

kpmg

Consolidated Financial Statements of

MAXIM POWER CORP.

Years ended December 31, 2004 and 2003

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Maxim Power Corp. as at December 31, 2004 and 2003 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) KPMG LLP

Chartered Accountants

Calgary, Canada

March 31, 2005

MAXIM POWER CORP.

Consolidated Balance Sheets

As at December 31, 2004 and 2003

(In Thousands of Dollars)

	2004	2003
Assets		
Current assets:		
Cash (note 5)	\$ 5,568	\$ 3,831
Accounts receivable	6,421	4,188
Prepaid expenses	320	480
Inventory	831	432
Other assets	169	—
	<u>13,309</u>	<u>8,931</u>
Property, plant and equipment (note 6)	60,886	56,284
Deferred costs	1,487	1,212
Investments (note 7(a))	807	729
Due from related parties (note 8(a))	1,840	2,603
Goodwill	8,639	8,248
	<u>\$ 86,968</u>	<u>\$ 78,007</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,882	\$ 7,281
Due to related party (note 8(b))	11,716	9,036
Loan payable (note 9(a))	1,000	—
Current portion of long-term debt (note 9)	3,613	4,262
Current portion of capital lease obligation (note 10)	45	—
Current portion of cash flow indenture (note 12)	538	—
	<u>23,794</u>	<u>20,579</u>
Long-term debt (note 9)	12,527	11,454
Capital lease obligation (note 10)	1,689	—
Due to joint venture partner (note 11)	2,148	2,692
Cash flow indenture (note 12)	2,385	—
Deferred revenue	1,578	312
Asset retirement obligation (note 13)	162	—
Non-controlling interest	416	470
Shareholders' equity:		
Share capital (note 14)	54,416	54,202
Cumulative translation adjustment	448	407
Deficit	(12,595)	(12,109)
	<u>42,269</u>	<u>42,500</u>
Continuing operations (note 2)		
Commitments (note 15)		
Contingency (note 20)		
Subsequent events (note 21)		
	<u>\$ 86,968</u>	<u>\$ 78,007</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(Signed) "John R. Bobenic" Director

(Signed) "William Gallacher" Director

MAXIM POWER CORP.

Consolidated Statements of Operations and Deficit

Years ended December 31, 2004 and 2003

(In Thousands of Dollars)

	2004	2003
Revenue:		
Electricity sales (note 6(c))	\$ 36,316	\$ 25,254
Expenses:		
Plant operations	24,431	15,801
General and administration	4,045	2,927
Depreciation and amortization	6,055	3,861
Impairment of asset (note 6(d))	–	2,510
	34,531	25,099
Income before the following items	1,785	155
Interest	1,897	1,356
Foreign exchange (gain) loss	11	(1,482)
Equity (income) loss (note 7(a))	17	(361)
Loss on disposal of assets	25	–
Accrued dividend on cumulative preferred shares (note 11)	9	437
Non-controlling interest	(3)	–
Recovery on write-down of investment (note 7(b))	–	(310)
Gain on debt retirement (note 9(b))	–	(419)
Income (loss) before income taxes	(171)	934
Income taxes (note 16)	315	62
Net income (loss)	(486)	872
Deficit, beginning of year	(12,109)	(12,981)
Deficit, end of year	\$ (12,595)	\$ (12,109)
Basic and diluted income per share	\$ 0.00	\$ 0.01

See accompanying notes to consolidated financial statements.

MAXIM POWER CORP.

Consolidated Statements of Cash Flows

Years ended December 31, 2004 and 2003

(In Thousands of Dollars)

	2004	2003
Cash provided by (used in):		
Operations:		
Net income (loss)	\$ (486)	\$ 872
Items not involving cash:		
Depreciation and amortization	6,055	3,861
Impairment of asset	—	2,510
Foreign exchange (gain) loss	11	(1,482)
Equity (income) loss	17	(361)
(Gain) loss on equipment resale	25	(216)
Accrued dividend on cumulative preferred shares	9	437
Non-controlling interest	(3)	—
Fair value of stock based compensation	164	71
Asset retirement obligation	19	—
Gain on debt retirement	—	(419)
Funds from operations	5,811	5,273
Change in non-cash working capital (note 17)	(1,774)	2,261
	4,037	7,534
Financing:		
Due from related parties	763	(1,246)
Due to related parties	2,680	9,036
Changes in loan payable	1,000	(3,900)
Proceeds on issuance of debt	9,500	7,203
Repayment of debt	(8,427)	(5,368)
Capital lease obligation	(16)	—
Due to joint venture partner	(554)	(2,312)
Non-controlling interest	(50)	470
Issue of common shares	50	13
Change in non-cash working capital (note 17)	(649)	887
	4,297	4,783
Investing:		
Proceeds on equipment resale	58	2,151
Property, plant and equipment	(6,489)	(16,118)
Acquisition of Aquitaine Power shares	(434)	—
Deferred costs	(275)	454
Changes in non-cash working capital (note 17)	538	1,031
	(6,602)	(12,482)
Effect of foreign exchange	5	35
Increase (decrease) in cash	1,737	(130)
Cash, beginning of year	3,831	3,961
Cash, end of year	\$ 5,568	\$ 3,831

See accompanying notes to consolidated financial statements.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003

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

1. Basis of presentation:

The consolidated financial statements include the accounts of the Corporation, its wholly-owned and controlled subsidiaries.

The Corporation accounts for its 51% interest in Jupiter Power Holdings (Bermuda) Ltd. ("JPH") using the proportionate consolidation method of accounting as the investment is considered to be of joint control. Beginning January 29, 2004, the Corporation accounts for its 19.5% interest in Milner Power Limited Partnership ("MPLP") using the proportionate consolidation method. Prior to October 18, 2004, the Corporation used the proportionate consolidation method of accounting for its French joint ventures, Pouchon Cogen ("Pouchon") and Mirail Cogen ("Mirail") as these ventures were also considered to be of joint control. After October 18, 2004, Pouchon and Mirail became controlled subsidiaries.

The Corporation accounts for its 45% interest in Cambo-Cana Power Corporation and Import Export Co. Ltd. using the purchase method of accounting for business combinations. Using this method, the Corporation has reflected 100% of the accounts of this entity in its consolidated financial statements with a deduction provided for the non-controlling interest's proportion of the accounts.

The consolidated financial statements of the Corporation have been prepared by management in accordance with accounting principles generally accepted in Canada. Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of these consolidated financial statements requires the use of estimates and assumptions which have been made with careful judgment. In the opinion of management, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

2. Continuing operations:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable for a going concern, which presumes the realization of assets and discharge of obligations in the normal course of business.

At December 31, 2004, the Corporation has a deficit of \$12,595 and a working capital deficiency of \$10,485. The Corporation's ability to continue as a going concern is dependent upon profitable operations, the continuing support from its lenders and its continuing ability to obtain financing.

These financial statements have been prepared on the basis that the Corporation would meet all its obligations and do not include any adjustments to the amounts and classification of assets and liabilities, revenues and expenses that might be necessary should the Corporation be unable to continue business.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 2

Years ended December 31, 2004 and 2003

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

3. Significant accounting policies:

(a) Capital assets:

Plant and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful life at average annual rates ranging from 4% to 25%. Depreciation commences in the year the assets are put in use.

Leases that transfer substantially all the benefits and risks of ownership to the Corporation and meet certain criteria as a capital lease are accounted as a capital lease asset and obligation. Capital lease assets are depreciated over their initial lease terms.

Expenditures for additions and improvements are capitalized and expenditures for maintenance and repairs are charged to income.

The Corporation determines whether an impairment exists at each of its facilities. The Corporation determines whether the net carrying amount of capital assets at each of its facilities is recoverable from its future undiscounted cash flows. Should the future undiscounted cash flows be less than the net carry amount of capital assets at that facility, an impairment will be recognized. The amount of the impairment is calculated as the difference between the net carrying value of the capital asset and fair value of the capital asset. Fair value of the capital asset is estimated by calculating the present value of future cash flows from that capital assets.

(b) Investments:

The investments in companies subject to significant influence are accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the Corporation's share of earnings or losses less dividends of the investee.

If an impairment, other than a temporary impairment, exists in the value of an equity investment, the impairment will be charged against income when determined.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 3

Years ended December 31, 2004 and 2003

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

3. Significant accounting policies (continued):

(c) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on the fair values. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicated that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the business is compared to its fair value. When the fair value of the business exceeds its carrying amount, goodwill of the business is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of the business exceeds its fair value, in which case the implied fair value of the business' goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of the goodwill in a business combination as described above. Using the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

(d) Foreign currency translation:

The Corporation's European subsidiaries are considered to be self-sustaining operations. Assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars at the period end rates of exchange. Revenues and expenses are translated using average exchange rates for the period. Translation adjustments are reflected in the cumulative translation adjustment in shareholders' equity.

Assets and liabilities of the Corporation's integrated foreign operations in Asia are translated into Canadian dollars at the period end rates of exchange for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. In general, average exchange rates for the year are used to translate the revenues and expenses. Exchange gains or losses are included in income.

(e) Revenue recognition:

Revenue is recognized when electricity is delivered. Under certain long-term Electrical Purchase Agreements ("EPA"), revenue is recognized based on the amount of electricity delivered and on the average revenue price over the term of the EPA. Amounts billed above or below the average revenue price under the EPA, are recognized as deferred revenue.

The Corporation entered into a power purchase agreement with AltaGas Limited Partnership ("AltaGas") effective September 1, 2004. Under the tolling arrangement, the Corporation

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 4

Years ended December 31, 2004 and 2003

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

provides 25 megawatts of capacity to AltaGas in exchange for monthly capacity payments which are recognized as revenue during the term of this agreement.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 5

Years ended December 31, 2004 and 2003

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

3. Significant accounting policies (continued):

(f) Income taxes:

The Corporation follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective income tax bases, using enacted income tax rates expected to apply in the period in which those temporary differences are expected to be recovered or settled. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. A valuation allowance is recorded if the realization of future income tax assets is not considered more likely than not.

(g) Per share amounts:

Basic income or loss per common share are computed by dividing net income or loss by the weighted average number of common shares outstanding for the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options or other dilutive instruments were exercised or converted to common shares. The treasury stock method assumes that any proceeds upon the exercise or conversion of dilutive instruments, for which market prices exceed exercise price, plus the unamortized stock-based compensation costs were used to purchase common shares at the average market price of the common shares during the period.

(h) Stock based compensation:

The Corporation has one stock-based compensation plan, which is described in note 14(c).

Effective January 1, 2003, the Corporation adopted the accounting standard of expensing the vested fair market value portion of stock based compensation granted since 2003. The expense amount is determined using the fair value method of accounting for stock based compensation. Fair market value is determined using the Black-Scholes option pricing model when the stock-based compensation is granted.

Previously, the Corporation used the intrinsic value method of accounting for its stock based compensation plan effective January 1, 2002. Under this method, consideration paid by employees or directors on the exercise of stock options under the employee stock option plan are recorded as share capital. The Corporation did not recognize compensation expense on the issuance of stock options to employees and directors because the exercise price equaled the market price on the day of the grant. The Corporation discloses the pro-forma effect of accounting for those 2002 stock option awards under the fair value method. The Black-Scholes option pricing model is used to estimate fair value.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 6

Years ended December 31, 2004 and 2003

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

4. Change in accounting policy:

Effective January 1, 2004, the Corporation retroactively adopted the new standard for accounting for asset retirement obligations. The Corporation has an obligation to restore specific sites to acceptable level at the end of each project life. The fair value of the liability for asset retirement obligations, related to the tangible long-lived assets, is recognized when the legal commitment exists and a reasonable estimate of fair value can be made. Asset retirement costs are amortized over the life of the projects. Amortization cost is included in depreciation and amortization. The accretion expense, which increases the assets retirement obligations due to the passage of time, is included in plant operations in the Consolidated Statement of Operations and Deficit. Incurred asset retirement costs will be recorded as a reduction against the asset retirement obligation.

The adoption of the new standard resulted in decreased net income of \$41, increased property, plant and equipment of \$121 and a long-term liability of \$162. The adjustment of all prior periods presented for comparative purposes was not considered to be material to the Corporation's financial statements.

5. Cash:

As at December 31, 2004, the Corporation has restricted cash of \$1,000 (2003 - \$654). Of this balance, \$513 (2003 - \$627) was used as collateral for various agreements.

The Corporation's cash balance also includes \$1,622 (2003 - \$1,027), relating to its interest in joint ventures. A substantial portion of the cash in each joint venture will be re-invested in the joint venture and any repatriation of funds requires agreement from the joint venture's partners.

6. Property, plant and equipment:

	Cost	Accumulated depreciation	Net book value
<hr/>			
December 31, 2004			
Property, plant and equipment	\$ 82,227	\$ 21,341	\$ 60,886
<hr/>			
December 31, 2003			
Property, plant and equipment	\$ 71,574	\$ 15,290	\$ 56,284

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 7

Years ended December 31, 2004 and 2003

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

6. Property, plant and equipment (continued):

- (a) Under the terms of the acquisition agreement for the HR Milner power station, MPLP will pay cash in relation to a cash flow indenture of 20% of future cash flows to a maximum of \$15 million. The contingent payments are based on a profit sharing arrangement whereby the estimated present value of future cash flows of \$15 million (Corporation's 19.5% interest, \$2,923) was added to the purchase consideration for the HR Milner power station. The cash flow indenture was recognized in the accompanying consolidated financial statements as a long-term obligation (see note 12).
- (b) At December 31, 2004, capital lease assets with cost of \$1,750, accumulated amortization of \$32 and net book value of \$1,718 (2003 - \$nil) are included in property, plant and equipment.
- (c) At December 31, 2004, property, plant and equipment includes the cost of \$22.4 million and accumulated depreciation of \$2.8 million for 25 megawatts of capacity related to the Corporation's gas-fired Alberta Power Project ("APP"). On August 31, 2004, the Corporation entered into a long-term Power Purchase Agreement ("PPA") for APP. The PPA is structured as a tolling agreement, obligating the other party to pay a fixed monthly capacity fee and variable operating and maintenance charges. The initial term of the arrangement is 10 years and with an option to extend it for a further 15 years or acquire the asset. During 2004, the Corporation recognized \$0.8 million of income under the tolling agreement.
- (d) At December 31, 2003 the Corporation recorded a provision for impairment of \$2,510 in the carrying value of its Evi facility. A review of oil and gas reserves at December 31, 2003 disclosed a significant decline in those reserves and therefore uncertainty in the supply of flare gas to the facility. During 2004, Evi ceased operations due to a major equipment failure.

7. Investments:

- (a) The Corporation has a 41% ownership interest in ORS Organic Waste Recycling Stade GmbH of Germany ("ORS"). The equity investment in ORS as at December 31, 2004 is \$807 (2003 - \$729). In December 2004, the corporation committed to increase ownership in ORS from 41% to 49% through the additional investment of \$95. The increased ownership became effective January 31, 2005. This investment is accounted for using the equity method of accounting.
- (b) During 2003, the Corporation recovered \$310 through bankruptcy proceedings from its secured convertible debenture to Etho Power Corporation ("Etho"). The Corporation wrote off its investment of Etho at December 31, 2002 which included the secured convertible debenture.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 8

Years ended December 31, 2004 and 2003

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

8. Related party transactions:

- (a) As at December 31, 2004, the amount due from related parties of \$1,840 (2003 - \$2,603) primarily relates to an outstanding loan from ORS (2003 - \$1,730) which has a 15-year term bearing interest at 7.5% per annum. At December 31, 2003, loans of \$823 to Pouchon and Mirail were recognized under the proportionate consolidation method of accounting. Each loan bore interest at 10% per annum and both principal and interest are payable in May of each year. Repayment of the Pouchon and Mirail loans is based on available cash flow on hand less a six month provision for operations and maintenance costs and principal and interest due on the bank loans.
- (b) As at December 31, 2004, the amount due to related party relates to construction financing of \$11,716 (2003 - \$9,036) from Finning International Inc. ("Finning"), a major shareholder of the Corporation. The amount is comprised of two sources: \$10,018 (2003 - \$9,036) is primarily related to construction of the Corporation's Vancouver landfill gas cogeneration facility ("VLF") in Delta, B.C. Finning provided generating equipment, the design and construction of the cogeneration powerhouse and project financing and \$1,698 (2003 - \$nil) is related to the equipment supplied by Finning in conjunction with the Hartland project.

On June 14, 2004, a subsidiary of the Corporation, Maxim Power (B.C.) Inc., entered into a short-term financing agreement for \$1,100 with Finning. The short-term financing was secured by a demand promissory note issued by the Corporation's subsidiary and by the guarantee of \$5.0 million issued previously to Finning as additional security over VLF. In conjunction with this short-term financing, the Corporation also issued to the minority shareholder at VLF, a letter of credit of \$430 to indemnify the minority shareholder should the subsidiary fail to repay all or any portion of the short-term financing before December 31, 2004. At December 30, 2004, the Corporation repaid Finning \$1,100 plus accrued interest and was refunded the letter of credit from the minority shareholder.

As the result of entering into an agreement with Finning on June 14, 2004, the terms of the project financing at VLF were modified. Prior to the execution of the agreement on June 14, 2004, the equipment financing bore interest at 4% per annum and the project financing bore interest at the prime lending rate plus 0.25% per annum. The modified terms, after June 14, 2004, are that the equipment and project financing and short-term financing bear interest at the prime lending rate plus 2.25% per annum until August 28, 2004, and the prime lending rate plus 4.25% thereafter.

As disclosed in Note 21(b), the Corporation repaid the outstanding amount owing to Finning on March 31, 2005. Certain Purchasers of Finning's 50 million common shares also provided bridge financing of \$4.5 million to facilitate the repayment to Finning.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 9

Years ended December 31, 2004 and 2003

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

9. Long-term debt:

	December 31, 2004	December 31, 2003
Canadian projects (notes 9(a) and 9(b))	\$ 8,403	\$ 7,880
European projects (note 9(c))	6,435	4,866
Cambodian projects (note 9(d))	1,302	2,970
	16,140	15,716
Less current portion	3,613	4,262
	\$ 12,527	\$ 11,454

- (a) On December 22, 2003 the Corporation entered into a loan agreement with the Bank of Montreal, whereby funding under this facility was available and utilized on January 15, 2004 to repay the National Bank balance outstanding of \$2,820 and the Jenbacher Ltd. ("Jenbacher") balance outstanding of \$5,060 (see note 9(b)). As the Bank of Montreal facility is of a long-term nature the National Bank and Jenbacher debts were classified as long-term debt at December 31, 2003. The debt arrangement is comprised of five facilities as follows:

Facility A is a \$1,000 (formerly \$2,000 up to August 31, 2004) demand revolving facility for general working capital purposes, margined up to 90% of current accounts receivable from the Power Pool of Alberta.

Facility B is a \$2,000 (formerly \$1,000 up to August 31, 2004) demand revolving facility for new project development. Both Facilities A and B bear interest at the prime interest rate plus 0.75% per annum. During 2004, the Corporation had drawn \$1,000 (2003 - \$nil) under Facility B. At December 31, 2004, the amount of \$1,000 is classified as loan payable. Subsequent to December 31, 2004, the Corporation drew an additional \$900 under Facility B.

Facility C is a \$9,500 non-revolving reducing fixed rate term loan bearing interest at 6.79% per annum with blended monthly repayments of \$142 and matures in January 2009. In addition, the Corporation is required to make quarterly principal repayments of 50% of any defined excess cash flow. At December 31, 2004 the Corporation had an outstanding balance of \$8,403 (2003 - nil) under Facility C. The Corporation increased its term loan by \$9,500 and repaid \$1,097 during 2004.

Facility D is a \$1,000 demand revolving facility for risk management purposes with interest at prevailing market rates at the time of the transactions.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 10

Years ended December 31, 2004 and 2003

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

9. Long-term debt (continued):

Facility E is a \$500 demand revolving facility for letters of credit required for general corporate purposes. The letters of credit are to be cash collateralized and bear interest at 1.25% per annum. At December 31, 2004, the Corporation utilized \$230 (2003 - \$nil) under Facility E.

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

- (b) On December 19, 2003 the Corporation entered into an agreement with Jenbacher to repay the secured interest bearing loan of \$5,479 for an amount of \$5,060 resulting in a gain on retirement of \$419. This loan was repaid on January 15, 2004 utilizing funds from the Bank of Montreal facility (see note 9(a)). The 5-year term loan with Jenbacher originated in 2001 and related to the purchase of power generators. Interest was payable monthly at the rate of LIBOR plus 2.50% per annum. The Corporation had granted to Jenbacher a priority lien on substantially all the assets of the project.
- (c) The Corporation has five project bank term loans associated with projects in operation in Europe at December 31, 2004:
 - i. The Ravne project financing of 2,916 Euro is a 10 year term loan, which commenced May 1999 and terminates on October 31, 2009. The interest rate is Euribor plus 2.75% per annum. Security for the loan is an assignment of material sales contracts and equipment maintenance contracts for the project and a charge against the equipment. The loan agreement requires quarterly prepayments calculated at approximately 40% of the project cash flow for the proceeding quarter. These prepayments will reduce the term of the loan from 10 years to approximately 8 years.
 - ii. The Ammann project financing of 279 Euro is a 7 year term loan, which commenced September 1999 and terminates on September 30, 2006. The interest rate is Euribor plus 0.75% per annum. Security for the loan is an assignment of material sales contracts and equipment maintenance contracts for the project and a charge against the equipment as well as a pledge of any undistributed cash in the project account.
 - iii. The Ruegen project financing of 160 Euro is a 5 year term loan which commenced in 2003 and terminates in 2008. The interest rate is Euribor plus 1.75% per annum. Principal and interest is repayable quarterly. Security for the loan is an assignment of material sales contracts and a charge against the equipment.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 11

Years ended December 31, 2004 and 2003

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

9. Long-term debt (continued):

- iv. The Pouchon and Mirail project financing with Raiffeisen Zentralbank Osterreich Aktiengesellschaft AG ("RZB") bank is for 1,530 Euro and 1,390 Euro, respectively. Both loans have a maturity date of November 15, 2012, an interest rate based on Euribor plus 1.80% per annum and 27 principal and interest repayments over the term of each loan.

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

- v. The Riederberg project financing of 225 Euro was an 8 year term loan, which commenced April 1997 and was retired May 2004. The interest rate was 6.95% per annum. Security for the loan was an assignment of material sales contracts and equipment maintenance contracts for the project and a charge against the equipment.

- (d) During June, 2003, JPH closed a debt financing of US \$3,375. The Corporation's share was US \$1,688. The loan was arranged to allow JPH to re-purchase 1,687,500 shares of each of its Class A and Class B preferred shares. The 3year term loan bears interest at 15% with quarterly fixed principal payments of US\$375 plus interest. In conjunction with this term loan issuance, the Corporation also issued a US\$58 guaranty to the lender. In 2002, JPH closed a debt financing of US\$2,800 with the same lender. The Corporation's share was US\$1,428. This 3-year term loan, bearing interest at 15%, was raised in conjunction with the expansion of the existing C-1 power station in Cambodia. JPH is required to make quarterly fixed principal payments of US\$233 plus interest on this term loan.

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

As of December 31, 2004 and 2003, JPH was not in compliance with the debt service, indebtedness and current ratio covenants for the term loans. JPH received waivers of these covenant breaches from the lender.

The Corporation's anticipated repayment obligations as at December 31, 2004 on the above loans over the next five years are as follows:

2005	\$	3,613
2006		2,394
2007		2,427
2008		2,371
2009 and thereafter		5,335
	\$	16,140

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 12

Years ended December 31, 2004 and 2003

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

10. Capital lease:

On March 26, 2003, the Corporation entered into an agreement with the Capital Regional District ("CRD") to lease equipment at Hartland. The capital lease obligation became effective in February 2004 when assets were put into use. Interest on the capital lease is 6.5% per annum, repayable on a monthly basis and amortized over a 20 year term. Upon termination of the lease, the Corporation shall return the equipment to CRD or dispose of the equipment at the CRD's expense.

Future minimum payments under a capital lease consisted of the following at December 31, 2004:

2005	\$	157
2006		157
2007		157
2008		157
2009 and thereafter		2,373
Total minimum lease payments		3,001
Amounts representing interest		(1,267)
Present value of net minimum lease payments		1,734
Less: current portion		45
		\$ 1,689

11. Interest in joint ventures:

The Corporation has recorded its 51% investment in JPH and its 19.5% investment in MPLP, using the proportionate consolidation method of accounting. Under this method, the Corporation has reflected in its financial statements, its share of the jointly controlled assets, liabilities, revenue and expenses of each joint venture. Prior to October 18, 2004, the Corporation used the proportionate consolidation method of accounting for its 45.5 % investment in Pouchon and its 37.5% investment in Mirail.

On October 18, 2004, the Corporation increased its ownership interest in Pouchon and Mirail, to 66% and 50%, respectively and accounts for Pouchon and Mirail as controlled subsidiaries. The Corporation increased its ownership interest through the acquisition of common shares of Aquitaine Power for cash consideration of \$362.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 13

Years ended December 31, 2004 and 2003

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

11. Interest in joint ventures (continued):

The Corporation's share of the accounts of joint ventures is as follows:

	December 31, 2004	December 31, 2003
Balance Sheet		
Current assets	\$ 6,579	\$ 4,489
Capital assets	8,845	8,408
Current liabilities	(5,532)	(4,897)
Long-term liabilities	(2,394)	(3,051)
Statements of Income		
Revenue	\$ 23,899	\$ 12,120
Expenses	(21,710)	(10,728)
Net income	2,189	466
Statements of Cash Flows		
Operations	\$ 3,649	\$ 2,757
Financing	(2,689)	1,242
Investing	(338)	(4,345)

The Corporation's joint venture partner at JPH has provided additional funding to JPH beyond its 49% interest. This funding was in the form of non-voting preferred shares with a cumulative dividend increasing from 12% to 25%. The Corporation's intention was to own a 51% interest in these preferred shares. The Corporation accumulated its 51% interest in these shares on January 16, 2004 through the purchase of the remaining outstanding 0.2 million non-voting preferred shares for consideration of \$0.6 million. During 2003, the Corporation acquired 1.0 million of these shares from its joint venture partner for a total consideration of \$2.3. At December 31, 2004, the Corporation recognized \$9 (2003 - \$437) of accrued dividends on the preferred shares as an expense.

12. Cash flow indenture:

As a result of the HR Milner acquisition, MPLP has an obligation under the cash flow indenture agreement to pay 20% of its future annual cash flows to a maximum of \$15 million to the vendor, the Balancing Pool of Alberta. The Corporation's share of the non-interest bearing obligation was \$2,923 at December 31, 2004 of which \$538 of the obligation is classified as current portion of cash flow indenture.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 14

Years ended December 31, 2004 and 2003

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

13. Asset retirement obligation:

	December 31, 2004	
Balance, December 31, 2003	\$	–
Liabilities incurred		143
Accretion expense		19
Balance, December 31, 2004	\$	162

At December 31, 2004, the total undiscounted cash flow required to retire the obligation is \$515. A credit-adjusted risk free rate of 7% was applied to obtain the net present value of the obligation. The asset retirement obligations will be settled in future years, ranging from 19 to 27 years.

14. Share capital:

(a) Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of Class A non-voting preferred shares

Unlimited number of Class B non-voting preferred shares

(b) Issued:

Share capital:

	Number	Amount
Balance, December 31, 2002	136,120,198	\$ 54,118
Exercised:		
Stock options - (c)	100,000	13
Balance, December 31, 2003	136,220,198	54,131
Exercised:		
Stock options – (c)	234,500	50
Balance, December 31, 2004	136,454,698	\$ 54,181

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 15

Years ended December 31, 2004 and 2003

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

14. Share capital (continued):

(b) Issued (continued):

Contributed surplus:

Balance, December 31, 2002	\$	–
Fair value of stock based compensation		71
Balance, December 31, 2003		71
Fair value of stock based compensation		164
Balance, December 31, 2004	\$	235
Total	\$	54,416

(c) Stock options:

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

	Number	Weighted average exercise price
Balance, December 31, 2002	8,124,500	\$ 0.64
Exercised	(100,000)	(0.13)
Cancelled	(731,000)	(0.73)
Granted	3,060,000	0.22
Balance, December 31, 2003	10,353,500	0.52
Exercised	(234,500)	(0.22)
Cancelled	(587,500)	(0.41)
Granted	2,022,000	0.40
Balance, December 31, 2004	11,553,500	\$ 0.51

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 16

Years ended December 31, 2004 and 2003

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

14. Share capital (continued):

(c) Stock options (continued):

Details of the stock options outstanding at December 31, 2004 are as follows:

	Options Outstanding at December 31, 2004			Options Exercisable at December 31, 2004	
	Number Of Options	Weighted Average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
Range of Exercise Prices					
\$0.13 to \$0.32	3,769,500	3.1	\$ 0.24	1,893,500	\$ 0.26
\$0.33 to \$0.58	3,717,000	3.3	\$ 0.47	1,695,000	\$ 0.56
\$0.59 to \$0.80	3,175,000	2.5	\$ 0.70	2,625,000	\$ 0.72
\$0.81 to \$1.34	892,000	2.0	\$ 1.12	892,000	\$ 1.12
	11,553,500	2.9	\$ 0.51	7,105,500	\$ 0.61

	Options Outstanding at December 31, 2003			Options Exercisable at December 31, 2003	
	Number Of Options	Weighted Average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
Range of Exercise Prices					
\$0.13 to \$0.32	4,449,000	3.7	\$ 0.24	1,466,667	\$ 0.29
\$0.33 to \$0.58	1,695,000	2.2	\$ 0.56	1,595,000	\$ 0.56
\$0.59 to \$0.80	3,317,500	3.5	\$ 0.70	1,661,667	\$ 0.73
\$0.81 to \$1.34	892,000	3.0	\$ 1.12	594,666	\$ 1.12
	10,353,500	3.3	\$ 0.52	5,318,000	\$ 0.60

Since January 1, 2003, the Corporation accounts for its stock option plan using the fair value method. Under this method, at December 31, 2004, \$164 (2003 - \$71) of costs are recorded as expense for options granted to employees or directors during 2004.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 17

Years ended December 31, 2004 and 2003

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

14. Share capital (continued):

(c) Stock options (continued):

For options issued after January 1, 2002 to December 31, 2002, the Corporation accounted for its stock option plan using the intrinsic-value method. Under this method, no costs are recognized for options issued to employees or directors. For options issued after January 1, 2002, disclosure of the impact on net earnings using the fair value method for stock options is required. If the fair value method had been used for the 2002 stock options granted, the Corporation's pro forma net loss would increase by \$61 (2003 - \$61) to \$547. The pro forma net income per share for the same period would remain at \$0.00 (2003 - \$0.01) per share.

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 December 31, 2004 and 2003 as follows:

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

In 2004, the Corporation granted 2,022,000 stock options to purchase common shares at an average price of \$0.40 under the Corporation's stock option plan and the weighted average fair value of each option was calculated to be \$0.19. The Corporation used the Black-scholes option pricing method and assumptions above to calculate the weighted average fair value.

(d) Warrants:

	Number	Weighted average exercise price
Balance, December 31, 2001	67,753,334	\$ 0.60
Extended:		
Warrants to expire	(4,420,000)	(0.60)
Warrants extended	4,420,000	0.60
Balance, December 31, 2003	67,753,334	0.60
Expired	(67,753,334)	(0.60)
Balance, December 31, 2004		\$ —

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 18

Years ended December 31, 2004 and 2003

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

14. Share capital (continued):

(d) Warrants (continued):

In 2002, 63,333,334 warrants were issued in conjunction with the issuance of 63,333,334 common shares in 2002. These warrants entitled the holder to acquire one common share of the Corporation at a price of \$0.60 per share and would expire April 30, 2004. In addition, 1,920,000 warrants were issued to shareholders during 2002. The warrants were issued in lieu of financing charges on the loans that were advanced to the Corporation and repaid by the Corporation during 2002. These warrants entitled the holder to acquire one common share of the Corporation at a price of \$0.60 per share and would expire October 10, 2003. On October 10, 2003, the Corporation extended the expiry date of these warrants to April 30, 2004. The Corporation also extended the expiry date of 2,500,000 warrants previously issued from May 1, 2003 to April 30, 2004.

All warrants expired on April 30, 2004.

(e) Earnings per share:

The weighted average number of shares outstanding at December 31, 2004 was 136,374,750 (2003 – 136,129,787).

For the December 31, 2004 fully diluted earnings per share calculation, nil shares (2003 – 235,681) were added to the average number of common shares outstanding during the year for the dilutive effects of exercisable stock options, as the additional shares were anti-dilutive.

15. Commitments:

- (a) The minimum annual office and equipment lease commitments for each of the next five fiscal years, inclusive of certain operating costs are as follows:

2005	\$	61
2006		64
2007		59
2008		9

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

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 19

Years ended December 31, 2004 and 2003

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

15. Commitments (continued):

- (c) Mirail and Pouchon have 12 year sales contracts with Electricity de France ("EDF") and 12 year contracts for thermal heat sales to greenhouse operations. Sales to EDF are at fixed hourly rates with a bonus based on specific levels of efficiency. Thermal sales delivered to the greenhouses must reach a specific minimum level. The gas supply for Mirail and Pouchon is completed under 3 year contracts with Gaz de France.
- (d) Electricity generated from the Corporation's Cambodian facilities is sold to various Governments of the Provinces and Electricite Du Cambodge ("EdC"), the central power supply agency for the Cambodian Government, under long-term contracts. The Corporation receives a fixed capacity payment and a variable fuel tariff. The fuel tariff is tied to the price of diesel used to generate the electricity and effectively provides a pass-through of the fuel costs into the sales price of the electricity produced.
- (e) The Corporation has entered into an agreement with the City of Vancouver to utilize its methane gas from the City's landfill. In exchange for gas from the landfill, the City of Vancouver will receive a percentage of the electrical and thermal energy sales based on the volume of gas extracted from the landfill. The term of the agreement is 20 years. The Corporation has also entered into 20 year contracts to sell electricity to British Columbia Hydro ("BC Hydro"), at fixed hourly rates, and to sell thermal energy to a greenhouse facility. The operations and maintenance contract is with Finning at fixed rates based on the hours of electrical production.
- (f) The Corporation entered into an agreement with the Capital Regional District ("CRD") for the CRD to supply landfill gas from the Hartland landfill. The initial term of the agreement is five years and the parties shall enter into a new five-year landfill gas supply agreement unless the CRD is approved to enter into a longer term agreement. In exchange for landfill gas, the CRD will receive a percentage of the electrical revenues based on the volume of gas supplied from the Hartland landfill. In addition, the Corporation entered into a long-term equipment lease with the CRD as disclosed in Note 10 (b). At Hartland, the Corporation also entered into a twenty-year contract to sell electricity to BC Hydro at fixed hourly rates. The Corporation has agreed in principle, to an operations and maintenance contract with Finning at fixed rates based on the hours of electrical production.
- (g) MPLP entered into a long-term coal supply agreement with Luscar Ltd. as of January 2004, to supply thermal coal to the HR Milner power plant. The sale of the coal will be contracted under fixed prices with MPLP having to commit to purchase a minimum of 11.3 million gigajoules of coal per annum to January 2009. The term of the agreement is five years with a renewal option for another five years.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 20

Years ended December 31, 2004 and 2003

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

16. Income taxes:

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at December 31, 2004 at 33.6% (2003 – 34.6%) to income before income taxes. A reconciliation of the differences is as follows:

	December 31, 2004	December 31, 2003
Computed income taxes (recovery)	\$ (58)	\$ 324
Increase (decrease) in taxes:		
Valuation allowance	363	70
Effect of lower foreign income taxes	(93)	(116)
Non-deductible equity (income) loss	6	(232)
Gain on realized foreign exchange	–	(445)
Non-taxable dividend on preferred shares	3	151
Other	94	295
Effect of Canadian tax rate reduction	–	15
	\$ 315	\$ 62

The components of the future tax asset are as follows:

	December 31, 2004	December 31, 2003
Future income tax assets:		
Non-capital loss carry forwards	\$ 2,365	\$ 2,726
Net-capital loss carry forwards	642	-
Share issue costs	243	342
Capital assets	1,007	1,059
Other	424	191
Valuation allowance	(4,681)	(4,318)
	\$ –	\$ –

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 21

Years ended December 31, 2004 and 2003

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

16. Income taxes (continued):

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

	Canadian	Foreign	Total
2005	\$ 287	\$ 514	\$ 801
2006	–	–	–
2007	840	–	840
2008	411	18	429
2009	992	–	992
After 2009	4,974	2,019	6,993
	\$ 7,504	\$ 2,551	\$ 10,055

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

17. Change in non-cash working capital:

	2004	2003
Operations:		
Accounts receivable	\$ (2,233)	\$ (50)
Prepaid expenses	160	19
Inventory	(399)	(352)
Accounts payable and accrued liabilities	(399)	2,332
Deferred revenue	1,266	312
Other assets	(169)	–
	\$ (1,774)	\$ 2,261
Financing:		
Current portion of long-term debt	\$ (649)	\$ 887
Investing:		
Accounts payable	\$ –	\$ 1,031
Current portion of cash flow indenture	538	–
	\$ 538	\$ 1,031

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 22

Years ended December 31, 2004 and 2003

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

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

The following cash payments have been made during the year:

	2004	2003
Taxes	\$ 445	\$ 102
Interest	\$ 1,821	\$ 820

18. Segmented information:

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

	2004		2003	
	Revenue	Income (loss) before the following items	Revenue	Income (loss) before the following items
Canada	\$ 17,314	\$ 120	\$ 10,855	\$ (1,975)
Asia	15,021	1,143	11,870	1,406
Europe	3,981	522	2,529	724
Total	\$ 36,316	\$ 1,785	\$ 25,254	\$ 155

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

	2004	2003
Canada	\$ 46,056	\$ 43,489
Asia	5,490	6,340
Europe	9,340	6,455
Total	\$ 60,886	\$ 56,284

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 23

Years ended December 31, 2004 and 2003

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

18. Segmented information (continued):

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

	2004	2003
Canada	\$ -	\$ -
Asia	8,248	8,248
Europe	391	-
Total	\$ 8,639	\$ 8,248

In Asia, approximately 90% of electricity sales are to Electricite Du Cambodge in Phnom Penh, Cambodia while the majority of electricity sales in Canada are to the Power Pool of Alberta.

Any changes in government policies in foreign jurisdictions could have a significant impact on the Corporation's proposed business ventures. Risks of foreign operations include, but are not necessarily limited to, changes of laws affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange, inflation, exchange control, repatriation of earnings and civil unrest. There are no assurances that the economic and political conditions in the countries in which Maxim operates and intends to operate will continue in such countries as they are at the present time. The effect of these factors cannot be accurately predicted.

19. Financial instruments:

(a) 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 in exchange rates.

(b) Credit risk:

Credit risk arises from the possibility that the entities to which the Corporation provides services may experience difficulty and be unable to fulfill their obligations. The Corporation is exposed to financial risk that arises from the credit quality of the entities to which it provides services.

A significant portion of the Corporation's trade accounts receivable are in Jupiter Power Asia Co. Ltd. and Jupiter Power (Cambodia) Co. Ltd., which are wholly-owned subsidiaries of JPH. These trade accounts receivable in the amount of \$2,550 (2003 - \$1,865) are due from Electricite Du Cambodge in Phnom Penh, Cambodia.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 24

Years ended December 31, 2004 and 2003

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

19. Financial instruments (continued):

(c) Operating risk:

The ability of the power plants to generate the maximum amount of power is determinant to the Corporation's profitability. Regular maintenance programs and insurance mitigate the risk of potential equipment failure and the consequent loss of revenues. The Corporation has no obligations under its contracts to deliver minimum levels of power, except for its G-1 power station in Cambodia, and is paid on the basis of actual power deliveries. Any reductions in the volume of power delivered will directly reduce the amount of power revenues received by the Corporation.

During 2002, the Corporation entered into an agreement with the Alberta Watt Exchange Limited ("Watt-Ex") for the trading of ancillary services. If at any time the Corporation's facility is unable to perform successfully as set out in the Ancillary Service Contract, it may be responsible for all direct incremental costs incurred by the Transmission Administrator in seeking and obtaining any alternative supply of such Ancillary Service or alternatively as available in the market place. The incremental costs, if any, are not expected to materially affect the results of operations and consolidated financial position of the Corporation. As of September 1, 2004, the Corporation no longer participates in the trading of ancillary services.

(d) Fair value of financial instruments:

The carrying amounts of financial instruments included in the balance sheet, other than long-term debt, approximate their fair value due to their short-term maturity. Long-term debt has carrying values that approximate fair value at December 31, 2004 and 2003.

20. Contingency:

In July, 2003, ORS initiated legal proceedings against A/S Cimbria the major contractor responsible to construct ORS. ORS initiated legal proceedings to recover damages resulting from the delayed construction of the facility. ORS is seeking remaining damages of \$2,900 plus interest from A/S Cimbria. To date, ORS has recovered \$850 from damages over the delayed construction. In addition, A/S Cimbria has issued a final construction invoice of \$1,945 to ORS, which has not been recorded by ORS. The legal proceedings regarding the delayed construction damages will begin in April 2005.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 25

Years ended December 31, 2004 and 2003

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

21. Subsequent events:

- (a) On December 31, 2004, the Corporation entered into an agreement to acquire the remaining balance (approximately 80.5%) of MPLP from the existing partners of MPLP, each of whom act at arm's length to the Corporation. The Corporation received the necessary shareholder approval at a special meeting of shareholders on March 29, 2005. On March 31, 2005, the acquisition was closed with the issuance of 220 million common shares of the Corporation at a price of \$0.32 per share, for the aggregate consideration of \$70,400 plus certain post-closing adjustments. The proposed acquisition results in a reverse takeover of the Corporation. For accounting purposes, the Corporation will record the MPLP acquisition as an acquisition of itself by MPLP as the partners of MPLP other than Maxim Power Corp. will have approximately 62% of the Corporation's common shares after the acquisition.

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

Property, plant and equipment	\$	61,185
Coal contract		1,200
Other long-term assets		2,647
Goodwill		6,085
Working capital		(6,278)
Long-term debt and capital lease obligation		(17,874)
Cash flow indenture		(2,923)
Other long-term obligation		(162)
	\$	43,880

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

- (b) In conjunction with the MPLP acquisition described in note 21(a), the major partners in MPLP (excluding the Corporation) on their own behalf and on behalf of certain nominees ("Purchasers") purchased 50 million common shares owned by Finning for an aggregate purchase price of \$16 million, based on a price of \$0.32 per common share.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 26

Years ended December 31, 2004 and 2003

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

21. Subsequent events (continued):

- In addition, the Corporation is in the process of obtaining long-term financing for its Vancouver landfill facility. Certain Purchasers have provided bridge financing of \$4.5 million to facilitate the repayment on March 31, 2005 of all construction financing provided by Finning. The interim financing bears interest at 10% per annum and is repayable on demand. The Corporation has pledged the assets at VLF as collateral security for the bridge facility and has undertaken to provide a second charge on its other assets, subject to approval by its principal lender, Bank of Montreal. The Corporation anticipates repayment of the bridge financing from the proceeds of long-term financing expected to be completed by April 30, 2005.
- (c) The Corporation announced on January 27, 2005 that it has satisfied all conditions related to the construction of its third cogeneration plant in France and construction of Bataneres Cogeneration Facility ("Bataneres") will begin immediately. Bataneres is the Corporation's largest cogeneration project in France and will have 5.6 MWh of electrical and 4.9 MWh of thermal generating capacity. Commercial operation of Bataneres is targeted for November 1, 2005, the beginning of the French cogeneration season.
- (d) On March 16, 2005, Electricite Du Cambodge approved, in principle, a six-month extension of the power purchase agreement at Phnom Penh to June 30, 2006. The contract was previously to expire on December 31, 2005.

22. Comparative figures:

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