

Consolidated Financial Statements of

**MAXIM POWER CORP.**

Years ended December 31, 2005 and 2004

## **AUDITORS' REPORT TO THE SHAREHOLDERS**

We have audited the consolidated balance sheet of Maxim Power Corp. as at December 31, 2005 and the consolidated statements of operations and retained earnings and cash flows for the year 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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for December 31, 2004 were reported on by another firm of chartered accountants.

*("Signed") KPMG LLP*

Chartered Accountants

Calgary, Canada  
March 30, 2006

# MAXIM POWER CORP.

## Consolidated Balance Sheets

As at December 31, 2005 and 2004  
(In Thousands of Dollars)

	2005	2004
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 4)	\$ 23,726	\$ 5,283
Accounts receivable	22,361	6,635
Prepaid(expenses), deposits and other	991	137
Coal inventory	1,860	1,046
Plant inventory	1,991	450
Assets held for sale (note 7)	533	-
	51,462	13,551
Property, plant and equipment (note 5)	118,123	18,914
Assets held for sale (note 7)	2,981	-
Deferred costs	3,274	-
Coal contract	5,500	-
Goodwill (note 2)	15,489	-
	\$ 196,829	\$ 32,465
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 24,864	\$ 4,526
Liabilities of assets held for sale (note 7)	1,292	-
Current portion of long-term debt (note 9)	3,452	-
Current portion of capital lease obligations (note 10)	609	-
Current portion of cash flow indenture (note 11)	4,863	2,762
	35,080	7,288
Long-term debt (note 9)	40,932	-
Capital lease obligations (note 10)	4,291	-
Cash flow indenture (note 11)	7,374	12,238
Future income tax liability (note 16)	6,703	-
Deferred revenue	236	-
Asset retirement obligation (note 13)	321	-
Shareholders' equity:		
Share capital (note 14)	90,331	10,261
Cumulative translation adjustment	(2,684)	-
Retained earnings	14,245	2,678
	101,892	12,939
Commitments (note 15)		
Subsequent events (note 20)		
	\$ 196,829	\$ 32,465

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(Signed) "John Bobenic" \_\_\_\_\_ Director

(Signed) "Bruce Chernoff" \_\_\_\_\_ Director

# MAXIM POWER CORP.

## Consolidated Statements of Operations and Retained Earnings

Years ended December 31, 2005 and 2004  
(In Thousands of Dollars)

	2005	2004
Revenue:		
Electricity sales	\$ 82,875	\$ 45,445
Expenses:		
Plant operations	48,851	30,665
General and administration	7,324	2,603
Depreciation and amortization	6,624	1,605
	62,799	34,873
Income before the following items	20,076	10,572
Interest expense	1,857	-
Interest income	(63)	(106)
Foreign exchange gain	(41)	-
Other	30	-
Income before income taxes from continuing operations	18,293	10,678
Income taxes (note 16):		
Current	77	-
Future	6,026	-
Net income from continuing operations	12,190	10,678
Net loss from assets held for sale (note 7)	623	-
Net income for the year	11,567	10,678
Retained earnings, beginning of year	2,678	-
Partners' distributions	-	(8,000)
Retained earnings, end of year	14,245	2,678
Basic and diluted income per share	\$ 0.03	\$ 0.05

See accompanying notes to consolidated financial statements.

# MAXIM POWER CORP.

## Consolidated Statement of Cash Flows

Years ended December 31, 2005 and 2004  
(In Thousands of Dollars)

	2005	2004
Cash provided by (used in):		
Operations:		
Net income from continuing operations	\$ 12,190	\$ 10,678
Items not involving cash:		
Depreciation and amortization	6,624	1,605
Foreign exchange gain	(41)	-
Asset retirement obligation	28	-
Fair value of stock based compensation	376	-
Future income tax	6,026	-
Partnership units issued for service	-	21
	25,203	12,304
Change in non-cash working capital (note 17)	(4,312)	(3,542)
Cash flows from continuing operations	20,891	8,762
Loss from assets held for sale	(623)	-
Items not involving cash:		
Depreciation and amortization	382	-
Equity loss	843	-
Change in non-cash working capital	(78)	-
Cash flows from assets held for sale	524	-
	21,415	8,762
Financing:		
Advances from related parties (note 8)	31,597	-
Repayment of advances from related parties	(31,597)	-
Loans payable (note 8(b))	3,690	-
Repayment of loans payable	(5,590)	-
Issuance of long-term debt	34,491	-
Repayments of long-term debt	(3,264)	-
Repayment of advances from Finning (note 8(a))	(12,069)	-
Net proceeds from private placement	35,001	-
Issuance of common shares, net of share issue costs	964	-
Repayment of lease obligation	(37)	-
Issuance of partnership units	-	9,700
Partners' distributions	-	(8,000)
Cash flows from continuing financing activities	53,186	1,700
Repayment of long-term debt related to assets held for sale	(729)	-
Cash flows used in financing assets held for sale	(729)	-
	52,457	1,700
Investing:		
Property, plant and equipment	(42,380)	(1,509)
Acquisition, net of cash acquired (note 6)	(16,030)	(3,770)
Deferred costs	(2,970)	-
Cash increase due to acquisition (note 2)	4,532	-
	(56,848)	(5,279)
Change in non-cash working capital (note 17)	1,193	-
Cash flows used in investing in continuing operations	(55,655)	(5,279)
Change in cash held in assets held for sale	(289)	-
Cash flows used in investing in assets held for sale	(289)	-
	(55,944)	(5,279)
Foreign exchange loss	515	-
Increase in cash	18,443	5,183
Cash, beginning of year	5,283	100
Cash, end of year	\$ 23,726	\$ 5,283

See accompanying notes to consolidated financial statements.

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements

Years ended December 31, 2005 and 2004

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

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## 1. Basis of presentation:

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

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

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

The Corporation consolidates the accounts of its 97% interest in Basin Creek Holdco LLC, 70% interest in Pouchon Cogen S.A.R.L., 50% interest in Mirail Cogen S.A.R.L. and its 45% interest in Cambo-Cana Power Corporation and Import Export Co. Ltd. Using this method, the Corporation has reflected 100% of the accounts of these entities in its consolidated financial statements with a deduction provided for the non-controlling interest's proportion of the accounts.

The consolidated financial statements have been prepared by Maxim's 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 in note 3.

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 2

Years ended December 31, 2005 and 2004

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

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## 2. Business combination:

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

The acquisition of Maxim is accounted at fair value using the purchase method of accounting and the purchase price of \$43,880, including transaction costs of \$200, is allocated as follows:

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Property, plant and equipment	\$ 53,280
Coal contract	6,000
Other long-term assets	1,100
Deferred costs	522
Goodwill	15,489
Working capital, including cash of \$4,532	2,946
Due to related parties	(11,500)
Long-term debt and capital lease obligation	(16,591)
Cash flow indenture	(2,385)
Future income tax liability	(1,481)
Other long-term obligations	(2,675)
Contributed surplus	(825)
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	\$ 43,880

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## 3. Significant accounting policies:

### (a) Property, plant and equipment:

Plant and equipment are recorded at cost. Depreciation on all property, plant and equipment, except at MPLP, 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. At MPLP, the plant is depreciated at an annual rate of approximately 8% and the remaining equipment is depreciated on a declining balance basis at a rate ranging from 8% to 30%.

Leases that transfer substantially all the benefits and risks of ownership to the Corporation and meet certain criteria as a capital lease are accounted for 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.

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 3

Years ended December 31, 2005 and 2004

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

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### 3. Significant accounting policies (continued):

The Corporation determines whether an impairment exists at 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 asset.

#### (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.

#### (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 and the Basin Creek project 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 and Northeastern United States 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.

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 4

Years ended December 31, 2005 and 2004

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

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### 3. Significant accounting policies (continued):

(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 enters into tolling arrangements with certain counterparties. Under these tolling arrangements, the Corporation provides capacity in exchange for monthly capacity payments which are recognized as revenue during the term of the agreement.

(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).

The Corporation expenses the vested fair market value portion of stock based compensation. 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.

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 5

Years ended December 31, 2005 and 2004

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

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### 3. Significant accounting policies (continued):

(i) Asset retirement obligation:

The Corporation has an obligation to restore specific sites to an 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 Statements of Operations and Retained Earnings. Incurred asset retirement costs will be recorded as a reduction against the asset retirement obligation.

### 4. Cash:

As at December 31, 2005, the Corporation has restricted cash of \$3,273.

The Corporation's cash balance also includes \$408 relating to its interest in its joint venture in Cambodia. Any repatriation of funds requires agreement from the joint venture's partner.

### 5. Property, plant and equipment:

December 31, 2005	Cost	Accumulated Depreciation	Net book value
Property, plant and equipment	\$ 87,535	\$ 7,140	\$ 80,395
Plant under construction	33,205	-	33,205
Capital leases	4,660	137	4,523
	<u>\$ 125,400</u>	<u>\$ 7,277</u>	<u>\$ 118,123</u>
 December 31, 2004			
Property, plant and equipment	\$ 20,520	\$ 1,606	\$ 18,914

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

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 6

Years ended December 31, 2005 and 2004

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

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## 5. 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 \$15,000. The contingent payments are based on a profit sharing arrangement whereby the estimated present value of future cash flows of \$15,000 was added to the purchase consideration for the HR Milner power station acquisition on January 29, 2004. The cash flow indenture was recognized in the accompanying consolidated financial statements as a long-term obligation (see note 11).
- (b) At December 31, 2005, property, plant and equipment includes the net book value of \$3,074 related to the capital lease assets at Cogenia S.A.S., the French company acquired by Maxim on June 22, 2005 and Hartland capital lease assets with fair value of \$1,586, accumulated amortization of \$63 and net book value of \$1,523 (see note 10).
- (c) At December 31, 2005, property, plant and equipment includes the fair value of \$11,324 and accumulated depreciation of \$452 for 25 megawatts of capacity related to the Corporation's gas-fired Alberta Power Project ("APP"). On August 31, 2004, the Corporation entered into a long-term Power Purchase Agreement ("PPA") for APP. The PPA is structured as a tolling agreement, obligating the other party to pay a fixed monthly capacity fee and variable operating and maintenance charges. The initial term of the arrangement is 10 years with an option to extend it for a further 15 years or acquire the asset.
- (d) At December 31, 2005, plant under construction includes costs of \$33,205 incurred for the construction of the 51.8 megawatt Basin Creek project in Butte, Montana. It is expected that Basin Creek will become operational in April, 2006.

## 6. Acquisitions:

- (a) Effective June 22, 2005, Maxim acquired the common shares of 3 French companies, Energeia S.A., Societe Electrique D'Arnas S.A. and Cogenia S.A.S. for cash consideration of \$14,923. The transaction including transaction costs, is accounted for at fair value using the purchase method of accounting. The total purchase consideration has been allocated to the financial statements as follows:

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Property, plant and equipment	\$ 12,685
Working capital (excluding cash)	(1,310)
Future income tax asset	921
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	12,296
Cash	2,627
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	\$ 14,923

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# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 7

Years ended December 31, 2005 and 2004

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

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## 6. Acquisitions (continued):

- (b) Effective November 10, 2005, Maxim acquired for cash consideration, all the common shares of Pawtucket Power Holding Company LLC ("Pawtucket") which holds a 100% interest in a 67 megawatt natural gas fired combined cycle cogeneration plant, located in Rhode Island, USA. The total capital investment, including closing costs, post closing adjustments and major capital improvements on the turbine and the facility was \$4,015. Of the total purchase price, fair value of \$3,734 was allocated to property, plant and equipment with \$281 allocated to fuel oil inventory.

## 7. Assets Held for Sale:

Effective December 31, 2005, the Corporation's projects in Europe, excluding France, were classified as Assets Held for Sale. Management has been authorized to sell these assets and subsequent to December 31, 2005, entered into definitive agreements to complete such sale (see note 20).

A summary of the assets and liabilities held for sale is as follows:

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Cash	\$	289
Accounts receivable		230
Prepays		14
Total current assets		533
Property, plant and equipment		2,674
Investment		307
Total capital assets		2,981
Accounts payable and accrued liabilities		166
Term loans		1,126
Total Liabilities	\$	1,292

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Revenue earned from assets held for sale was \$1,305 in 2005 with expenses of \$1,085 and an equity loss of \$843, resulted in a net loss of \$623. As described more fully in Note 20, the disposition of these projects will result in the Corporation recognizing a nominal gain on the sale.

Term loans of assets held for sale:

- a) The Ravne project financing of 2,916 Euro is a 10 year term loan, which commenced May 1999 and terminates on October 31, 2009. The interest rate is Euribor plus 2.75% per annum. Security for the loan is an assignment of material sales contracts and equipment maintenance contracts for the project and a charge against the equipment. The loan agreement requires quarterly prepayments calculated at approximately 40% of the project cash flow for the preceeding quarter. These prepayments will reduce the term of the loan from 10 years to approximately 8 years. At December 31, 2005, Ravne had an outstanding loan balance of 703 Euro.

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 8

Years ended December 31, 2005 and 2004

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

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## 7. Assets Held for Sale (continued):

- b) 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. At December 31, 2005, Ammann had an outstanding loan balance of 33 Euro.
- c) 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. At December 31, 2005, Ruegen had an outstanding loan balance of 80 Euro.

## 8. Related party transactions:

During 2005, Maxim entered into various interim financing arrangements with the two largest shareholders of Maxim. Prior to December 31, 2005, all interim financing arrangements with the two largest shareholders were repaid.

- (a) At March 31, 2005, the two largest shareholders of Maxim provided interim financing of \$4,500 to facilitate the repayment of outstanding construction financing of \$12,069 previously provided by Finning International inc. ("Finning"). This interim financing bore interest at 10% per annum and was repayable on demand. No associated fees were incurred to place this interim financing. The Corporation pledged the assets at Vancouver Landfill ("VLF") as collateral security for the bridge facility and provided a second charge on its other assets, approved by its principal lender, BMO Bank of Montreal. The interim financing of \$4,500 was repaid from loan proceeds of \$7,500 issued under Facility E from BMO Bank of Montreal (see note 9(a)). During 2005, the Corporation paid interest of \$121 for this interim financing.
- (b) On April 4, 2005, Maxim received approximately \$5,043 from each of the same two shareholders related to interim financing for the construction of Basin Creek. There were no associated fees with the interim financing of the Basin Creek project. Secured, demand promissory notes were issued and bore interest at 10% per annum payable on a monthly basis. The Basin Creek interim financing was repaid in November, 2005 from net proceeds received through the Corporation's \$35 million private placement. During 2005, the Corporation paid interest of \$613 for this interim financing.

In addition, Maxim received approximately \$3,690 of interim financing for the construction of Basin Creek on April 4, 2005 from another shareholder in exchange for a demand promissory note which contained the same terms and collateral as the demand promissory notes issued to each of the two largest shareholders on April 4, 2005. The Basin Creek interim financing was repaid on November 14, 2005 from net proceeds received through the Corporation's \$35 million private placement. During 2005, the Corporation paid interest of \$227 for this interim financing.

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 9

Years ended December 31, 2005 and 2004

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

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## 8. Related party transactions (continued):

- (c) On June 17, 2005, the same two shareholders each provided an additional \$7,550 of interim financing to Maxim to acquire three power companies in France (see note 6(a)). Two secured, demand promissory notes, each in the amount of \$7,550, were issued and bore interest at 10% per annum payable on a monthly basis. In addition, a combined commitment fee of \$302 was paid to these related parties. The interest rate for each promissory note increased by 1.5% per annum on September 17, 2005. The French interim financing was repaid on November 14, 2005 from net proceeds received through the Corporation's \$35 million private placement. In 2005, the Corporation paid interest of \$652 for this interim financing.
- (d) On November 9, 2005, the second largest shareholder provided \$1,911 of interim financing to Maxim to acquire Pawtucket Power Holding Company LLC (see note 6(b)). A secured, demand promissory note, in the amount of \$1,911, was issued and bore interest at 10% per annum payable on a monthly basis. The Pawtucket Power Holding Company LLC interim financing was repaid on November 14, 2005 from net proceeds received through the Corporation's \$35 million private placement. In 2005, the Corporation paid interest of \$1 for this interim financing.

## 9. Long-term debt:

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	December 31, 2005
Canadian projects (note 9(a))	\$ 14,189
United States project (note 9(b))	22,940
European projects (note 9(c))	7,255
Cambodian projects (note 9(d))	-
	44,384
Less current portion	3,452
	\$ 40,932

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# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 10

Years ended December 31, 2005 and 2004

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

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## 9. Long-term debt (continued):

- (a) The Corporation has a loan agreement with BMO Bank of Montreal that was amended on May 10, 2005. The amended debt arrangement is comprised of five facilities as follows:

Facility A is a \$3,000 demand revolving facility for general working capital purposes, margined up to 90% of current accounts receivable from the Power Pool of Alberta. Prior to May 10, 2005, Facility A was a \$1,000 demand revolving facility. At December 31, 2005, the facility was not utilized. Should Facility A be utilized, amounts would be classified as an offset to cash and cash equivalents.

Facility B is a \$2,000 demand revolving facility for new project development. At December 2005, this facility was not utilized. Should Facility B be utilized, amounts would be classified as loans payable.

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

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, 2005 the Corporation had an outstanding balance of \$6,866 under Facility C.

Facility D is a \$2,500 demand revolving facility for letters of credit required for general corporate purposes. The letters of credit are to be cash collateralized and bear interest at 1.25% per annum. At December 31, 2005 letters of credit in the amount of \$1,509 had been issued, reducing the availability of Facility D to \$991.

Facility E is a \$9,500 non-revolving fixed rate term loan used to refinance debt at the Vancouver Landfill project ("VLF") and to provide financing for expansion at VLF. At June 30, 2005, loan proceeds of \$7,500 from Facility E were used to repay \$4,500 of interim financing received from related parties. \$2,000 of additional financing under Facility E will be available upon completion of expansion at VLF which is expected to be in the second quarter of 2006. Facility E, which matures in 2010, bears interest at the prime lending rate plus 1% per annum with blended monthly repayments of \$70. In addition, the Corporation is required to make quarterly principal repayments of 50% of any defined excess cash flow. At December 31, Facility E had an outstanding balance of \$7,323.

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

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 11

Years ended December 31, 2005 and 2004

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

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## 9. Long-term debt (continued):

- (b) Maxim entered into a construction and term loan agreement dated March 31, 2005 through its subsidiary, Basin Creek Equity Partners, L.L.C. ("Basin Creek") with CIT Capital Securities, L.L.C., lead arranger, and The Bank of New York, collateral agent. The construction and term loan can be for a maximum principal amount of US\$29,000, with an interest rate of US treasury rate plus 2.5% per annum for each borrowing. The term loan matures 20 years after commercial operation date, estimated to be July 1, 2006 under the agreement, and carries quarterly principal and interest repayments. The construction loan advances will be converted to a term loan facility upon certification of completion of construction by the independent engineer and approval of project construction in accordance with the Capacity and Energy Sale Agreement. At December 31, 2005, Basin Creek was advanced US\$19,675 as construction loan advances. The amount has been classified as long-term debt.
- (c) The Corporation has project bank term loans associated with projects in operation in Europe at December 31, 2005: Three of the project bank term loans are part of the group of assets classified as held for sale described in note 7.
  - (i) Pouchon has project financing with Raiffeisen Zentralbank Osterreich Aktiengesellschaft AG ("RZB") bank for 1,530 Euro. The loan has a maturity date of November 15, 2012, an interest rate based on Euribor plus 1.80% per annum and 27 principal and interest repayments over the term of loan. At December 31, 2005, Pouchon had an outstanding loan balance of 1,220 Euro.
  - (ii) Mirail has project financing with RZB bank for 1,390 Euro. The loan has a maturity date of November 15, 2012, an interest rate based on Euribor plus 1.80% per annum and 27 principal and interest repayments over the term of loan. At December 31, 2005, Mirail had an outstanding loan balance of 1,100 Euro.
  - (iii) Bataneres project financing is for 3,370 Euro with the RZB bank. The loan has a maturity date of November 15, 2014, an interest rate based on Euribor plus 2.75% per annum and 27 principal and interest repayments over the term of the loan. At December 31, 2005, Bataneres had an outstanding loan balance of 2,935 Euro.

Security for the three loans with RZB includes a mortgage on each project property and assignment of contracts to RZB from each project.
- (d) The Corporation's long-term debt in Cambodia was non-recourse debt and composed of two term loans. Both term loans matured and were repaid during 2005. The term loans were secured by a first priority security interest issued by JPH to the lender.

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 12

Years ended December 31, 2005 and 2004

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

## 9. Long-term debt (continued):

The Corporation's anticipated repayment obligations as at December 31, 2005 on the above loans over the next 5 years are as follows:

2006	\$	3,452
2007		3,378
2008		3,652
2009		3,813
2010		3,086
Remaining		27,003
		44,384
Less current portion		(3,452)
	\$	40,932

## 10. Capital leases:

- (a) The Corporation entered into an agreement with the Capital Regional District ("CRD") to lease equipment at Hartland in 2004. The capital lease obligation bears interest at 6.5% per annum, is repayable on a monthly basis and is amortized over a 20 year term. Upon termination of the lease, the Corporation shall return the equipment to CRD or dispose of the equipment at the CRD's expense.
- (b) Maxim's newly acquired French subsidiary, Cogenia S.A.S. (see note 6(a)), entered into an agreement with Caterpillar Finance France SA ("Caterpillar") in December 1998 to lease its production equipment. The capital lease obligation bears interest at 7.03% per annum, with monthly repayments and is amortized over a 12 year term. Upon termination of the lease, Cogenia S.A.S. has the option to purchase the leased equipment at the option price of \$566.

Future minimum payments under the two capital leases at December 31, 2005 are as follows:

2006	\$	917
2007		917
2008		917
2009		917
2010		917
Remaining		2,091
Total minimum lease payments		6,676
Amounts representing interest		(1,776)
Present value of net minimum lease payments		4,900
Less: current portion		609
	\$	4,291

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 13

Years ended December 31, 2005 and 2004

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

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## 11. Cash flow Indenture:

Under the terms of the acquisition agreement, MPLP has an obligation to pay cash to the Balancing Pool in relation to a cash flow indenture of 20% of its future annual cash flows to a maximum of \$15,000. The payments are based on a profit sharing arrangement whereby the estimated present value of future cash flows of \$15,000 was added to the purchase price consideration for the plant acquisition. The obligation is non-interest bearing and MPLP has pledged a second charge on its accounts receivable as collateral for the payments due under the cash flow indenture. At December 31, 2005, the outstanding balance was \$12,237 of which \$4,863 is classified as current portion of cash flow indenture.

## 12. Interest in joint venture:

The Corporation's share of the accounts from its 51% joint venture in Cambodia is as follows:

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	December 31, 2005
Balance Sheet	
Current assets	\$ 2,684
Plant and equipment assets	1,305
Current liabilities	(2,174)
Statement of Loss	
Revenue	\$ 8,925
Expenses	(10,884)
Net loss	(1,959)
Statement of Cash Flow	
Operations	\$ 818
Financing	(1,266)
Investing	17

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## 13. Asset retirement obligation:

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Balance, December 31, 2004	-
Liabilities incurred	352
Liabilities settled	(40)
Accretion expense	9
Balance, December 31, 2005	\$ 321

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At December 31, 2005, the total undiscounted cash flow required to retire the obligation is \$982. A credit-adjusted risk free rate of 7% was applied to obtain the net present value of the obligation. The asset retirement obligation will be settled in future years, ranging from 15 to 26 years.

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 14

Years ended December 31, 2005 and 2004

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

## 14. Share capital:

(a) Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares

(b) Issued:

Share capital:

	Number	Amount
Partnership units of Milner Power Limited Partnership		
Balance, December 31, 2003	300,000	\$ 300
Issued for cash	9,700,000	9,700
Issued for services	21,300	21
Issued for plant acquisition	240,000	240
Balance, December 31, 2004 and at March 31, 2005	10,261,300	\$ 10,261
Common shares of Maxim Power Corp.		
Balance, March 31, 2005	136,773,198	-
Issued on business combination (note 2)	242,398,584	43,072
Stock options exercised	2,747,167	964
Net proceeds from private placement	55,668,143	35,001
Common shares, December 31, 2005	437,587,092	\$ 89,298
Contributed surplus		
Balance, March 31, 2005 (Note 2)	-	825
Fair value of stock based compensation	-	208
Contributed surplus, December 31, 2005	-	\$ 1,033
Balance, December 31, 2005	437,587,092	\$ 90,331

(c) Stock options:

The Corporation has one employee stock option plan under which employees, directors and key consultants are eligible to receive grants. Under the stock option plan, the granted stock options will vest to the grantee over a 3 year period and the grantee has the right to exercise those stock options for 5 years from the date of the granting. The maximum number of outstanding stock options under the plan is limited to 10% of the number of common shares outstanding. The number of stock options and the exercise price is set by the Corporation's Board of Directors at the time of granting. Stock options issued and outstanding are as follows:

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 15

Years ended December 31, 2005 and 2004

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

## 14. Share capital (continued):

(c) Stock options (continued):

	Number	Weighted average exercise price
Balance, December 31, 2004	-	-
Acquired at March 31, 2005	11,405,500	0.51
Exercised	(2,747,167)	(0.34)
Cancelled	(218,333)	(0.71)
Granted	9,055,500	0.60
Balance, December 31, 2005	17,495,500	\$ 0.58

Details of the stock options outstanding at December 31, 2005 are as follows:

Range of Exercise Prices	Options Outstanding at December 31, 2005			Options Exercisable at December 31, 2005	
	Number of Options	Weighted Average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
\$0.13 to \$0.32	1,923,500	2.5	\$ 0.24	1,103,834	\$ 0.25
\$0.33 to \$0.58	2,637,500	2.6	\$ 0.46	1,394,498	\$ 0.52
\$0.59 to \$0.80	12,042,500	4.1	\$ 0.62	2,987,000	\$ 0.69
\$0.81 to \$1.34	892,000	1.0	\$ 1.12	892,000	\$ 1.12
	17,495,500	3.6	\$ 0.58	6,377,332	\$ 0.64

The Corporation accounts for its stock option plan using the fair value method. Under this method, at December 31, 2005, \$376 of costs are recorded as expense for 2005 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 December 31, 2005 as follows:

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 16

Years ended December 31, 2005 and 2004

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

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## 14. Share capital (continued):

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

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In 2005, the Corporation granted 9,055,500 stock options to purchase common shares at an average price of \$0.60 under the Corporation's stock option plan and the weighted average fair value of each option was calculated to be \$0.28. The Corporation used the Black-Scholes option pricing model and assumptions above to calculate the weighted average fair value.

(d) Income per share:

The weighted average number of shares outstanding for purposes of calculating basic income per share at December 31, 2005 was 354,180,303 and 223,803,624 at December 31, 2004.

For the December 31, 2005 fully diluted income per share calculation, 1,422,192 shares were added to the average number of common shares outstanding during the year for the dilutive effects of exercisable stock options.

## 15. Commitments:

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

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

- (b) MPLP entered into a long-term coal supply agreement with a supplier as at January 2004 to supply thermal coal to the power plant. The sale of the coal is contracted under fixed prices with a fixed minimum purchase of coal per annum to January 2009. The term of the agreement is 5 years with a renewal option for another 5 years. The remaining purchase commitment for the next 5 years is \$81,927.
- (c) All 10 French projects, including those acquired on June 22, 2005 (see note 6(a)), have original 12 year sales contracts with Electricite de France ("EDF"). All, except for two facilities, have original 12 year contracts for thermal heat sales. Sales to EDF are at fixed hourly rates with a bonus based on specific levels of efficiency. Thermal sales delivered must reach a specific minimum level. The gas supply for these French projects is completed under 3 year contracts with Gaz de France.

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 17

Years ended December 31, 2005 and 2004

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

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## 15. Commitments (continued):

- All French projects except one, have operating and maintenance contracts with La Societe Forclum.
- (d) Electricity generated from the Corporation's Cambodian facility is sold under contract to Electricite de Cambodge ("EdC"), the central power supply agency for the Cambodian Government. The Cambodian facility 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. The Cambodian PPA will expire on June 30, 2006. Negotiations are in process to extend the PPA.
- (e) The Corporation has entered into an agreement with the City of Vancouver to utilize its methane gas from the City's landfill. In exchange for gas from the landfill, the City of Vancouver will receive up to 10% of the electrical and thermal energy sales based on the volume of gas extracted from the landfill. The term of the agreement is 20 years. The Corporation has also entered into 20 year contracts to sell electricity to British Columbia Hydro ("BC Hydro"), at fixed hourly rates, and to sell thermal energy to a greenhouse facility. The operations and maintenance contract is with Finning at fixed rates based on the hours of electrical production.
- (f) The Corporation entered into an agreement with the Capital Regional District ("CRD") for the CRD to supply landfill gas from the Hartland landfill. The initial term of the agreement is 5 years and the parties shall enter into a new 5 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(a). At Hartland, the Corporation also entered into a 20 year contract to sell electricity to BC Hydro at fixed hourly rates. The operations and maintenance contract is with Finning at fixed rates based on the hours of electrical production.
- (g) The Corporation entered into a tolling agreement effective September 1, 2004 related to APP. The tolling agreement is a 10 year contract whereby the Corporation provides 25 megawatts of capacity in exchange for a fixed monthly capacity fee and variable operating and maintenance charges. At the end of the initial term of the agreement, the counterparty has the option to acquire the equipment or extend the contract for a further 15 years.
- (h) The minimum annual office lease commitment for each of the next three fiscal years, inclusive of certain operating costs are as follows:

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2006	\$	142
2007	\$	143
2008	\$	24

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# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 18

Years ended December 31, 2005 and 2004

(Amounts in thousands of dollars, US 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, 2005 at 33.6% to income before income taxes.

Income earned by MPLP in fiscal 2004 is not subject to income taxes as its income is taxed directly to the MPLP unit holders.

A reconciliation of the differences is as follows:

	December 31, 2005	December 31, 2004
Computed Income taxes (recovery)	\$ 5,939	\$ -
Increase (decrease) in taxes:		
Other	164	-
	\$ 6,103	\$ -

The components of the future tax liability are as follows:

	December 31, 2005	December 31, 2004
Future income tax liability:		
Non-capital loss carry forwards	\$ 10,714	\$ -
Net-capital loss carry forwards	642	-
Share issue costs	442	-
Capital assets	(5,169)	-
Valuation allowance	(3,727)	-
Partnership deferral	(10,503)	-
Other	898	-
	\$ (6,703)	\$ -

Reduction in the valuation allowance is related to the Corporation's tax strategy to utilize non-capital loss carry forwards beginning in 2005.

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

	Canadian	Foreign	Total
2006	\$ 1,864	\$ -	\$ 1,864
2007	1,372	-	1,372
2008	7,715	-	7,715
2009	3,449	-	3,449
2010	4,021	-	4,021
After 2010	4,045	8,251	12,296
	\$ 22,466	\$ 8,251	\$ 30,717

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 19

Years ended December 31, 2005 and 2004

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

## 17. Change in non-cash working capital:

	2005	2004
Operations:		
Accounts receivable	\$ (11,266)	\$ (6,635)
Prepaid expenses	(308)	63
Inventory	(2,019)	(1,495)
Other assets	(121)	
Accounts payable and accrued liabilities	9,166	4,525
Deferred revenue	236	-
	<u>\$ (4,312)</u>	<u>\$ (3,542)</u>
Investing:		
Accounts payable	\$ 3,955	\$ -
Current portion of cash flow indenture	(2,762)	-
	<u>\$ 1,193</u>	<u>\$ -</u>

The following cash payments have been made to December 31, 2005:

	2005	2004
Taxes	\$ 79	\$ -
Interest	\$ 3,430	\$ 23

## 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:

	2005		2004	
	Revenue	Income (loss) before the following items*	Revenue	Income before the following items*
Canada	\$ 64,931	\$ 22,247	\$ 45,445	\$ 10,572
United States	213	(363)	-	-
Europe	8,855	(1,880)	-	-
Asia	8,876	72	-	-
Total	<u>\$ 82,875</u>	<u>\$ 20,076</u>	<u>\$ 45,445</u>	<u>\$ 10,572</u>

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

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 20

Years ended December 31, 2005 and 2004

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

## 18. Segmented information (continued):

The location of the Corporation's property, plant and equipment, excluding assets held for sale, are as follows:

	2005			2004		
	Additions	Depreciation and Amortization	Total Assets	Additions	Depreciation and Amortization	Total Assets
Canada	\$ 7,056	\$ 2,853	\$ 51,079	\$ 1,510	\$ 1,605	\$ 18,914
United States	37,660	-	36,938	-	-	-
Europe	13,694	544	28,974	-	-	-
Asia	-	2,675	1,132	-	-	-
Total	\$ 58,410	\$ 6,072	\$ 118,123	\$ 1,510	\$ 1,605	\$ 18,914

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

	2005	2004
Canada	\$ 15,489	\$ -
United States	-	-
Europe	-	-
Asia	-	-
Total	\$ 15,489	\$ -

In Canada, the majority of Alberta power sales are to the Power Pool of Alberta and power sales in British Columbia are completed under agreements with British Columbia Hydro and Power Authority. In Europe, power sales are completed under various power purchase agreements with Electricite de France. Cambodian electricity sales are conducted under its power purchase agreement with EdC.

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.

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 21

Years ended December 31, 2005 and 2004

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

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## 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 to 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 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 \$1,704 are primarily due from EdC in Phnom Penh, Cambodia.

(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 C-1 power station in Cambodia and certain thermal heat contracts in France, 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.

(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, 2005.

## 20. Subsequent Events:

On March 27, 2006 the Corporation entered into a letter of intent to sell its German development opportunities held by its wholly owned subsidiary, Maxim Power Europe B.V., for total proceeds of 500 Euro. The sale is expected to close by May 31, 2006.

On March 29, 2006 the Corporation entered into binding purchase and sale agreements for the sale of its wholly owned subsidiaries, Maxim Power GmbH (Austria) and Maxim Power GmbH (Germany), for total proceeds of 1,350 Euro. The sale is scheduled to close on April 7, 2006.

The disposition of these projects will result in a nominal gain, which will be reflected in the accounts when realized.

# MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 22

Years ended December 31, 2005 and 2004

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

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## **21. Comparative figures:**

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