and are available for working capital purposes or new project development. MAXIM had \$0.4 million of letters of credit outstanding under Facility A at June 30, 2007. No amounts were outstanding under Facilities B and D at June 30, 2007 nor at December 31, 2006. Facility C is a non-revolving reducing fixed rate term loan bearing interest at 6.79% per annum with blended monthly repayments as well as quarterly repayments based on available cash flow. At June 30, 2007 Facility C had an outstanding balance of \$4.4 million compared to \$5.1 million at December 31, 2006. Facility E is a non-revolving reducing term loan with floating interest rates. The total outstanding balance at June 30, 2007 for Facility E was \$6.7 million compared to \$6.9 million at December 31, 2006.

The AIG Basin Creek credit facility is a non-revolving twenty year amortizing term loan maturing on June 30, 2026 with quarterly payments and a fixed interest rate of 6.95%. At June 30, 2007 the outstanding amount of the loan was \$29.0 million (US\$27.3 million) compared to \$32.0 million (US\$27.4 million) at December 31, 2006. The AIG Basin Creek credit facility is non-recourse to MAXIM.

The three project loans through RZB in France bear interest rates of Euribor plus a margin ranging from 1.8% to 2.75% and all are non-revolving. Each of the RZB loans has similar terms, covenants and maturities of 12 years that coincide with each project's respective 12 year power purchase agreement with EdF. At June 30, 2007, the three French projects had a combined outstanding balance of \$6.3 million (€4.4 million) compared to \$7.6 million (€5.0 million) at December 31, 2006.

On July 5, 2007 MAXIM accessed cash under an amended BMO credit facility which replaced the previous credit facility. At June 30, 2007, all loans were in full compliance with the lender's amended credit facility.

Capital lease obligations

MAXIM has leased equipment at the Hartland facility, located near Victoria, British Columbia, from the Capital Regional District. The lease obligation bears interest at 6.5% per annum and is repayable on a monthly basis over a 20 year term. At June 30, 2007, the outstanding balance of this lease obligation was \$1.6 million compared to \$1.6 million at December 31, 2006.

MAXIM has eight capital lease obligations in France with a total outstanding balance of \$14.4 million (€10.0 million) at June 30, 2007. Five of these obligations were assumed as part of the France acquisition on February 28, 2007 (\$7.5 million or €5.2 million at June 30, 2007) and three obligations are continuing from December 31, 2006 (\$6.9 million or €4.8 million at June 30, 2007). Three lease obligations bear interest at fixed rates of 4.0% to 7.03%. Five lease obligations bear interest at floating rates of Euribor or France's index of long-term government bond yields, plus a margin ranging from 1.5% to 1.6%.

Cash flow indenture

MAXIM had an obligation to the Balancing Pool in relation to a cash flow indenture of 20% of annual cash flows to a maximum of \$15 million. The obligation was non-interest bearing and MAXIM had pledged accounts receivable as collateral for the payments due under the cash flow indenture. During the second quarter of 2007 MAXIM paid \$1.1 million to the Balancing Pool bringing the balance outstanding to nil at June 30, 2007.

Long-term contracts

With the acquisition of CDECCA in 2006, MAXIM assumed three contractual obligations related to natural gas distribution and transportation. The natural gas distribution contract will expire in February 2009 and the two transportation contracts will expire in September 2008 and September 2011. At June 30, 2007, the natural gas distribution contract was \$2.3 million (US\$2.2 million) and the natural gas transportation contracts totaled \$1.5 million (US\$1.4 million).

Equity issuances

There were no equity issuances during the second quarter of 2007 other than 274,000 common shares issued under MAXIM's stock option plan for proceeds of \$1.7 million.

OUTLOOK

Operations

Alberta power pool prices averaged \$52 per MWh during the second quarter of 2007 which was 23% lower than the average Alberta power pool price of \$64 per MWh during the first quarter of 2007. At June 30, 2007, MAXIM has 259 MW of its total net installed capacity of 482 MW exposed to spot prices. Of the 259 MW of generating capacity, 132 MW are exposed to Alberta spot prices and 127 MW are exposed to spot prices in the New England power market. The ISO New England provides MAXIM with a capacity payment of \$3.05 per kW per month, which mitigates the volatility of revenue fluctuations

earned in this market. Alberta power prices are volatile and affected by different variables. These prices have a high correlation to natural gas prices and are sensitive to planned and unplanned outages of generating facilities in Alberta.

Milner was taken offline on March 7, 2007 for its annual turnaround and other repair work, resumed continuous operation on April 4, 2007 at 95 MW, and increased output to full capacity on April 9, 2007. France completed its co-generation season at March 31 and will begin operations at the start of the next co-generation season in November. During non-production months, the French plants will undergo planned turnarounds.

Milner 2008 Turnaround

Milner will be taken offline for approximately eight weeks during the spring of 2008 for its annual turnaround. This turnaround includes refurbishing the steam turbine and generator, major components of which are refurbished every six years. Preliminary cost estimates range from \$12.0 to \$14.0 million. The scope of activities necessitates taking Milner offline for a longer period in 2008 than previous turnarounds that have ranged from three to six weeks.

Acquisitions and development

MAXIM will continue development of Milner's #14 Mine leases during 2007. The leases contain an estimated 13 million tonnes of recoverable coal reserves. MAXIM is targeting to submit mine permit and license applications mid-2007 to the Alberta Energy and Utility Board and Alberta Environment for underground mine development. The development of the Milner coal reserves could serve as a source of fuel for Milner and any future expansion of that facility.

MAXIM plans to continue adding generation capacity through acquisitions and greenfield developments that utilize hydrocarbon based fuels. MAXIM will give higher priority to those opportunities with generation capacity of 50MW or greater, except in France where cogeneration projects are of smaller scale. MAXIM anticipates that greenfield developments will represent an increasing component of its generation additions as the demand for new generation infrastructure in North America grows.

Environmental legislation

On March 8, 2007 the Province of Alberta announced its proposed climate change legislation and regulations. Bill 3, "Climate Change and Emission Management Amendment Act", and its accompanying Specified Gas Emitters Regulation ("regulations") require companies that emit more than 100,000 tonnes of greenhouse gases a year to reduce their emission intensity by 12 percent starting July 1, 2007 from 2003 – 2005 levels.

Regulations proposed by the provincial government detail how companies can reduce their emission intensity. The deadline for larger final emitters to submit their Baseline Emissions GHG Intensity has been extended from September 1, 2007 to December 31, 2007. Compliance options include making operating improvements, acquiring an Alberta-based offset to apply against emission totals or contributing to a new government fund that will invest in technology to reduce greenhouse gas emission in the province. If reducing emission intensity by 12% is not initially possible, large emitters will be required to pay \$15 per tonne CO₂ to the technology fund for every tonne above the 12% target. Should Milner be unable to achieve adequate operating improvements or purchase an estimated required 60,000 tonnes of offsets, it could meet its requirements by contributing \$15 per tonne to the technology fund, costing up to \$900 thousand annually. MAXIM will submit a request to use an alternate baseline for Milner to recognize early action. As per Alberta Environment's directive, the request for alternate baseline must be made after MAXIM successfully submits the baseline using the standard methodology. As such, MAXIM will submit the request for an alternate baseline in early 2008.

On April 26, 2007 the Government of Canada unveiled its action plan to reduce greenhouse gases and air pollution. Exact targets are to be formulated in sector specific regulations, drafts of which are to be published in the spring of 2008. The proposed framework for the Clean Air Regulatory Agenda ("CARA") targets stabilization then reduction of greenhouse gases and air pollutants. Short-term targets are to be expressed as reductions from 2006 levels. For existing facilities, emission "intensity" reduction targets are to be based on an improvement of 6% each year from 2007 to 2010 (for cumulative reduction of 18% of 2006 levels by 2010). Every year thereafter, a 2% continuous emission-intensity improvement will be required, resulting in an industrial emission-intensity reduction of 26% by 2015. Companies, including MAXIM, are expected to meet their obligations by reducing their own emissions, contributing to a technology fund, using emissions trading or offsets, and by using a one-time credit for verifiable "early" action undertaken between 1992 and 2006.

MAXIM is looking into ways to reduce greenhouse gas emission intensities at Milner and also at potential offsets from other facilities in Alberta. If MAXIM is unable to reduce emissions or obtain offsets, it would be obligated to make a contribution of \$900 thousand per year to the new provincial government technology fund. MAXIM does not have sufficient information about the Government of Canada plan to assess the financial implications of this plan on MAXIM.

The extent to which there will be harmonization of the Alberta and Canadian Government climate change legislation remains to be determined.

CHANGE IN ACCOUNTING POLICIES

As more fully described in Note 2 to the Consolidated Financial Statements at June 30, 2007, newly issued accounting standards by The Canadian Institute of Chartered Accountants relating to comprehensive income, equity, financial instruments, and hedges were adopted by the Corporation effective January 1, 2007. As a result of these new standards, a new category, accumulated other comprehensive income, forms part of the Shareholders' Equity and certain unrealized gains or losses are reported in other comprehensive net income. At June 30, 2007, other comprehensive net income was a deficit of \$4.6 million, consisting entirely of foreign exchange losses on self-sustaining foreign operations.

The Corporation plans to adopt two new Canadian accounting standards that will require additional disclosure in the Corporation's financial statements about the Corporation's financial instruments as well as its capital and how it is managed commencing January 1, 2008.

CONTROLS AND PROCEDURES

As reported in the Corporation's MD&A on March 29, 2007 COMAX France, a wholly-owned subsidiary of the Corporation, has weaknesses in internal control. Management has made significant progress in executing on its remediation plan to address these weaknesses in the second quarter and anticipates having addressed them in their entirety by the end of the third quarter 2007. These weaknesses result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of material misstatement; however, we do not have reasonable assurance at this time that the risks can be reduced to a remote likelihood of a material misstatement. There has been no change in the Corporation's internal control over financial reporting that occurred during the first and second quarters of 2007 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

OTHER INFORMATION

Outstanding Share Data

Issued common shares at December 31, 2006	43,905,468
Exercised share options	407,850
Total issued common shares at August 9, 2007	44,313,318
Outstanding share options	2,443,200
Total diluted common shares at August 9, 2007	46,756,518

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

FORWARD-LOOKING INFORMATION

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