

power **growth** precision



MAXIM
Power Corp

Quarterly Report of

MAXIM POWER CORP.

Third Quarter Ended September 30, 2007 and 2006
(unaudited)

MAXIM POWER CORP.

Consolidated Balance Sheets
(In Thousands of Dollars)

	September 30, 2007 (unaudited)	December 31, 2006
Assets		
	(see basis of presentation - note 1)	
Current assets:		
Cash and cash equivalents	\$ 16,502	\$ 22,955
Accounts receivable	19,104	34,836
Prepaid expenses, deposits and other	530	2,128
Coal inventory	531	1,784
Diesel fuel inventory	451	614
Current assets of discontinued operations	-	80
	37,118	62,397
Property, plant and equipment (note 5)	169,495	151,108
Deferred costs	8,763	8,373
Coal contract	4,333	4,834
Goodwill	15,632	15,632
	\$ 235,341	\$ 242,344
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 14,003	\$ 24,081
Income taxes payable	5,996	4,738
Current portion of long-term debt (note 6)	2,818	3,606
Current portion of capital lease obligations (note 7)	3,475	2,149
Current portion of cash flow indenture	-	6,250
Current portion of long-term contracts	1,382	1,851
Current portion of future income tax liability	5,880	7,864
	33,554	50,539
Long-term debt (note 6)	47,494	47,956
Capital lease obligations (note 7)	12,551	8,252
Cash flow indenture	-	1,126
Long-term contracts	1,001	3,282
Asset retirement obligation	751	787
Future income tax liability	5,372	3,804
Deferred revenue	-	82
Non-controlling interest	-	48
Shareholders' equity:		
Share capital (note 8)	95,724	92,377
Retained earnings	45,474	34,088
Accumulated other comprehensive (loss) income (note 3)	(6,580)	3
	134,618	126,468
Commitments (note 9)		
	\$ 235,341	\$ 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 nine months ended September 30, 2007 and 2006

(In Thousands of Dollars)

(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
	(see basis of presentation - note 1)			
Revenue:				
Electricity sales	\$ 33,687	\$ 29,521	\$ 86,770	\$ 70,767
Expenses:				
Plant operations	16,992	11,717	53,974	45,324
General and administration	1,440	614	4,628	4,248
Depreciation and amortization	1,758	2,185	7,771	5,393
	20,190	14,516	66,373	54,965
Income before the following items	13,497	15,005	20,397	15,802
Interest expense	1,243	1,143	3,683	2,159
Interest income	(56)	(121)	(346)	(413)
Foreign exchange loss (gain)	51	(70)	188	45
Income before income taxes from continuing operations	12,259	14,053	16,872	14,011
Income taxes (recovery):				
Current	383	-	9,200	-
Future	3,653	3,832	(3,666)	4,038
Non-controlling interest	(48)	(6)	(48)	144
Net income from continuing operations	8,271	10,227	11,386	9,829
Net loss from discontinued operations	-	(134)	-	(476)
Net income for the period	8,271	10,093	11,386	9,353
Retained earnings, beginning of period	37,203	13,505	34,088	14,245
Retained earnings, end of period	\$ 45,474	\$ 23,598	\$ 45,474	\$ 23,598
Basic and diluted income per share – continuing operations	\$ 0.19	\$ 0.24	\$ 0.26	\$ 0.22
Basic and diluted loss per share – discontinued operations	-	(0.01)	-	(0.01)
Basic and diluted income per share	\$ 0.19	\$ 0.23	\$ 0.26	\$ 0.21

Consolidated Statements of Comprehensive Income

Three and nine months ended September 30, 2007 and 2006

(In Thousands of Dollars)

(unaudited)

	2007	2006	2007	2006
Net income for the period	\$ 8,271	\$ 10,093	\$ 11,386	\$ 9,353
Other comprehensive income:				
Unrealized gains (losses) on translation of self-sustaining operations	(2,011)	(350)	(6,583)	93
Comprehensive income	\$ 6,260	\$ 9,743	\$ 4,803	\$ 9,446

See accompanying selected notes to interim consolidated financial statements.

MAXIM POWER CORP.

Interim Consolidated Statements of Cash Flows

Three and nine months ended September 30, 2007 and 2006

(In Thousands of Dollars)

(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
	(see basis of presentation - note 1)			
Cash provided by (used in):				
Operations:				
Net income from continuing operations	\$ 8,271	\$ 10,227	\$ 11,386	\$ 9,829
Items not involving cash:				
Depreciation and amortization	1,758	2,185	7,771	5,393
Amortization of transaction costs on long-term debt included in interest expense	356	-	399	-
Amortization of deferred costs	587	-	587	-
Foreign exchange loss	(39)	-	47	-
Asset retirement obligation	25	7	38	14
Fair value of stock based compensation	(46)	637	1,159	1,056
Non-controlling interest	(48)	(6)	(48)	144
Future income taxes (recovery)	3,653	3,832	(3,666)	4,038
	14,517	16,882	17,673	20,474
Change in non-cash working capital (note 10)	(11,847)	(3,687)	9,877	(4,529)
Cash flows from continuing operations	2,670	13,195	27,550	15,945
Net loss from discontinued operations	-	(134)	-	(476)
Items not involving cash:				
Depreciation and amortization	-	-	-	728
Loss on disposal of assets	-	-	-	165
Foreign exchange loss	-	32	-	32
Loss from equity investment	-	-	-	16
Change in non-cash working capital	-	(527)	-	(1,125)
Cash flows from discontinued operations	-	(629)	-	(660)
	2,670	12,566	27,550	15,285
Financing:				
Issuance of long-term debt	19,617	538	19,617	9,568
Repayment of long-term debt	(11,821)	(758)	(13,689)	(2,992)
Repayment of lease obligation	(1,081)	(327)	(3,214)	(622)
Issuance of common shares	931	92	2,327	787
Cash flows from continuing financing activities	7,646	(455)	5,041	6,741
Repayment of long-term debt related to discontinued operations	-	-	-	(136)
	7,646	(455)	5,041	6,605
Investing:				
Property, plant and equipment	(1,700)	7,430	(5,134)	(1,806)
Acquisitions, net of cash acquired (note 4)	(675)	(8,629)	(21,674)	(8,629)
Deferred costs	(1,288)	(1,221)	(3,970)	(2,550)
	(3,663)	(2,420)	(30,778)	(12,985)
Change in non-cash working capital (note 10)	-	(3,905)	(7,376)	(7,623)
Cash flows used in investing in continuing operations	(3,663)	(6,325)	(38,154)	(20,608)
Change in cash related to discontinued operations	-	588	-	1,051
Proceeds on discontinued operations	-	-	-	1,913
	(3,663)	(5,737)	(38,154)	(17,644)
Foreign exchange gain (loss)	(303)	40	(890)	(187)
Increase in cash	6,350	6,414	(6,453)	4,059
Cash, beginning of period	10,152	20,954	22,955	23,309
Cash, end of, period	\$ 16,502	\$ 27,368	\$ 16,502	\$ 27,368

See accompanying selected notes to interim consolidated financial statements.

MAXIM POWER CORP.

Notes to Interim Consolidated Financial Statements

Nine months ended September 30, 2007 and 2006

(Amounts in thousands of dollars, 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); Equity (Section 3251); Financial Instruments - Recognition and Measurement (Section 3855); Financial Instruments – Disclosure and Presentation (Section 3861); 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, including all derivatives, are measured at fair value upon initial recognition and 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 subsequently 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, measured at amortized cost. Management did not identify any material embedded derivatives which require separate recognition and measurement under the new accounting standards. The Corporation's carrying values for all above items approximate their fair value at the time of transition and at September 30, 2007. The Corporation had neither available for sale, nor held to maturity instruments during the nine months ended September 30, 2007.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 2

Nine months ended September 30, 2007 and 2006

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

(Unaudited)

2. Changes in accounting policies (continued):

(a) Financial instruments (continued):

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial instrument. Under the new standards, the Corporation began offsetting long-term debt transaction costs against the associated debt and began amortizing these costs using the effective interest rate method. At January 1, 2007, this resulted in a reduction of \$1,717 to the carrying value of long-term debt. 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, except for a reclassification of long-term debt transaction costs against long-term debt.

(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.

(d) Equity

The new standards on the presentation of equity and changes in equity require a separate presentation of the components of equity, including retained earnings, accumulated other comprehensive income, contributed surplus, share capital and reserves, and the changes therein. As a result of this change in accounting, the Corporation has included a statement of accumulated other comprehensive income in the notes to the consolidated financial statements (see note 3). 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.

Three 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:

	September 30, 2007	December 31, 2006
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MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 3

Nine months ended September 30, 2007 and 2006

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

(Unaudited)

Unrealized gains (losses) on translation of net foreign operations	\$	(6,580)	\$	3
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MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 4

Nine months ended September 30, 2007 and 2006

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

(Unaudited)

4. Acquisitions:

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. Further on August 2, 2007, MAXIM acquired 100% of the common shares of a French cogeneration company and on August 23, 2007 MAXIM acquired the assets which constitute a business of another French cogeneration facility, which have a combined net generating capacity of 10 megawatts electrical and 4 megawatts thermal.

The acquisitions were 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	\$	6,327
Property, plant and equipment		19,470
Equipment under capital leases		17,712
		43,509
Bank indebtedness, net of cash		(181)
Other current liabilities		(7,661)
Capital lease obligation		(10,195)
Future income tax liability		(3,798)
		(21,835)
Total cash consideration including acquisition costs (net of bank indebtedness of \$181)	\$	21,674

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

5. Property, plant and equipment:

September 30, 2007	Cost	Accumulated Depreciation	Net book value
Property, plant and equipment	\$ 154,784	\$ 17,972	\$ 136,812
Equipment under capital leases	29,687	1,225	28,462
Spare parts	4,221	-	4,221
	\$ 188,692	\$ 19,197	\$ 169,495
December 31, 2006			
Property, plant and equipment	\$ 144,978	\$ 12,306	\$ 132,672
Equipment under capital leases	14,393	559	13,834
Spare parts	4,602	-	4,602
	\$ 163,973	\$ 12,865	\$ 151,108

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 5

Nine months ended September 30, 2007 and 2006

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

(Unaudited)

6. Long-term debt:

	September 30, 2007	December 31, 2006
Canada	\$ 18,659	\$ 11,939
United States	25,448	31,980
France	6,205	7,643
	50,312	51,562
Less current portion	(2,818)	(3,606)
	\$ 47,494	\$ 47,956

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. At September 30, 2007, the Corporation had issue \$1,560 letters of credits under this facility. No other amounts were outstanding.

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 are based on an eight year amortization period that commenced 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 \$20,000 under Facility B and used the proceeds to repay amounts outstanding under the previous BMO Facilities as well as to pay certain current liabilities. At September 30, 2007, the Corporation had an outstanding balance of \$18,659 under this facility.

Facility C is a risk management facility for hedging interest rate swaps and foreign exchange exposure. At September 30, 2007 this facility was not utilized.

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), a \$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.

In addition, MAXIM has four term loans outstanding as at September 30, 2007. Three loans are associated with projects in operation in France and the remaining with the operation located in the United States.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 6

Nine months ended September 30, 2007 and 2006

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

(Unaudited)

6. Long-term debt (continued):

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

2008	\$	2,818
2009		2,958
2010		3,128
2011		3,283
2012		3,485
Remaining		34,640
		50,312
Less current portion		(2,818)
	\$	47,494

7. Capital leases:

MAXIM, through its newly acquired French subsidiaries, has assumed nine capital lease obligations related to production equipment bringing the total number of capital lease obligations to thirteen. These capital lease obligations bear variable interest at Euribor plus 1.6% or fixed interest in the range of 4.26%-7.24%, with quarterly repayments and are amortized over a period of 8 to 12 years. Upon termination of the leases, there is an option to purchase the leased equipment at the option price of one Euro, except for the SPDCE leases which have a total option price of one thousand six hundred forty five Euro. MAXIM's policy is to amortize capital leases over the useful life of the assets.

Future minimum payments under the thirteen capital leases at September 30, 2007 are as follows:

2008	\$	4,253
2009		4,067
2010		4,065
2011		2,792
2012		1,619
Remaining		2,336
Total minimum lease payments		19,132
Amounts representing interest		(3,106)
Present value of net minimum lease payments		16,026
Less: current portion		(3,475)
	\$	12,551

8. Share capital:

(a) Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 7

Nine months ended September 30, 2007 and 2006

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

(Unaudited)

8. Share capital (continued):

(b) Issued:

Share capital:

	Number		Amount
Common shares of Maxim Power Corp.			
Balance, December 31, 2006	43,905,468	\$	90,628
Stock options exercised	474,516		3,046
Common shares, September 30, 2007	44,379,984		93,674
Contributed surplus			
Balance, December 31, 2006			1,749
Fair value of stock based compensation			1,021
Stock options exercised			(720)
Contributed surplus, September 30, 2007			2,050
Balance, September 30, 2007	44,379,984	\$	95,724

(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 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	(474,516)		(4.90)
Granted	98,000		6.99
Forfeited	(424,667)		(4.98)
Balance, September 30, 2007	2,062,867	\$	4.95

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

Range of Exercise Prices	Options Outstanding at September 30, 2007			Options Exercisable at September 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	1,158,500	3.6	\$4.24	386,333	\$4.10
\$6.00 to \$8.00	829,534	3.2	\$6.20	233,166	\$6.12
	2,062,867	3.4	\$4.95	694,332	\$4.60

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 8

Nine months ended September 30, 2007 and 2006

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

(Unaudited)

8. Share capital (continued):

(c) Stock options (continued):

The Corporation accounts for its stock option plan using the fair value method. Under this method, at September 30, 2007, \$1,159 (2006 - \$1,056) 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 September 30, 2007 and September 30, 2006 as follows:

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

During the first nine months of 2007, the Corporation granted 98,000 (2006 - 1,591,500) stock options to purchase common shares at an average price of \$6.99 (2006 - \$4.40) under the Corporation's stock option plan and the weighted average fair value of each option was calculated to be \$3.26 (2006 - \$1.62). 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 September 30, 2007 was 44,124,063 (2006 - 43,875,315).

For the September 30, 2007 fully diluted income per share calculation, 255,298 (2006 - 98,871) shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options.

9. Commitments:

- (a) The Corporation has 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 September 30, 2007 and subsequently to September 30, 2007 is \$4,383 and \$1,401, respectively.
- (b) Pursuant to a direct sales transaction agreement with Powerex Corp. ("Powerex") dated June 1, 2005, Milner Power Limited Partnership ("MPLP") is committed to sell 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 is committed to sell 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.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 9

Nine months ended September 30, 2007 and 2006

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

(Unaudited)

10. Change in non-cash working capital:

	Three months ended		Nine months ended	
	September 30		September 30	
	2007	2006	2007	2006
Operations:				
Accounts receivable	\$ (4,887)	\$ (3,848)	\$ 15,732	\$ 7,730
Prepaid expenses, deposits and other	220	169	1,678	102
Inventory	505	(197)	1,416	(1,774)
Accounts payable and accrued liabilities	64	253	(10,078)	(10,479)
Income taxes payable	(7,788)	-	1,258	-
Deferred revenue	-	(64)	(82)	(108)
Unrealized foreign exchange	39	-	(47)	-
	\$ (11,847)	\$ (3,687)	\$ 9,877	\$ (4,529)

	Three months ended		Nine months ended	
	September 30		September 30	
	2007	2006	2007	2006
Investing:				
Accounts payable and accrued liabilities	\$ -	\$ (3,905)	\$ -	\$ (2,762)
Cash flow indenture	-	-	(7,376)	(4,861)
	\$ -	\$ (3,905)	\$ (7,376)	\$ (7,623)

The following cash payments have been made:

	Three months ended		Nine months ended	
	September 30		September 30	
	2007	2006	2007	2006
Taxes	\$ 8,173	\$ 9	\$ 8,274	\$ 28
Interest	\$ 1,187	\$ 1,102	\$ 3,221	\$ 2,621

11. 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 are as follows:

	Nine months ended		Nine months ended	
	September 30, 2007		September 30, 2006	
	Revenue	Income (loss) before the following items*	Revenue	Income (loss) before the following items*
Canada	\$ 54,684	\$ 19,862	\$ 50,429	\$ 17,216
United States	16,144	(307)	4,420	(1,869)
France	15,942	842	15,918	455
Total	\$ 86,770	\$ 20,397	\$ 70,767	\$ 15,802

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 10

Nine months ended September 30, 2007 and 2006

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

(Unaudited)

11. Segmented information (continued):

	Three months ended September 30, 2007		Three months ended September 30, 2006	
	Revenue	Income (loss) before the following items*	Revenue	Income (loss) before the following items*
Canada	\$ 26,026	\$ 14,296	\$ 26,773	\$ 16,821
United States	7,658	46	3,134	(134)
France	3	(845)	(386)	(1,682)
Total	\$ 33,687	\$ 13,497	\$ 29,521	\$ 15,005

* 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.

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

	September 30, 2007			December 31, 2006		
	PP&E Additions	Depreciation and Amortization	Total Assets	PP&E Additions	Depreciation and Amortization	Total Assets
Canada	\$ 2,446	\$ 3,248	\$ 166,003	\$ 7,463	\$ 4,023	\$ 120,511
United States	(885)	1,527	38,011	14,025	1,384	57,405
France	37,229	2,304	31,327	15,033	2,249	64,348
Unrealized gain (loss) on translation	(13,323)	-	-	4,105	-	-
Discontinued	-	-	-	-	-	80
Total	\$25,467	\$ 7,079	\$ 235,341	\$40,626	\$ 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

12. Financial Instruments

The Corporation can use derivative financial instruments to manage the risks attributable to commodity prices and foreign exchange rates. At September 30, 2007, no derivative financial instruments have been utilized to manage these types of risk. The Corporation does not utilize derivative financial instruments for speculative purposes.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 11

Nine months ended September 30, 2007 and 2006

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

(Unaudited)

12. Financial Instruments (continued):

The Corporation has contracts for procurement and sale of good and services. The Corporation holds these contracts for purposes of receipt or delivery in accordance with the Corporation's expected purchase, sale or usage requirements and therefore does not record these contracts at fair value on the balance sheet. Amounts received or paid on settlement of expected purchase, sale or usage contracts are recognized as revenues or expense at the contracted prices.

The Corporation's objectives and procedures with respect to financial risk management are as follows:

(a) Commodity price risk:

The Corporation is exposed to commodity price movements as part of its normal operations, particularly in relation to prices of electricity and natural gas. The Corporation does not hedge its exposure to gas price volatility. The Corporation may reduce its exposure to electricity price volatility by selling a portion of its electrical production at fixed prices subject to certain production levels.

(b) Foreign currency exchange risk:

The Corporation is exposed to foreign currency fluctuations as the Corporation has a significant amount of its assets and liabilities denominated in foreign currencies that creates an exposure to exchange rates. The Corporation does not hedge its exposure to foreign currency exchange rate volatility.

(c) Credit risk:

Credit risk arises from the possibility that a counterparty to which the Corporation provides goods or service is unable or unwilling to fulfill their obligations. The extent of the risk depends on the credit quality of the counterparty to which the Corporation provides goods or service.

Trade receivables are predominantly with government sponsored entities. In Canada, the majority of Alberta power sales are to the Alberta Electric System Operator and in British Columbia, are completed under agreements with British Columbia Hydro and Power Authority. Power sales in the United States are conducted with ISO New England. In France, power sales are completed under various power purchase agreements with Electricité de France.

The maximum credit exposure to a single customer is \$6,567 at September 30, 2007 and is with a government sponsored entity. This amount is being collected under contract terms normally used in the power generation industry. For trade receivables from customers who are not government sponsored entities, the Corporation requests letters of credit or other security such as guarantees where appropriate. The Corporation utilizes regular credit monitoring processes to mitigate credit risk.

(d) Fair values:

Financial instruments included in the balance sheet are measured at fair value upon initial recognition and approximate their fair value at September 30, 2007. The carrying amount of financial instruments classified as current approximates fair value due to their short-term maturity. Long-term debt was initially measured at fair value and subsequently recorded at amortized cost using the effective interest rate method.

Where necessary, fair value of financial instruments is determined by reference to prices from markets or exchanges. When markets or exchanges are unavailable, comparisons to similar instruments and utilization of common valuations techniques may be employed.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 12

Nine months ended September 30, 2007 and 2006

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

(Unaudited)

13. Comparative figures:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") dated November 7, 2007, should be read in conjunction with the unaudited interim consolidated financial statements for the nine months ended September 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 an acquisition in France on February 28, 2007 and further acquisitions in France on August 2, 2007 and August 23, 2007. These acquisitions increased MAXIM's electricity generating capacity¹ by 47 MW in 2007 through the addition of eight power plants. Since September 30, 2006, MAXIM acquired nine generating plants in France and the Capitol District Energy Centre Cogeneration Associates ("CDECCA") plant. This cumulative acquisition activity has had a positive impact on MAXIM's performance for this nine month period ending September 30, 2007 compared to the nine month period ending September 30, 2006. MAXIM now operates a total of 32 power plants with generating capacity of 492 MW.

MAXIM recorded net income for the nine months ended September 30, 2007 of \$11.4 million compared to net income of \$9.4 million for the same period of 2006. The increase in net income for the nine month period ended September 30, 2007 reflects the positive impact of acquisition and development activity undertaken since September 30, 2006. Cash provided by operations was \$27.6 million for the nine months ending September 30, 2007, which was \$12.3 million higher than the cash provided by operations of \$15.3 million for the same period in 2006. The increase in cash provided by operations is primarily due to increased production at Milner, the commencement of commercial operations at Basin Creek on July 1, 2006 and the increased realization of cash from higher working capital at the year ended December 31, 2006 versus December 31, 2005.

MAXIM recorded net income for the third quarter of 2007 of \$8.3 million compared to net income of \$10.1 million for the same period of 2006 reflecting a decrease of \$1.8 million. The cash provided by operations for the three months ending September 30, 2007 was \$2.7 million, which was \$9.9 million lower than the \$12.6 million cash provided by operations for the three month period ending September 30, 2006. The decrease in net income and cash provided by operations in the third quarter of 2007 reflects increased financing costs and lower production at Milner due primarily to mechanical repairs needed on the facility. In addition, the cash provided by operations for the three months ended September 30, 2007 reflect \$8.2 million of taxes paid.

RESULTS OF OPERATIONS

Since September 30, 2006 generating plants dedicated to the receipt of tolling or capacity payments at fixed prices increased by 37 MW from the acquisition of power plants in France on February 28, 2007. The reduction to electricity sales at spot prices per MWh of 44 MW during the same period was due to direct sales agreements for 50 MW from Milner, partially offset by an increase of 6 MW from one of the August France acquisitions. Electricity sales at fixed prices per MWh increased by 62 MW because of the direct sales agreements of 50 MW and 12 MW of new generation from the Balleycourt Cogen plant acquisition (8 MW) on October 19, 2006 and the second August 2007 France acquisition (4 MW).

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

(MW's)	September 30, 2007	September 30, 2006
Tolling or capacity payments at fixed prices	157	120
Electricity sales at spot prices per MWh	88	132
Combined fixed capacity and sale of electricity	127	127
Electricity sales at fixed prices per MWh	120	58
Total	492	437

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.

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 generation by location for the nine months ending September 30

Facility	2007 Generation (MWh)	% of 2007 Generation	2006	
			Generation (MWh)	% of 2006 Generation
Canada - Milner power plant	684,775	80.3%	632,645	80.8%
Canada - other plants	69,094	8.1%	59,813	7.6%
United States	54,327	6.4%	16,280	2.1%
France	44,733	5.2%	74,253	9.5%
Total	852,929	100.0%	782,991	100.0%

Summary of generation by location for the three months ending September 30

Facility	2007 Generation (MWh)	% of 2007 Generation	2006	
			Generation (MWh)	% of 2006 Generation
Canada - Milner power plant	256,548	82.8%	273,084	90.8%
Canada - other plants	23,720	7.7%	17,901	5.9%
United States	44,163	9.5%	9,839	3.3%
France	-	-	-	-
Total	324,431	100.0%	300,824	100.0%

Revenue

Revenue increased by \$16.0 million or 23% from \$70.8 million year-to-date September 30, 2006 to \$86.8 million year-to-date September 30, 2007. The increased revenue is primarily due to the addition of ten generating plants since the quarter ended September 30, 2006 and a 9% increase in year-to-date production over 2006.

Revenue increased by \$4.2 million or 14%, from \$29.5 million for the third quarter of 2006 to \$33.7 million for the third quarter of 2007 primarily due to the acquisition of CDECCA on October 1, 2006.

Average Alberta power pool prices have increased 77% during the third quarter 2007 over the second quarter 2007. The average Alberta power price was \$92 MWh during the third quarter of 2007, \$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 \$95 MWh during the third quarter 2006, \$54 MWh during the second quarter of 2006 and \$57 per MWh during the first quarter of 2006. For the first nine months of 2007, the average Alberta power price was \$69 MWh compared to the first nine months of 2006 of \$69 MWh.

Generation production was 324,431 MWh during the quarter, up 23,607 MWh or 8% from 300,824 MWh during the quarter ending September 30, 2006, primarily due the acquisition of CDECCA on October 1, 2006 offset by decreased production at Milner due primarily to mechanical repairs needed at the facility. Year-to-date generation production was 852,929 MWh to the end of September 2007, up 69,938 MWh or 9% from 782,991 MWh to the end of September 2006, primarily due to the CDECCA acquisition and increased production at Milner.

Plant operations

Plant operation expenditures – year-to-date September 30

(\$000's)	YTD ended September 30, 2007			YTD ended September 30, 2006		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	15,039	13,325	28,364	12,654	14,850	27,504
United States	6,387	8,289	14,676	1,858	3,458	5,316
France	7,356	3,578	10,934	10,179	2,325	12,504
Total	28,782	25,192	53,974	24,691	20,633	45,324
Percent	53%	47%	100%	54%	46%	100%

Year-to-date plant operations expense for the first nine months of the year increased by \$8.7 million or 19% from \$45.3 million in 2006 to \$54.0 million for 2007.

The fuel component of plant operations increased \$4.1 million or 17% compared to the year-to-date ended September 30, 2006. On a per MWh basis, plant fuel cost was \$34 per MWh for the year-to-date ended September 30, 2007 versus \$29 per MWh for the year-to-date ended September 30, 2006. The operations and maintenance ("O&M") component of plant operation expenditures increased \$4.6 million or 22% primarily due to the addition of the CDECCA plant on October 1, 2006 and increased production at Milner from 632,645 MWh for the nine months ending September 30, 2006 to 684,775 MWh for the same period in 2007, an increase of 8%.

Plant operation expenditures – quarter ended September 30

(\$000's)	Three months ended September 30, 2007			Three months ended September 30, 2006		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	5,542	4,150	9,692	5,304	3,926	9,230
United States	3,558	3,475	7,033	936	1,774	2,710
France	59	208	267	(192)	(31)	(223)
Total	9,159	7,833	16,992	6,048	5,669	11,717
Percent	54%	46%	100%	52%	48%	100%

Plant operations expense increased by \$5.3 million or 45%, from \$11.7 million in the third quarter of 2006 to \$17.0 million for the third quarter of 2007.

The fuel component of plant operations increased \$3.2 million or 53% compared to the third quarter of 2006. This was due primarily to the acquisition of the CDECCA plant on October 1, 2006. On a per MWh basis, plant fuel cost was \$28 per MWh during the third quarter of 2007 versus \$20 per MWh during the second quarter of 2006 due primarily to the CDECCA acquisition, which as a gas fired plant has a higher fuel cost per MWh than coal fired facilities. The operations and maintenance ("O&M") component of plant operation expenditures increased \$2.1 million or 37% primarily due to the CDECCA acquisition on October 1, 2006.

General and administration

General and administration ("G&A") expense of \$4.6 million during the first nine months of 2007 was higher by \$0.4 million or 10% than G&A expense of \$4.2 million for the same period of 2006. The increase is due to expenses for a development project in Connecticut in the third quarter of 2007, offset by general expense reductions.

G&A expense of \$1.4 million during the third quarter of 2007 was \$0.8 million higher than G&A expense of \$0.6 million during the third quarter of 2006, due primarily to the aforementioned expenses related to a development project in Connecticut.

Depreciation and amortization

Depreciation expense increased by \$2.4 million, or 44% to \$7.8 million for the nine month period ending September 30, 2007 from \$5.4 million for the same period in 2006. The year-to-date increase is due primarily to the Balleycourt acquisition on October 19, 2006, the CDECCA plant acquired on October 1, 2006 and additions to Milner's building and equipment during the first nine months of 2007.

Depreciation expense decreased by \$0.4 million, or 18% to \$1.8 million during the third quarter of 2007 compared to \$2.2 million for the same quarter of 2006. This was due to movements in foreign exchange rates.

Interest expense

MAXIM incurred interest expense of \$3.7 million to the end of September 30, 2007 compared to \$2.2 million for the same period in 2006. The increase of \$1.5 million or 68% 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 on July 1, 2006. In addition, higher interest reflects a higher outstanding balance through MAXIM's BMO credit facility.

MAXIM incurred interest expense of \$1.2 million during the third quarter of 2007 compared to \$1.1 million for the same quarter of 2006. The increase of \$0.1 million or 9% is the result of interest expense on capital leases assumed with the acquisition of French generating units and the higher outstanding balance through MAXIM's BMO credit facility.

Income taxes

MAXIM has provided \$5.5 million for income taxes for the first nine months of 2007 compared to the income tax provision of \$4.0 million for the first nine months of 2006. Income before income taxes from continuing operations increased from \$14.0 million for the nine month period ending September 30, 2006 to \$16.9 million for the period ending September 30, 2007, resulting in a higher tax provision. The income tax provision of \$5.5 million for the nine month period ending September 30, 2007 reflects a current tax provision of \$9.2 million, offset by a reduction in future tax obligations of \$3.7 million.

MAXIM has recorded a \$4.0 million tax provision for the quarter, an increase of \$0.2 million or 5% compared to \$3.8 million for the third quarter of 2006 due to higher taxable income in the quarter.

Net income

Year-to-date net income at September 30, 2007 was \$11.4 million or \$0.26 per share, versus September 30, 2006 net income of \$9.4 million or \$0.21 per share.

Net income during the third quarter of 2007 was \$8.3 million or \$0.19 per share versus net income of \$10.1 million or \$0.23 per share for the third quarter of 2006.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Quarter Ended (Unaudited)

(\$000's except per share and per MWh amounts)	2007			2006				2005
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenue	33,687	19,031	34,052	40,470	29,521	9,776	31,470	39,907
EBITDA ¹	15,255	2,912	10,001	17,893	17,190	(4,202)	8,207	20,530
Net income (loss) from continuing operations	8,271	(207)	3,322	10,713	10,227	(4,261)	3,863	12,385
Net loss from discontinued operations	-	-	-	(160)	(134)	(262)	(80)	(1,722)
Net income (loss)	8,271	(207)	3,322	10,553	10,093	(4,523)	3,783	10,663
Basic and diluted income (loss) per share – continuing operations	\$0.19	\$(0.01)	\$0.08	\$0.25	\$0.24	\$(0.09)	\$0.09	\$0.37
Basic and diluted loss per share – discontinued operations	-	-	-	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.07)
Basic and diluted income (loss) per share	\$0.19	\$(0.01)	\$0.08	\$0.24	\$0.23	\$(0.10)	\$0.08	\$0.30
Total assets	235,341	228,686	254,491	242,344	206,596	187,606	205,631	196,829
Average Alberta pool price per MWh	\$ 92	\$ 52	\$ 64	\$ 117	\$ 95	\$ 54	\$ 57	\$ 117

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 during the third quarter ended September 30, 2007 compared to the third quarter ended September 30, 2006, reflects the acquisition of CDECCA. The decrease in EBITDA and net income for the third quarter ended September 30, 2007 compared to the same period in 2006 is primarily due to increased plant operations expense due mainly to CDECCA and increased G&A due mainly to the expensing of a development project in Connecticut. During the quarters ending March 31, 2007 and June 30, 2006 the revenue, EBITDA and net income reflect the annual turnaround of Milner. The quarters ending September 30, 2007, June 30, 2007, September 30, 2006 and June 30, 2006 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)	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Net income for the period*	8,271	10,093	11,386	9,353
Net loss from discontinued operations*	-	134	-	476
Non-controlling interest*	(48)	(6)	(48)	144
Income taxes*	4,036	3,832	5,534	4,038
Net interest and foreign exchange	1,238	952	3,525	1,791
Depreciation and Amortization*	1,758	2,185	7,771	5,393
EBITDA	15,255	17,190	28,168	21,195

* As reflected in the Interim Unaudited Consolidated Statements of Operations and Retained Earnings

	Three months ended		Nine months ended	
	September 30		September 30	
	2007	2006	2007	2006
Cash flows provided by operations*	2,670	12,566	27,550	15,285
Deduct: Cash flows from discontinued operations*	-	(629)	-	(660)
Deduct: Change in non-cash working capital from continuing operations*	(11,847)	(3,687)	9,877	(4,529)
Funds from operations	14,517	16,882	17,673	20,474

* As reflected in the Interim Unaudited Consolidated Statements of Cash Flows

Selected quarterly unaudited financial information was prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), except for "funds from operations" and "EBITDA". "Funds from operations" and "EBITDA" do not have any meaning prescribed in Canadian GAAP and may not be comparable to similar measures presented by other companies. Management believes that presentation of these non-GAAP measures provide useful information to investors and shareholders as it provides predictive value and performance trends.

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures

For the nine months ended September 30, 2007 MAXIM had \$5.1 million of property, plant and equipment ("PP&E") expenditures excluding acquisitions compared to \$1.8 million for the nine months ending September 30, 2006. The increase is primarily due to PP&E additions during Milner's annual turnaround in 2007. MAXIM also continued to develop the Milner #14 Mine leases and incurred \$0.4 million of development expenditures during the third quarter of 2007 for a cumulative total of \$5.4 million at September 30, 2007. Expenditures for the Milner #14 Mine leases are classified as deferred costs.

Working capital

Working capital at September 30, 2007 was \$9.4 million, a decrease of \$10.3 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, August 2, 2007 and August 23, 2007 (funded from existing cash), property, plant and equipment expenditures and the settlement of the cash flow indenture.

Long term debt

At September 30, 2007 MAXIM had credit facilities with BMO Bank of Montreal ("BMO") (Facilities A through C), 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)	September 30, 2007	December 31, 2006
BMO Bank of Montreal	18,659	11,939
AIG Global Investments Corporation	26,840	31,980
Raiffeisen Zentrelbank Osterreich Aktiengesellschaft AG	6,205	7,643
Deferred costs ¹	(1,392)	-
Long term debt ¹	50,312	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.

On July 5, 2007 MAXIM drew \$20,000 under a new credit facility with BMO which was used to repay the previous credit facility with BMO and as well to pay certain current liabilities. The maximum amount of credit available under the new credit facility is \$10,000 under Facility A, \$35,000 under Facility B and \$2,500 under Facility C. At September 30, 2007, all loans were in full compliance with the lender's credit facility.

BMO loans under new credit facility A is demand in nature, bear interest at either the bank's prime interest plus 0.50% to 0.75% or at the bank's US base rate plus 0.50% to 0.75% and are available for working capital purposes or new project development. Facility C under the new credit facility is a risk management facility for hedging interest rate swaps and foreign exchange exposure. Letters of credit in the amount of \$1.6 million have been drawn on Facility A and no amounts have been drawn on Facility C under the new facilities at September 30, 2007. Facility B is a five year non-revolving reducing term loan bearing interest at either the bank's prime interest plus 0.75% to 1.00% or at the bank's fixed term loan rate plus 2.00% - 2.50%, with monthly principal plus interest payments for each separate advance based on an eight year amortization period commencing on August 31, 2007. Banker's acceptances under new Facility B bear a stamping fee of +2.00% to +2.50% per annum. The total outstanding balance at September 30, 2007 for Facility B was \$18.7 million as compared \$5.1 million under previous Facility C and \$6.9 million under previous Facility E at December 31, 2006. No amounts were outstanding on under Facilities B and D and letters of credit in the amount of \$0.5 million and \$2.3 million under Facility A and D respectively had been issued under the previous credit facility with BMO 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 September 30, 2007 the outstanding amount of the loan was \$26.8 million (US\$26.9 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 September 30, 2007, the three French projects had a combined outstanding balance of \$6.2 million (€4.4 million) compared to \$7.6 million (€5.0 million) at December 31, 2006.

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 September 30, 2007, the outstanding balance of this lease obligation was \$1.6 million compared to \$1.6 million at December 31, 2006.

MAXIM also has twelve capital lease obligations at nine cogeneration facilities in France with a total outstanding balance of \$14.4 million (€10.2 million) at September 30, 2007. Two of these obligations were assumed as part of the France acquisition on August 2, 2007 (\$1.0 million or €0.7 million at September 30, 2007), seven of these obligations were assumed as part of the France acquisition on February 28, 2007 (\$7.0 million or €5.0 million at September 30, 2007) and three obligations are continuing from December 31, 2006 (\$6.4 million or €4.5 million at September 30, 2007). Nine lease obligations bear interest at fixed rates of 4.0% to 7.24%. Three lease obligations bear interest at floating rates of Euribor or France's index of long-term government bond yields, plus a margin of 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.

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 September 30, 2007, the natural gas distribution contract was \$1.7 million (US\$1.7 million) and the natural gas transportation contracts totaled \$0.7 million (US\$0.7 million).

Equity issuances

There were no equity issuances during the first three quarters of 2007 other than 474,516 common shares issued under MAXIM's stock option plan for proceeds of \$2.3 million.

OUTLOOK

Operations

Alberta power pool prices averaged \$92 per MWh during the third quarter of 2007 which was 77% higher than the average Alberta power pool price of \$52 per MWh during the second quarter of 2007 and 44% higher than the first quarter Alberta power pool price of \$64 per MWh. Compared to the third quarter 2006 the Alberta power pool price was down by 3% from \$95 per MWh to \$92 per MWh. At September 30, 2007, MAXIM has 215 MW of its total net installed capacity of 492 MW exposed to spot prices. Of the 265 MW of generating capacity, 88 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 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 are up to \$16.0 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

On September 17, 2007, MAXIM announced the acquisition of the 86 MW Forked River Power Station in Ocean County, New Jersey, and the acquisition of two Cogeneration plants in France having a combined net electrical generating capacity of 10 MW and net thermal generating capacity of 4 MW. The Forked River Power Station is to be purchased for US \$20 million plus closing costs of approximately \$1 million and is expected to close in early 2008. The cogeneration facilities acquired in France were purchased for cash consideration of \$0.7 million (€0.5 million) and the assumption of a \$1 million (€0.7 million) capital lease obligation.

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 submitted mine permit and license applications on August 10, 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 is proposing to construct and operate a 190 MW natural-gas fired power generation facility, the Deerland Peaking Station. The proposed site of the facility is immediately south of the existing Deerland high voltage substation in Bruderheim, Alberta. MAXIM anticipates that the first phase (95 MW) will be operational in 2009. The facility will use state-of-the-art combustion turbine technology. MAXIM has obtained an option for the site and filed its application with the Alberta Energy & Utilities Board ("EUB") on October 16, 2007.

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 \$0.9 million 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.

In the spring of 2007 Alberta passed legislation amending The Climate Change and Emissions Management Act and adding two new regulations under the act, the Specified Gas Emitters Regulation and Administrative Penalty Regulation. Pursuant to the Specified Gas Emitters Regulation facilities located in Alberta that emit more than 100,000 tonnes of greenhouse gases a year are required to report emissions. The first accounting period is July 1, 2007, to December 31, 2007, however facilities have until March 31, 2008 to comply. As at September 30, 2007 MAXIM has accrued \$15 per tonne CO₂ to the technology fund for a total provision of \$0.2 million for Milner's obligation pursuant to the Specified Gas Emitters Regulation. MAXIM will be filing its baseline emissions intensity application with the Alberta government prior to the December 31, 2007 deadline. Once this application has been processed the financial implications to MAXIM under the new Alberta environmental plan to reduce greenhouse gases will become clearer.

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 does not have sufficient information about the Government of Canada's plan to assess the financial implications of this plan on MAXIM.

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 approximately \$0.9 million per year to the new provincial government technology fund.

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

Effective January 1, 2007 the Corporation adopted the new Canadian accounting standards for Comprehensive Income (Section 1530); Equity (Section 3251); Financial Instruments - Recognition and Measurement (Section 3855); Financial Instruments – Disclosure and Presentation (Section 3861); and Hedges (Section 3865) in accordance with transitional provisions of these new standards. 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 September 30, 2007, accumulated other comprehensive loss was a deficit of \$6.6 million (December 31, 2006 income of \$0.0 million), consisting entirely of foreign exchange losses on self-sustaining foreign operations.

Under the new standards, all financial instruments, including all derivatives, are measured at fair value upon initial recognition and 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 subsequently 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.

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, measured at amortized cost. Management did not identify any material embedded derivatives which require separate recognition and measurement under the new accounting standards. The Corporation's carrying values for all above items approximate their fair value at the time of transition and at September 30, 2007. The Corporation had neither available for sale, nor held to maturity instruments during the nine months ended September 30, 2007.

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. This resulted in a reduction of \$1,717 to a carrying value of the long-term debt. 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 the unaudited interim consolidated financial statements for the adoption of these new sections, except for a reclassification of the transaction costs against the long-term debt.

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.

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

The new standards on the presentation of equity and changes in equity require a separate presentation of the components of equity, including retained earnings, accumulated other comprehensive income, contributed surplus, share capital and reserves, and the changes therein. As a result of this change in accounting, the Corporation has included a statement of accumulated other comprehensive income in the notes to the consolidated interim financial statements. The comparative statements were restated for foreign currency translation of self-sustaining foreign operations to reflect application of the transitional provisions of this section.

Three new Canadian accounting standards, Financial Instruments – Disclosures (Section 3862), Financial Instruments – Presentation (Section 3863), and Capital Disclosures (Section 1535), 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.

CONTROLS AND PROCEDURES

As reported in the Corporation's MD&A on March 29, 2007 for fiscal year ending December 31, 2006 COMAX France, a wholly-owned subsidiary of the Corporation, had weaknesses in internal control. These weaknesses resulted in a more than remote likelihood that a material misstatement would not be prevented or detected. Management has carried out its remediation plan for COMAX and has addressed the material weaknesses that were reported on March 29, 2007. During the fourth quarter, management of the Corporation will continue and complete its remediation plan. 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 further change in the Corporation's internal control over financial reporting that occurred during 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	474,516
Total issued common shares at November 7, 2007	44,379,984
Outstanding share options	2,371,867
Total diluted common shares at November 7, 2007	46,751,851

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.