

power **growth** precision



*Quarterly Report of*

# **MAXIM POWER CORP.**

First Quarter ended March 31, 2010 and 2009  
(unaudited)

# MAXIM POWER CORP.

Consolidated Balance Sheets  
(In Thousands of Dollars)

	March 31, 2010 (unaudited)	December 31, 2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 12,019	\$ 13,547
Restricted cash	1,449	1,521
Accounts receivable	31,763	30,590
Prepaid expenses and deposits	1,279	2,005
Inventory (note 3)	5,342	3,802
Current portion of future income tax asset	-	1,543
	51,852	53,008
Property, plant and equipment (note 4)	263,642	276,211
Prepaid expenses and deposits	1,003	1,061
Future income tax asset (note 7)	26,717	1,426
Intangibles (note 5)	25,759	29,283
Goodwill	15,632	15,632
	\$ 384,605	\$ 376,621
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Bank indebtedness	\$ -	\$ 153
Accounts payable and accrued liabilities	34,159	37,092
Income taxes payable	3,325	4,028
Deferred revenue	70	-
Current portion of long-term debt (note 6)	11,521	8,707
Current portion of capital lease obligations	5,662	7,384
Current portion of long-term contracts	171	177
Current portion of risk management liability	61	102
	54,969	57,643
Long-term debt (note 6)	66,481	65,915
Capital lease obligations	8,035	9,550
Long-term contracts	86	133
Asset retirement obligations	6,777	6,821
Future income tax liability	10,580	15,592
Deferred credit (note 7)	22,468	-
Risk management liability	72	145
Non-controlling interest	422	330
Shareholders' equity:		
Share capital (note 8)	155,467	155,467
Contributed surplus (note 8)	8,404	7,849
Retained earnings	61,176	59,878
Accumulated other comprehensive loss (note 2)	(10,332)	(2,702)
	214,715	220,492
Contingency (note 11)		
	\$ 384,605	\$ 376,621

See accompanying notes to interim consolidated financial statements.

# MAXIM POWER CORP.

## Consolidated Statements of Operations and Retained Earnings

Three months ended March 31,  
(In Thousands of Dollars)  
(Unaudited)

	2010	2009
Revenue:		
Electricity sales	\$ 50,775	\$ 55,276
Expenses:		
Plant operations	37,024	37,602
General and administration	1,462	1,372
Depreciation and amortization	7,912	7,863
	46,398	46,837
Income before the following items	4,377	8,439
Interest expense:		
Long-term debt	1,073	1,068
Capital lease obligations	243	508
Other	57	26
Interest income	(4)	(15)
Foreign exchange loss (gain)	337	(37)
Other income	-	(937)
Income before income taxes	2,671	7,826
Income taxes:		
Current expense (recovery)	(207)	4,908
Future expense (reduction)	1,554	(1,943)
	1,347	2,965
Non-controlling interest	26	(142)
Net income for the period	1,298	5,003
Retained earnings, beginning of period	59,878	57,749
Retained earnings, end of period	61,176	62,752
Basic and diluted income per share	\$ 0.02	\$ 0.09

See accompanying notes to interim consolidated financial statements.

# MAXIM POWER CORP.

## Consolidated Statements of Comprehensive Income (Loss)

Three months ended March 31,  
(In Thousands of Dollars)  
(Unaudited)

	2010	2009
Net income for the period	\$ 1,298	\$ 5,003
Other comprehensive income (loss):		
Unrealized gains (loss) on translation of self-sustaining operations	(7,744)	3,077
Unrealized gain (loss) on derivatives designated as cash flow hedges	114	(683)
Comprehensive income (loss)	\$ (6,332)	\$ 7,397

See accompanying notes to interim consolidated financial statements.

# MAXIM POWER CORP.

## Consolidated Statements of Cash Flows

Three months ended March 31,  
(In Thousands of Dollars)  
(Unaudited)

	2010	2009
Cash provided by (used in):		
Operations:		
Net income	\$ 1,298	\$ 5,003
Items not involving cash:		
Depreciation and amortization	7,912	7,863
Amortization of deferred financing costs	76	66
Amortization of long-term contracts	(44)	(306)
Non-controlling interest	26	(142)
Asset retirement obligation	119	55
Fair value of stock based compensation	511	629
Future income tax	1,554	(1,943)
	11,452	11,225
Change in non-cash working capital (note 9)	(4,975)	9,073
	6,477	20,298
Financing:		
Issuance of long-term debt	8,095	-
Repayments of long-term debt	(2,073)	(2,904)
Issuance of capital lease obligations	-	617
Repayment of capital lease obligations	(2,114)	(2,538)
Normal course issuer bid	-	(257)
	3,908	(5,082)
Investing:		
Additions to property, plant and equipment	(4,195)	(2,930)
Intangibles	(342)	(205)
Acquisitions, net of cash acquired (note 7)	(6,372)	(2,825)
	(10,909)	(5,960)
Foreign exchange loss on cash held in foreign currencies	(851)	(398)
Increase (decrease) in cash	(1,375)	8,858
Cash and cash equivalents, beginning of period	13,394	10,039
Cash and cash equivalents, end of period	\$ 12,019	\$ 18,897

Cash and cash equivalents consist of the following:

Cash	\$ 12,243	\$ 18,895
Short-term US Treasury bills	1,225	1,790
	13,468	20,685
Restricted cash	(1,449)	(1,788)
Cash and cash equivalents, end of period	\$ 12,019	\$ 18,897

See accompanying notes to consolidated financial statements.

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three months ended March 31, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

### 1. Basis of Presentation

The consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The accounting policies applied are consistent with those outlined in MAXIM's annual audited consolidated financial statements for the year ended December 31, 2009. These consolidated financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective periods. These consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2009 audited consolidated financial statements.

On March 2, 2010, MAXIM completed a transaction with EarthFirst Canada Inc. ("EarthFirst") which resulted in the amalgamation of the two companies. Under a plan of arrangement, MAXIM shareholders received one share in the amalgamated company for each share of MAXIM held. EarthFirst securities outstanding prior to the amalgamation were cancelled, resulting in the existing MAXIM shareholders owning 100% of the shares in the newly formed company.

The Corporation consolidates all of its wholly-owned subsidiaries and the accounts of its 95% interest in Basin Creek Holdco LLC, 100% interest in Pouchon Cogen SARL and 50% interest in Mirail Cogen SARL. Using this method, the Corporation has reflected 100% of the accounts of these entities in its consolidated financial statements with a deduction provided for the non-controlling interest's proportion of the accounts.

### 2. Accumulated Other Comprehensive Loss

The composition of accumulated other comprehensive loss is as follows:

	March 31, 2010	December 31, 2009
Balance, beginning of period	\$ (2,702)	\$ 20,465
Unrealized loss on translation of net foreign operations	(7,744)	(22,920)
Unrealized gain (loss) on derivatives designated as cash flow hedges	114	(247)
Balance, end of period	\$ (10,332)	\$ (2,702)

### 3. Inventory

	March 31, 2010	December 31, 2009
Coal	\$ 3,328	\$ 1,637
Fuel oil	2,014	2,165
Total inventory	\$ 5,342	\$ 3,802

The cost of inventories recognized as an expense in plant operations during the period was \$5,867 (March 31, 2009 - \$5,210).

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three months ended March 31, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

### 4. Property, Plant and Equipment

March 31, 2010	Cost	Accumulated Depreciation	Net book value
Land	\$ 11,416	\$ -	\$ 11,416
Generating facilities	193,551	38,967	154,584
Generating facilities – tolling agreements	58,397	10,296	48,101
Office furniture and equipment	2,252	832	1,420
Assets under construction	13,055	-	13,055
Spare parts	7,978	-	7,978
Assets under capital leases	37,067	9,979	27,088
	\$ 323,716	\$ 60,074	\$ 263,642

December 31, 2009	Cost	Accumulated Depreciation	Net book value
Land	\$ 11,680	\$ -	\$ 11,680
Generating facilities	198,160	36,445	161,715
Generating facilities – tolling agreements	60,225	9,900	50,325
Office furniture and equipment	2,133	769	1,364
Assets under construction	12,034	-	12,034
Spare parts	8,043	-	8,043
Assets under capital leases	40,062	9,012	31,050
	\$ 332,337	\$ 56,126	\$ 276,211

### 5. Intangibles

March 31, 2010	Cost	Additions	Reclassified under Purchase Price Allocation	Accumulated Amortization	Net book Value
Coal supply contract	\$ 6,000	\$ -	\$ -	\$ 3,332	\$ 2,668
Power sale contracts	27,401	-	-	6,410	20,991
Acquisition costs	1,026	504	(1,181)	-	349
Emission credits	1,115	342	-	-	1,457
Other	305	-	-	11	294
	\$ 35,847	\$ 846	\$ (1,181)	\$ 9,753	\$ 25,759

December 31, 2009	Cost	Additions	Reclassified under Purchase Price Allocation	Accumulated Amortization	Net book Value
Coal supply contract	\$ 6,000	\$ -	\$ -	\$ 3,165	\$ 2,835
Power sale contracts	28,232	1,442	-	5,672	24,002
Acquisition costs	671	355	-	-	1,026
Emission credits	221	894	-	-	1,115
Other	315	-	-	10	305
	\$ 35,439	\$ 2,691	\$ -	\$ 8,847	\$ 29,283

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three months ended March 31, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

### 6. Long-term Debt

	March 31, 2010	December 31, 2009
Canada (note 6(a))	\$ 32,984	\$ 31,666
United States (US \$24,891; US \$25,128)	25,284	26,409
France (note 6(b)) (EUR 15,632; EUR 12,223)	21,474	18,333
	79,742	76,408
Less deferred financing costs	(1,740)	(1,786)
	78,002	74,622
Less current portion	(11,521)	(8,707)
	\$ 66,481	\$ 65,915

(a) MAXIM has three facilities with a Canadian bank ("bank"). Facility A is a \$10,000 revolving facility which bears interest at the bank's prime interest rate plus 1.00% to 1.50% or the bank's US base interest rate plus 1.00% to 1.50%. As at March 31, 2010, MAXIM has an outstanding balance of \$4,492 on Facility A which is comprised of \$2,682 (December 31, 2009 - \$Nil) drawn on the revolving line and \$1,810 letters of credit (December 31, 2009 - \$1,820). Facility B is a three year committed reducing term loan facility amortizing until May 31, 2016 and is drawn by way of bankers' acceptances. At March 31, 2010 \$30,302 (December 31, 2009 - \$31,666) was drawn on this facility.

(b) The Corporation has twelve bank term loans associated with projects in Comax France SAS, MAXIM's wholly-owned French subsidiary ("COMAX") at March 31, 2010 with an aggregate balance of EUR 15,632 (December 31, 2009 - EUR 12,223). Loan obligations of EUR 2,640 bear variable interest at Euribor plus 1.80% to 2.75%, obligations of EUR 7,145 bear variable interest at Euribor plus 2.43% subject to a minimum interest rate of 2.72% and a maximum interest rate of 4.72%, and obligations of EUR 5,847 bear fixed interest in the range of 4.40% - 5.10%, with either quarterly or monthly repayments, and have maturity dates between November 2012 and March 2022. At March 31, 2010, Euro 400 remained undrawn under one loan facility. These loans are secured by assignment of key contracts and facilities and life insurance on certain officers of COMAX.

The Corporation's anticipated repayment obligations as at March 31, 2010 related to its loans over the next five years are as follows:

2010	\$ 9,295
2011	8,936
2012	9,013
2013	8,764
2014	8,918
Remaining	34,816
	\$ 79,742

### 7. Amalgamation with EarthFirst Canada Inc.

On March 2, 2010, MAXIM amalgamated with EarthFirst as described in note 1. MAXIM paid \$5,868 to EarthFirst plus transaction costs of \$1,181 to complete the arrangement. As a result MAXIM acquired a wind farm project and has increased its tax pools by \$117,369. The transaction was treated as an asset acquisition for accounting purposes. The excess of the amount assigned to future tax assets

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three months ended March 31, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

### 7. Amalgamation with EarthFirst Canada Inc. (continued)

over the purchase price was accounted as a deferred credit. The future income tax asset recognized on the amalgamation represents the amount that is more likely than not to be realized. As a result, the deferred credit will be amortized to income tax expense in the proportion to the net reduction in the future income tax assets that give rise to the deferred credit.

Future income tax asset	\$	29,517
Deferred credit		(22,468)
Total cash consideration including acquisition costs	\$	7,049

The amounts recorded on the acquisition above are based upon preliminary information available to management as of the date of this report and are subject to change.

### 8. Share Capital

(a) Authorized:

Unlimited number of common shares without nominal or par value

Unlimited number of preferred shares

(b) Issued:

Share capital:

	Number	Amount
Common shares of MAXIM		
Balance, December 31, 2009 and March 31, 2010	54,032,091	\$ 155,467
Contributed surplus		
Balance, December 31, 2009		7,849
Fair value of stock based compensation		555
Contributed surplus, March 31, 2010		8,404
Balance, March 31, 2010	54,032,091	\$ 163,871

(c) Normal course issuer bid

On March 30, 2009, MAXIM received approval from the Toronto Stock Exchange for a normal course issuer bid which commenced on April 2, 2009. The bid terminated on April 1, 2010. During the twelve month period, MAXIM was authorized to purchase up to 2,700,000 of its common shares through the facilities of the Exchange at the prevailing market price. Any acquired common shares were cancelled and returned to treasury.

During the three month period, the Corporation purchased and cancelled nil shares.

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three months ended March 31, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

### 8. Share Capital (continued)

(d) Stock options:

The Corporation has an employee stock option plan under which employees, directors and key consultants are eligible to receive grants. Under the stock option plan, the granted stock options vest to the grantee over a 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 based on market value at the time of granting.

As at March 31, 2010, the Corporation had 4,393,992 stock options issued and outstanding at weighted average exercise price of \$4.49. During the three month period, no options were granted, exercised, forfeited or expired.

Details of the stock options outstanding at March 31, 2010 are as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options	Weighted average contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
\$2.30 to \$3.50	1,667,625	4.12	\$ 2.58	205,209	\$ 2.69
\$3.51 to \$5.99	1,305,333	1.90	\$ 4.77	1,061,999	\$ 4.50
\$6.00 to \$7.76	1,421,034	1.97	\$ 6.47	1,122,202	\$ 6.42
	4,393,992	2.77	\$ 4.49	2,389,410	\$ 5.25

The Corporation accounts for its stock option plan using the fair value method. Under this method, the Corporation recorded non-cash stock-based compensation of \$511 (2009 - \$629) for the three months ended March 31, 2010 as an expense for the options granted.

During the three month period, the Corporation granted nil (2009 - 15,000) stock options to purchase common shares at an average price of \$nil (2009 - \$2.30) under the Corporation's stock option plan and the weighted average fair value of each option was calculated to be \$nil (2009 - \$1.05). The Corporation used the Black-Scholes option pricing model to calculate the weighted average fair value.

(e) Income per share:

The weighted average number of shares outstanding for purposes of calculating basic income per share for the three months ended March 31, 2010 was 54,032,091 (2009 - 54,327,514).

For the March 31, 2010 fully diluted income per share calculation 50,135 (2009 - nil) shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options.

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three months ended March 31, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

### 9. Change in Non-Cash Working Capital

	2010	2009
Operations:		
Accounts receivable	\$ (2,778)	\$ 8,024
Prepaid expenses, deposits and other	657	(1,455)
Inventory	(1,613)	(479)
Accounts payable and accrued liabilities	(587)	231
Income taxes payable	(728)	2,398
Deferred revenue	74	354
	\$ (4,975)	\$ 9,073

The following cash payments have been made to March 31:

	2010	2009
Taxes	\$ 492	\$ 2,520
Interest	\$ 1,314	\$ 1,541

### 10. Segmented Information

MAXIM is an independent power producer that develops, owns and operates power generation facilities through which it derives revenue from the sale of electricity, generation capacity and thermal energy. Details by geographic area are as follows:

	Three months ended March 31, 2010		Three months ended March 31, 2009	
	Revenue	Income (loss) before the following items*	Revenue	Income (loss) before the following items*
Canada	\$ 12,019	\$ (2,541)	\$ 17,242	\$ 2,852
United States	10,440	3,950	11,406	4,092
France	28,316	2,968	26,628	1,495
Total	\$ 50,775	\$ 4,377	\$ 55,276	\$ 8,439

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

MAXIM's operations are impacted by seasonality. All French operations are cogeneration facilities and annually operate only from November through March. Operations in the United States not under tolling agreements function as peak power facilities and operate more frequently when heating and cooling requirements increase. Canadian operations are impacted when annual maintenance programs are performed. The annual maintenance programs are normally completed during the second quarter of each year. Revenue in both the United States and Canada are impacted by fluctuations in power prices.

# MAXIM POWER CORP.

## Notes to Consolidated Financial Statements

Three months ended March 31, 2010 and 2009

(Amounts in thousands of dollars, US dollars or Euros except as otherwise noted)

### 10. Segmented Information (continued)

The locations of the Corporation's property, plant and equipment are as follows:

	Three months ended March 31, 2010			Three months ended March 31, 2009		
	Acquisitions	PP&E Additions	Depreciation and Amortization	Acquisitions	PP&E Additions	Depreciation and Amortization
Canada	\$ -	\$ 1,400	\$ 2,081	\$ -	\$ 1,200	\$ 1,848
United States	-	46	1,582	-	1,521	1,788
France	-	2,749	4,249	2,825	209	4,227
Total	\$ -	\$ 4,195	\$ 7,912	\$ 2,825	\$ 2,930	\$ 7,863

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

	March 31, 2010	December 31, 2009
Canada	\$ 134,798	\$ 114,524
United States	130,752	136,052
France	119,055	126,045
Total	\$ 384,605	\$ 376,621

The goodwill balance of \$15,632 (December 31, 2009 - \$15,632) is attributed to the Canadian segment of the Corporation.

### 11. Contingency

Milner Power Limited Partnership entered into a long-term coal supply agreement with a supplier in January 2004 to supply thermal coal to the H.R. Milner power plant for ten years. The agreement provides for the purchase of coal under fixed prices escalating annually for a fixed minimum quantity per annum. The initial term was five years with an option to extend the contract for another five years. In 2008, MPLP exercised its right to extend the contract for an additional five years. The agreement provides for an adjustment to price during the extension term. The counterparty has referred this matter to arbitration and a decision is not anticipated until the second quarter of 2010. An increase in the price could result in a material obligation arising during the second quarter of 2010 relating to coal purchased from February 1, 2009 to the date of the arbitration decision and could result in a material adverse impact to MAXIM's 2010 and future earnings. Development of Mine No. 14 could mitigate this impact beyond 2010.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated May 14, 2010 and should be read in conjunction with the unaudited interim consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the three months ended March 31, 2010 and the audited annual consolidated financial statements for MAXIM for the year ended December 31, 2009. The consolidated financial statements have been prepared in accordance with GAAP. Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in the Glossary of Terms.

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## FORWARD-LOOKING INFORMATION

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

Readers are cautioned that management's expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. With respect to forward-looking statements contained within this MD&A, MAXIM has made the following assumptions:

- Future capital expenditures are estimated based upon planned maintenance projects and production levels at each facility.
- Development projects, including Mine No. 14, Milner expansion, Deerland, and Buffalo Atlee, are based upon current estimates of capital cost, projected returns on investment, the duration of the regulatory approval process, and the ability to obtain the necessary financing.
- Management estimates cash flows from operations will meet commitments and scheduled maintenance programs for the remainder of 2010. Interruptions to production, higher than anticipated operating costs, lower realized electricity prices, unfavourable moves in interest rates and foreign exchange rates, failure of counterparties to meet their obligations, and various other factors may inhibit the Corporation from meeting its obligations.
- MAXIM has credit facilities to support liquidity requirements of the Corporation. The facilities are margined on accounts receivable; therefore, the ability to draw on the facilities is dependent upon operating performance.
- MAXIM estimates total capital expenditures of \$22.3 million to be incurred in 2010, \$10.9 million of which have been incurred as at the end of the first quarter. Estimated expenditures are comprised of \$2.7 million related to required facility maintenance, \$6.6 million for the acquisition of Earthfirst, and \$13.0 million for discretionary initiatives including development projects. These costs are based upon estimates and may differ from the actual costs to complete. MAXIM further estimates that \$8.6 million of these expenditures will be financed from credit facilities drawn during 2010 and the remainder will be financed from operating cash flows.
- In determining potential development sites, management estimates future electricity demand in that area. The actual future demand in these areas may be different than expected.
- MAXIM anticipates all necessary provincial, state and federal regulations for environmental and climate change legislation will be met. Changes to environmental legislation may affect the ability of MAXIM to comply with regulations.

- MAXIM anticipates that it will be able to comply with the requirement to implement International Financial Reporting Standards.

## OVERALL PERFORMANCE

### Performance Highlights

(\$000's except per share and generation amounts)	Three months ended March 31	
	2010	2009
Revenue	50,775	55,276
EBITDA <sup>(1)</sup>	11,930	17,433
Net income for the period	1,298	5,003
Basic and diluted net income per share	\$ 0.02	\$ 0.09
Cash flow provided by operations	6,477	20,298
Total assets	384,605	400,431
Total long-term financial liabilities	81,379	78,087
Megawatt hours ("MWh") generated	384,635	332,334
Average Alberta Power Price – market (per MWh)	\$ 40.88	\$ 63.01
Average Alberta Power Price – Milner realized (per MWh)	\$ 41.52	\$ 66.55

<sup>(1)</sup> Selected financial information was derived from the unaudited interim consolidated financial statements and is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), except EBITDA. EBITDA is provided to assist management and investors in determining the Corporation's approximate operating cash flows before interest, income taxes, and depreciation and amortization. EBITDA does not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other companies. Refer to Non-GAAP measures - EBITDA for the reconciliation between this non-GAAP financial measure and comparable measures calculated in accordance with Canadian GAAP.

During the first quarter of 2010, MAXIM increased its generation of electricity by 16%, from 332,334 MWh during the first quarter of 2009 to 384,635 MWh during the first quarter of 2010. Comax France S.A.S ("COMAX"), MAXIM's wholly-owned French subsidiary, was the primary driver of the generation increase.

First quarter revenue of \$50.8 million decreased \$4.5 million or 8% in comparison to \$55.3 million in revenue earned during the same period of 2009, first quarter net income of \$1.3 million decreased \$3.7 million or 74% in comparison to \$5.0 million in net income for the first quarter of 2009, and first quarter EBITDA of \$11.9 million decreased \$5.5 million or 32% in comparison to \$17.4 million during the same period of 2009. The quarter over quarter decrease in revenue, net income, and EBITDA reflects the lower average Alberta power price compared to the same quarter of 2009. The average price realized for electricity generated by Milner was \$42 per MWh compared to \$67 per MWh in 2009, a decrease of \$25 per MWh. The decreases in revenue and net income caused by lower power prices were partially offset by the increased generation this quarter.

On March 2, 2010, MAXIM amalgamated with EarthFirst Canada Inc. ("EarthFirst") (the "Amalgamation") for a total investment of \$5.9 million plus closing costs. The Amalgamation provides MAXIM with a strategic development opportunity, the Buffalo Atlee Power Project ("Buffalo Atlee"), which has the potential for over 200 MW of wind generation capacity. The addition of wind generation to MAXIM's existing portfolio of assets would diversify MAXIM's generation fuel types and provide the potential to offset the impact of possible carbon legislation. MAXIM intends to invest further in the development of this site and explore other wind generation opportunities. Wind data has been collected on the site for four years. Buffalo Atlee holds an exploratory Crown land permit with a five-year term expiring on January 1, 2011. MAXIM intends to renew the permit for an additional five-year term. The

amalgamation with EarthFirst also provided MAXIM with \$117.4 million in Canadian tax pools related to the power business.

One of the primary initiatives of COMAX is the advancement of its plan to sell electrical peaking services in 2010 and future years. The provision of peaking services represents an important diversification of services and entry into a new market for COMAX, which has historically focused on cogeneration applications whereby electricity is sold to Electricité de France ("EdF") and thermal energy is sold to local businesses such as greenhouses. On February 22, 2010, COMAX entered into power purchase agreements ("PPA's") to provide 74 MW of electrical peaking services to EdF for a term of eight years and on February 24, 2010 COMAX purchased a fifth power project site for the same purpose for EUR 0.1 million.

## RESULTS OF OPERATIONS

Generation of electricity by location for all plants except those plants solely receiving tolling or capacity payments is shown in the following table.

Summary of first quarter 2010 and 2009 generation by geographic location (MWh):

Three months ended March 31	2010 Generation (MWh)	2010 % of Generation	2009 Generation (MWh)	2009 % of Generation
Canada - Milner power plant	246,113	64	235,822	71
Canada - other power plants	22,048	6	16,087	5
United States	2,713	1	3,898	1
France	113,761	29	76,527	23
<b>Total MWh Generation</b>	<b>384,635</b>	<b>100</b>	<b>332,334</b>	<b>100</b>

- The above tables exclude Forked River, Basin Creek and APP as these facilities provide capacity in exchange for monthly capacity payments. Also note that the France cogeneration season runs from November 1 through March 31.

MAXIM's generation capacity at March 31, 2010 was 809 MW which was comprised as follows: 192 MW in Canada (8 power plants), 433 MW in the United States (5 power plants) and 184 MW in France (31 power plants). Generation capacity has increased by 36 MW from March 31, 2009 due to the addition of 7 power plants in France.

## Revenue

Summary of first quarter 2010 and 2009 revenue by geographic location:

Three months ended March 31 (\$000's)	2010	2009
Canada	12,019	17,242
United States	10,440	11,406
France	28,316	26,628
<b>Total</b>	<b>50,775</b>	<b>55,276</b>

Revenue for the three month period ended March 31, 2010 was \$50.8 million, a decrease of \$4.5 million or 8% from the \$55.3 million recorded in the same period of 2009.

Canadian operations generated revenue of \$12.0 million during the three months ended March 31, 2010, compared to \$17.2 million for the same period of 2009. The decrease in revenue of \$5.2 million for the quarter is primarily due to Milner, which, on a stand alone basis, recorded \$10.2 million of revenue in 2010 compared to \$15.7 million in 2009, a decrease of \$5.5 million or 35%. The decrease in Milner revenue is due to the decrease in the average Alberta power price from \$63 per MWh in the first quarter

of 2009 to \$41 MWh in the first quarter of 2010. Accordingly, the realized price at Milner fell from \$67 per MWh in 2009 to \$42 per MWh in 2010. The decrease in power prices was partially offset by an increase in electricity generated by Milner, which generated 246,113 MWh for the three months ended March 31, 2010, compared to generation of 235,822 MWh in 2009. This increase in production was due to the resolution of various reliability issues during 2009.

Revenue from United States operations decreased for the three months ended March 31, 2010 to \$10.4 million compared to \$11.4 million for the same period of 2009. The \$1.0 million decrease in revenue is primarily attributable to the weak US dollar in the first quarter of 2010 in comparison to the first quarter of 2009, and is partially offset by "LFRM" revenue earned by the CDECCA facility in the first quarter of 2010. This revenue is related to a contract which became effective in the second quarter of 2009.

For the three months ended March 31, 2010, MAXIM's French power plants contributed \$28.3 million of revenue compared to \$26.6 million for the same period of 2009. The \$1.7 million increase reflects a full quarter of operations from the February 2009 acquisition of Sebi and Chabo cogeneration facilities, offset by the impact of a weaker Euro in the first quarter of 2010 than the comparable quarter of 2009. Production increased to 113,761 MWh in the first quarter of 2010 compared to 76,527 MWh for the first quarter of 2009 due to generation from the acquisitions noted above and the election to have more facilities run in "cogeneration" mode versus "dispatch" mode.

Summary of first quarter 2010 and 2009 revenue by form of sales contract:

(\$000's)	2010	2009
Electricity and capacity sales at fixed prices	40,238	39,103
Electricity sales at spot prices per MWh	10,537	16,173
Total	50,775	55,276

Electricity and capacity sales at fixed prices increased \$1.1 million for the three month period ended March 31, 2010 when compared to the same period of 2009. This increase is related to the 2009 France acquisitions as described above.

The increase in fixed price sales is more than offset by the decrease in electricity sales at spot prices per MWh. Sales at spot prices decreased \$5.6 million for the first quarter of 2010, in comparison to the first quarter of 2009, as a result of the decrease in the average Alberta power price from \$63 per MWh to \$41 per MWh.

## Plant Operations

Summary of plant operations expense for the three months ended March 31, 2010 and 2009:

(\$000's)	Three months ended March 31, 2010			Three months ended March 31, 2009		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	5,980	5,521	11,501	5,105	5,877	10,982
United States	1,085	3,750	4,835	1,327	4,653	5,980
France	12,752	7,936	20,688	12,702	7,938	20,640
Total	19,817	17,207	37,024	19,134	18,468	37,602
% of Plant operations expense	54%	46%	100%	51%	49%	100%

Plant operations expense decreased \$0.6 million or 2%, from \$37.6 million in the first quarter of 2009 to \$37.0 million in 2010.

Canadian operations and maintenance ("O&M") costs decreased \$0.4 million or 6% in the first quarter of 2010 to \$5.5 million versus \$5.9 million in 2009. The primary driver of this decrease was the improved performance at Milner due to maintenance and reliability improvements made during 2009.

Canadian fuel costs increased to \$6.0 million for the first quarter of 2010 versus \$5.1 million in 2009, an increase of \$0.9 million or 17% primarily due to higher fuel consumption related to higher output and higher coal prices at Milner. On a per MWh basis, Canadian fuel costs were \$22.30 in the first quarter of 2010 compared to \$20.27 for the same quarter of 2009. First quarter per MWh fuel costs increased due to an escalation provision in the CVRI coal contract and due to procurement of a portion of Milner's coal requirement at an alternate grade for blending purposes. The alternate grade coal enhances the reliability of the generating station.

Plant operation costs in the United States decreased \$1.1 million or 19% from \$6.0 million in the first quarter of 2009 to \$4.8 million in 2010. Operating and maintenance costs decreased \$0.9 million or 19% to \$3.8 million in the first quarter of 2010 from \$4.7 million in the first quarter of 2009 primarily as a result of the impact of the weak US dollar during the quarter.

First quarter fuel costs in the United States decreased in 2010 to \$1.1 million versus \$1.3 million in 2009, a decrease of \$0.2 million or 18%. The reduction in fuel costs is a result of lower natural gas prices experienced during the quarter.

France fuel costs were \$12.8 million in the first quarter of 2010, compared to \$12.7 million in first quarter of 2009, an increase of \$0.1 million or 1%. This increase is due to higher gas consumption resulting from the election to have more facilities run in "cogeneration" mode versus "dispatch" mode, coupled with the additional facilities purchased in 2009 and partially offset by the impacted of the weaker Euro versus the Canadian dollar in the quarter.

First quarter France operating and maintenance costs were consistent with the same quarter of 2009, at \$7.9 million.

#### **General and Administration**

(\$000's)	2010	2009
Total general and administration	1,462	1,372

General and administration ("G&A") expense was \$1.5 million for the first quarter of 2010 compared to \$1.4 million for the same quarter of 2009. The \$0.1 million increase is due to additional head office labour costs incurred in France to support the growth in operations during the last year.

#### **Depreciation**

(\$000's)	2010	2009
Total depreciation	7,912	7,863

Depreciation and amortization expense was \$7.9 million for the first quarter of 2010, which was consistent with the same period of 2009. An increase in depreciation due to capital expenditures throughout the last three quarters of 2009 and the first quarter of 2010 was offset by the effect of the weaker US dollar and Euro during the first quarter of 2010 in comparison to the same period of 2009.

MAXIM reviews its facilities for indicators of impairment on a quarterly basis and will test for impairment when these reviews indicate that impairment may have occurred. It was determined that there were no indicators of impairment at its facilities in the first quarter of 2010 and 2009.

#### **Interest Expense**

(\$000's)	2010	2009
Long-term debt	1,073	1,068
Capital lease obligation	243	508
Other	57	26
Total	1,373	1,602

MAXIM incurred interest expense of \$1.4 million for the first quarter of 2010, compared to \$1.6 million for the same period of 2009. Interest expense is comprised of interest on long-term debt, capital lease obligations and interest and bank charges. The overall decrease in interest expense is due to a decrease in the market interest rates on floating-rate debt in both Canada and France. Rates in Canada under the BMO facility were locked in through two interest rate swap agreements which became effective on February 2, 2009 and September 30, 2009. Interest expense also decreased due to both a weaker US dollar and a weaker Euro in comparison to the first quarter of 2009. These decreases were partially offset by interest expense incurred on new debt issued during the latter part of 2009 and the first quarter of 2010.

### Other Income

(\$000's)	2010	2009
Other income	-	937

The \$0.9 million in other income in the first quarter of 2009 represents compensation from a supplier for lost production at a French cogeneration facility. No similar compensation was earned during the first quarter of 2010.

### Income Taxes

(\$000's)	2010	2009
Current expense (recovery)	(207)	4,908
Future expense (reduction)	1,554	(1,943)
Total	1,347	2,965

The first quarter income tax provision in 2010 was \$1.3 million compared to \$3.0 million for the first quarter of 2009. The decrease was primarily attributable to lower overall income in the first quarter of 2010 versus the first quarter of 2009.

### Net Income

(\$000's)	2010	2009
Net income	1,298	5,003

Net income for the quarter ended March 31, 2010 was \$1.3 million or \$0.02 per share (basic and diluted) compared to net income of \$5.0 million or \$0.09 per share (basic and diluted) for the same quarter of 2009.

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

MAXIM utilizes existing cash, cash flows from operations and revolving credit facilities to provide liquidity to the Corporation, to finance maintenance-of-business capital expenditures, and finance development initiatives up to the permit stage. MAXIM plans for major maintenance initiatives and preserves cash and credit through its revolving credit facilities to finance these initiatives. In certain years it is possible that capital requirements will exceed these sources of financing. In these situations, MAXIM will arrange for debt financing as was done in 2009 to replenish capital which had been utilized for the Milner turnaround. The forecast cash flows from operations and revolving credit facilities are sufficient to meet future commitments, known obligations, and scheduled maintenance programs to maintain current generating capacity. Forecast cash flows are partially based upon management estimates of 2010 Alberta power prices. These estimates may prove to be imprecise due to the inherent volatility of commodity prices.

MAXIM has up to \$10.0 million in borrowing capacity through its revolving BMO operating facility, which is margined on the Corporation's accounts receivable balance. As at March 31, 2010, Facility A has an outstanding balance of \$4.5 million, which is comprised of \$2.7 million (December 31, 2009 - \$Nil) drawn on the revolving line and \$1.8 million in letters of credit (December 31, 2009 - \$1.8 million).

At March 31, 2010 and at the date of this MD&A, MAXIM had \$2.8 million (EUR 2.0 million) remaining undrawn under loan and lease agreements made during 2009 with various French banks. The funds will be used to reconfigure equipment at sites scheduled to provide peaking power services in 2010. These loans are secured by assignment of key contracts and facilities or life insurance policies on certain officers of COMAX. The remaining debt capacity is anticipated to be sufficient to complete the aforementioned projects.

In France, MAXIM has a working capital facility with a French bank to provide financing up to EUR 0.8 million, which is repayable upon collection of certain accounts receivable balances. MAXIM has no amounts outstanding on this balance as at March 31, 2010. These facilities are available to the Corporation to provide short term financing when unforeseen events occur.

During the first quarter of 2010, no material changes to contractual obligations were made that were outside the ordinary course of MAXIM's business.

MAXIM also requires capital (debt and equity) to finance development initiatives beyond the permit stage and for larger acquisitions. The recent global financial crisis had placed limitations on the ability of the Corporation to secure debt and equity financing. MAXIM is able to manage the timing of its acquisition and development initiatives to reduce liquidity risk and financial markets are easing.

The following table shows how the activities of the Corporation were financed.

(\$000's)	2010	2009
Cash on hand, unrestricted, January 1	13,394	10,039
Cash flow from operations	6,477	20,298
Cash flow from financing	3,908	(5,082)
Available for investments	23,779	25,255
Cash flow used in investing	(10,909)	(5,960)
Effect of foreign exchange rates on cash	(851)	(398)
Cash on hand, unrestricted, March 31	12,019	18,897
Restricted cash	1,449	1,788
Cash on hand, March 31	13,468	20,685

The decrease in cash flow from operations is primarily attributed to decreased revenues from Milner due to the decrease in Alberta Power prices during the first quarter of 2010 in comparison to the same quarter of 2009. The decrease is also partially due to working capital changes resulting from timing differences in collection of accounts receivables and payments to suppliers.

During the first quarter of 2010, MAXIM realized a net financing cash inflow of \$3.9 million, as \$5.4 million of long-term debt was issued in France and \$2.7 million was drawn on the BMO line of credit. This new debt was offset by \$4.2 million in repayments of debt and capital lease obligations during the quarter.

During the first quarter of 2009, MAXIM realized a net financing outflow of cash of \$5.1 million. MAXIM drew \$0.7 million through a capital lease at its wholly owned French subsidiary, repaid \$2.5 million on capital lease obligations and repaid \$2.9 million relating to long-term debt. MAXIM also acquired 95,500 common shares for \$0.3 million through a normal course issuers bid ("NCIB") during the first quarter of 2009.

MAXIM invested \$10.9 million in cash during the first quarter of 2010, consisting of \$6.4 million spent on the March 2, 2010 amalgamation with EarthFirst, \$4.2 million on property, plant, and equipment additions, and \$0.3 on intangible assets additions. The additions to property, plant, and equipment were comprised of \$2.0 million on peaking development in France, \$0.7 million on Mine No. 14, \$0.7 million on renovating two plants in France, \$0.4 million on various Milner projects, \$0.3 million on the Milner Expansion, and \$0.1 million on other projects. The intangibles additions comprised of \$0.3 million in costs incurred on the reduction of Milner's current nitrous oxide emissions to generate credits against emissions limits reductions taking effect in 2013.

During the first quarter of 2009, MAXIM spent \$5.9 million on investing activities. These activities included \$2.8 million on the acquisition of the Sebi and Chabossiere cogeneration facilities in France, \$2.9 million on capital expenditures at various facilities and \$0.2 million on nitrous oxide emissions credits.

The following table represents the net capital of the Corporation.

(\$000's)	March 31, 2010	March 31, 2009
Long-term debt	78,002	65,200
Capital lease obligation	13,697	23,893
Less: Cash	(13,468)	(20,685)
Net debt	78,231	68,408
Shareholders' equity	214,715	247,748
Net capital	292,946	316,156
Net debt to capital	27%	22%

The Corporation uses net debt to monitor leverage. The increase in net debt is the result of long-term debt issued during 2009 and during the first quarter of 2010 and the decrease in the cash balance at the end of the first quarter of 2010 in comparison to 2009. These changes were partially offset by scheduled debt repayments on the credit and lease facilities. The decrease in shareholders' equity in the year is the result of the decrease in accumulated other comprehensive income due to unrealized losses on translation of net foreign operations.

As at March 31, 2010, MAXIM was in compliance with all financial covenants on all of its credit facilities.

### **Working Capital**

The working capital deficit of \$3.1 million at the end of the first quarter of 2010 represents a \$1.5 million improvement from the working capital deficit of \$4.6 million at the end of 2009. MAXIM's accounts payable, income taxes payable, and current portion of capital lease contracts have decreased by a combined \$5.4 million, while the accounts receivable and inventory balances have increased by a combined \$2.7 million since the end of 2009. These changes are offset by a \$2.8 million increase in the current portion of long-term debt, a \$1.5 million decrease in the current portion of future income tax asset, a \$1.4 million decrease in cash, a \$0.7 million decrease in prepaid expenses, and \$0.2 million of other small working capital fluctuations.

The decrease in accounts payable and increase in accounts receivable is primarily due to the seasonality of the France cogeneration business which operates for the five month period from November to March. The increase in inventory is due to the replenishment of Milner's coal stockpile during the quarter. The current portion of capital lease payable decreased due to repayments during the quarter and due to a weaker US dollar and Euro at March 31, 2010 versus December 31, 2009. The current portion of long-term debt increased due to the draw of France debt during the quarter to fund the continued investment in peaking development and due to the draw on the BMO revolving line of credit. The debt issuances were partially offset by debt repayments and the weaker US dollar and Euro.

## SELECTED QUARTERLY FINANCIAL INFORMATION

### Financial Quarter Ended (Unaudited)

(\$000's except per share and per MWh amounts)	2010	2009				2008		
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	June 30
Revenue	50,775	41,977	27,628	18,856	55,276	53,429	31,042	14,797
EBITDA <sup>(1)</sup>	11,930	8,177	6,696	713	17,433	18,251	11,189	(5,536)
Net income (loss) from continuing operations	1,298	505	848	(4,227)	5,003	7,520	3,804	(6,639)
Income (loss) from discontinued operations	-	-	-	-	-	-	-	537
Net income (loss)	1,298	505	848	(4,227)	5,003	7,520	3,804	(6,102)
Basic and diluted income (loss) per share – continuing operations	\$0.02	\$0.01	\$0.02	\$(0.08)	\$0.09	\$0.15	\$0.08	\$(0.15)
Basic and diluted loss per share – discontinued operations	-	-	-	-	-	-	-	0.01
Basic and diluted income (loss) per share	\$0.02	\$0.01	\$0.02	\$(0.08)	\$0.09	\$0.15	\$0.08	\$(0.14)
Total assets	384,635	376,621	356,112	359,986	400,431	395,720	337,380	281,193
Average Alberta electricity price per MWh	\$41	\$46	\$50	\$32	\$63	\$95	\$80	\$108
Average Milner realized electricity price per MWh	\$42	\$48	\$50	\$33	\$67	\$98	\$85	\$98

<sup>(1)</sup> Refer to Non-GAAP – EBITDA measure below for reconciliation of EBITDA to comparable measure calculated in accordance with GAAP. Selected quarterly unaudited financial information was prepared in accordance with Canadian GAAP except EBITDA.

Quarter over quarter revenue, EBITDA and net income are affected by planned and unplanned outages, market demand, market prices, timing of acquisitions, weather conditions, and acquisitions and divestitures. Revenue, EBITDA and net income are generally higher in the first and fourth quarters as a result of the seasonal operations of the French facilities as the French cogeneration season operates from the start of November through to the end of March. Revenues, EBITDA and net income (loss) are also affected by seasonal Alberta power pool prices. Alberta pool prices tend to be higher during winter and summer peak load months and further impacted by supply constraints such as outages at other Alberta generation facilities.

Revenue, EBITDA and net income increased during the first quarter of 2010 in comparison to the second and third quarters of 2009. This is consistent with the seasonality described above.

During the third quarter of 2009, MAXIM recorded higher revenue, EBITDA and net income in comparison to the second quarter of 2009 which is when the lowest average Alberta power prices of the year are typically experienced. In addition to the impact of low power prices, the second quarter results were negatively impacted by the annual Milner turnaround. In the first quarter of 2009 and the third and fourth quarter of 2008, MAXIM recorded higher revenue and EBITDA as a result of the 2008 acquisitions of the Forked River and Pittsfield generating stations and a French cogeneration facility. This was partially offset by a decrease in the Milner realized average power price in first quarter 2009 compared to the fourth quarter of 2008. In the second quarter of 2008, Milner had an extended eight-week turnaround that resulted in lower revenue, EBITDA and net income, which was offset by the acquisition of Forked River and a higher than average Alberta power price.

## NON-GAAP MEASURES

### EBITDA

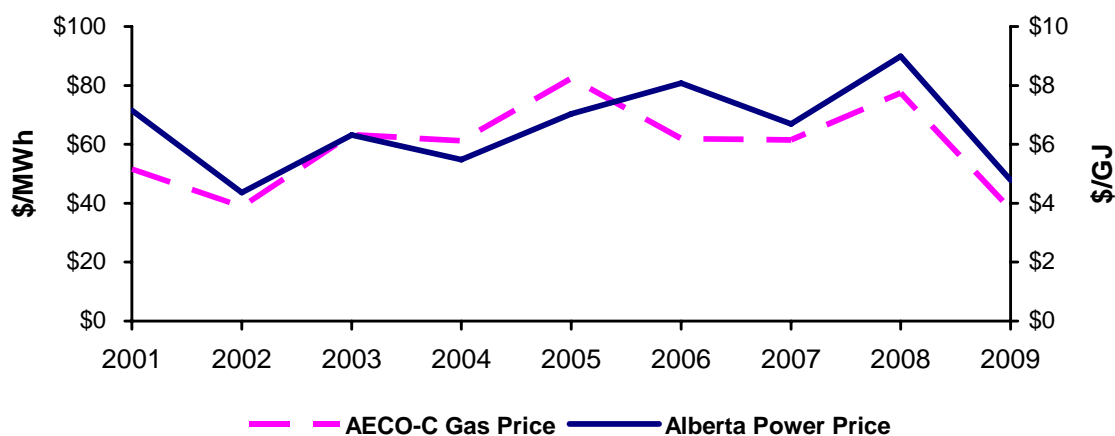
(\$000's)	Q1 2010	Q1 2009
GAAP Measures from Consolidated Statements of Operations and Retained Earnings		
Net income for the period	1,298	5,003
Income taxes	1,347	2,965
Interest expense	1,373	1,602
Depreciation and amortization	7,912	7,863
<b>Non-GAAP measure – EBITDA</b>	<b>11,930</b>	<b>17,433</b>

EBITDA is provided to assist management and investors in determining the Corporation's approximate operating cash flows before interest, income taxes, and depreciation and amortization. EBITDA does not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other companies.

Management believes that presentation of this non-GAAP measure provides useful information to investors and shareholders as it provides predictive value and assists in the evaluation of performance trends. Management uses EBITDA to compare financial results among reporting periods and to evaluate MAXIM's operating performance and ability to generate funds from operations. EBITDA is calculated as described above, adjusted for specific items that are significant but not reflective of the Corporation's underlying operations. Adjustment of these specific items is subjective; however, management uses its judgment and informed decision-making when identifying items to be excluded. No adjustments to EBITDA for specific items were made during the first quarter of 2010 or 2009.

### OUTLOOK

The Corporation's outlook depends on Alberta electricity and fuel prices. Electricity prices are a key revenue determinant for MAXIM's Milner and Gold Creek facilities. Alberta electricity prices fluctuate based on the supply of and demand for electricity within Alberta as well as key inputs costs such as the cost of natural gas. The following chart compares the average annual Alberta electricity price to Alberta natural gas price since deregulation of the electric industry in Alberta. Increasing demand for electricity and natural gas would likely have a positive effect on electricity prices.



## **Operations**

Milner Power Limited Partnership's ("MPLP") supply of thermal coal to the Milner Facility is primarily sourced from Coal Valley Resources Inc.'s ("CVRI") mine located in Hinton, Alberta. In July of 2008, MPLP exercised its option to extend the term of the coal supply agreement ("CSA") for an additional five years expiring on December 31, 2013. The price of coal during the extension term is established in the CSA and reflects an annual inflation adjustment over the prior year's price. It is CVRI's view that it has the right to initiate a price review and has given notice to MPLP that it wishes to review the price for the extension term. It is MAXIM's view that the price review can only be initiated if anticipated operating costs at the Coal Valley mine would not allow its profitable operation at the price levels set out in the CSA. MAXIM does not believe this condition has been satisfied and does not believe a price review is warranted under the CSA. CVRI has referred this matter to arbitration and a decision is anticipated in May 2010. A price adjustment could result in a material obligation arising during the second quarter of 2010 relating to coal purchased from February 1, 2009 up to the date of the arbitration decision and could result in a material adverse impact to MAXIM's 2010 and future earnings. Mine 14 has coal resources sufficient to satisfy the coal requirements of Milner for an estimated 27 years and in addition to alternate fuel supplies, can mitigate this impact beyond 2010. MAXIM will issue guidance for 2010 following the decision of the arbitrator.

## **Acquisition and development initiatives**

MAXIM will continue its IPP strategy to target growth through acquisitions and development of power plants in the markets of Western Canada, United States and France. MAXIM will target opportunities with generating capacity of 50 MW or greater, except in France where COMAX's distributed generation platform targets smaller scale power plants. MAXIM will also pursue the development of its Mine No. 14 coal project as a fuel source for the production of electricity and potentially the sale of coal to third parties.

Supply and demand for electricity, reserve margins, tariff structures, and the regulatory environment will be key fundamental factors in determining whether to pursue opportunities in a market. Demand is highly correlated to economic growth and a market structure favourable to investors. Under the current global financial market conditions, Alberta's oil and gas industry has realized reduced development in comparison to recent years, which impacted the growth of demand for electricity. IPPs have obstacles acquiring the necessary capital to pursue growth objectives.

On December 2, 2009, the Alberta Energy Resources Conservation Board ("ERCB") granted Milner a permit to develop the underground coal mine referred to by the Corporation as Mine No. 14.

Mine No. 14 is to be located north of Grande Cache, Alberta and is estimated to contain 13 million recoverable tonnes of high quality metallurgical coal. (Refer to Technical Report on The No. 14 Mine Project filed on SEDAR on March 22, 2005.) MAXIM is developing the mine as a risk mitigant considered necessary as Milner's current coal supply agreement terminates in 2013. The resource is considered valuable both as a potential fuel source for its existing HR Milner generating facility and its planned 500 MW expansion of the HR Milner generating facility, and upside exists in the potential sale of coal to metallurgical coal markets.

The ERCB decision is the culmination of a three year process that involved extensive public consultation, engineering and the preparation and review of regulatory applications. Development engineering, geotechnical studies and mine plans have been completed. During the first quarter of 2010, MAXIM continued the evaluation of options to advance the development and financing of Mine No. 14. MAXIM has held discussions with numerous counterparties to advance the Corporation's goal of identifying the highest value commercial use for Mine No. 14.

MAXIM is also proposing to develop a new generating facility at the existing Milner location with the addition of 500 MW of clean coal-fired generating capacity. Environmental and engineering studies were completed in the third quarter of 2008. MAXIM filed its regulatory applications with the Alberta Utilities Commission and Alberta Environment in January of 2009. MAXIM continued to progress the development initiative during the first quarter of 2010, while the regulatory review process has commenced and is expected to conclude in the fourth quarter of 2010.

On March 2, 2010, the Corporation amalgamated with EarthFirst Canada Inc., thereby securing the Buffalo Atlee power project, a wind generation development project located in close proximity to existing electricity transmission infrastructure, with the potential for over 200 MW of wind generation capacity. MAXIM has obtained Buffalo Atlee with the intention of advancing its development as the addition of wind generation to its existing portfolio of assets would diversify MAXIM's generation fuel types and provide the potential of carbon offsets depending upon the impact of possible carbon legislation. Wind data has been collected on the site for four years and Buffalo Atlee holds an exploratory Crown land permit with a term of five years, expiring on January 1, 2011. MAXIM intends to renew the permit.

In 2008, MAXIM received regulatory approvals to construct and operate the Deerland Peaking Station, a 190 MW natural gas-fired peaking facility. The station is to be located immediately adjacent to the existing Deerland high voltage substation in Alberta's industrial heartland, an area expected to experience significant growth in electrical demand. MAXIM expects peaking requirements to continue to grow to meet overall demand growth and to provide firm backup for additional intermittent wind resources. Arrangements are subject to improving power prices and market heat rates.

MAXIM requires capital (debt and equity) to finance development initiatives beyond the permit stage and for larger acquisitions. The current economic and financial conditions place limitations on the ability of the Corporation to secure debt and equity financing. MAXIM maintains the flexibility to manage the timing of its acquisition and development initiatives. MAXIM accounts for its development projects as assets under construction included in property, plant, and equipment. Capitalization of costs associated with these projects commences once technical and economic feasibility is established. If a project were to no longer meet these criteria, any capitalized costs for the project would be expensed in the period.

## **ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION**

### **Provincial and state regulations**

Pursuant to the Climate Change and Emissions Act (Alberta) which became effective on July 1, 2007, MAXIM is required to limit the production of carbon dioxide at the Milner facility to an approved baseline. MAXIM was fully compliant with the first quarter of 2010 baseline and was not obligated to make payments to the Alberta government's technology fund in the first quarter of 2010.

In 2006, the Alberta government enacted regulations under the Environmental Protection and Enhancement Act (Alberta) to specify target sulphur dioxide and nitrous dioxide emissions from industrial operations. Milner is affected by these regulations and is required to reduce its nitrous dioxide emissions by 75 percent commencing in 2013. MAXIM has determined that the most cost-effective means of achieving the targets for the three-year period of 2013 to 2015 is to take early action through early reduction of emissions, with reductions of nitrous dioxide prior to 2013 being used to satisfy target reductions in 2013. MAXIM continues to monitor nitrous dioxide emissions to ensure the appropriate measures are taken to meet externally imposed targets. As at March 31, 2010 MAXIM has invested \$4.1 million towards nitrous dioxide emissions credits.

On January 24, 2008 the Government of Alberta announced a new climate change plan that is intended to cut Alberta's projected 400 million tonnes of emissions by 50 percent by 2050. To achieve this target, the plan focuses on carbon capture and storage, conservation and energy efficiency, and "greener" energy

production. MAXIM continues to assess the impact of the plan on its operations and acquisition and development initiatives.

The Corporation's facilities in the northeast U.S. are subject to the Regional Greenhouse Gas Initiative ("RGGI"). During 2008, the Corporation purchased 26,000 tonnes of allowances, which were adequate to cover the generation during the first three months of 2010. Management will monitor future generation levels and acquire allowances as necessary to comply with RGGI.

### **Federal government regulations**

On April 26, 2007 the Government of Canada unveiled its action plan to reduce greenhouse gases and air pollution. The proposed framework for the Clean Air Regulatory Agenda ("CARA") targets stabilization then reduction of greenhouse gases and air pollutants. Short-term targets are to be expressed as reductions from 2006 levels. For existing facilities, emission "intensity" reduction targets are to be based on an improvement of 6% each year from 2007 to 2010 (for cumulative reduction of 18% of 2006 levels by 2010). Every year thereafter, a 2% continuous emission-intensity improvement will be required, resulting in an industrial emission-intensity reduction of 26% by 2015. Companies, including MAXIM, are expected to meet their obligations by reducing their own emissions, contributing to a technology fund, using emissions trading or offsets, or by using a one-time credit for verifiable "early" action undertaken between 1992 and 2006. On March 10, 2008 the Government of Canada released draft regulations addressing GHG emissions. The date that the finalized regulations will be issued is uncertain at this time.

There are indications that the U.S. federal government is moving to take active steps to reduce greenhouse gas emissions. Various pieces of federal legislation that would limit greenhouse gas emissions have been introduced in the U.S. Congress, some form of which may be enacted at some point in the future. The U.S. Environmental Protection Agency ("EPA") has indicated it will regulate greenhouse gases (six gases including carbon dioxide) under the existing Clean Air Act. It has issued a rule requiring major greenhouse gas emitters to report such emissions. The EPA has also issued a finding that greenhouse gases endanger public health and welfare, and has indicated that it will regulate greenhouse gases from a wide range of stationary sources, including power plants. This announcement is unlikely to have a material adverse effect on MAXIM's US assets.

In the European Union, there exists a policy based on a principal of "polluter pays". Clean technologies and energy efficiency and energy conservation measures are important considerations, given the dense population and high energy demands in Europe. The Corporation's operations in France meet all current emission guidelines and the Corporation is not aware of any new legislation or environmental policies impacting current guidelines.

Climate change legislation continues to evolve. Management does not have sufficient information to fully assess the financial implications of this area of legislation on the Corporation. The cost of compliance may be recovered through sales or through commercial opportunities that mitigate additional costs. If climate change legislation burdens coal-fired generation with major new taxes that cannot be recovered from the market and there are not economic or commercial opportunities to reduce these taxes by investing in technology, efficiency and/or offsets, then this legislation could have a material effect on the Corporation's operations, cash flows and financial condition.

## **CHANGES IN ACCOUNTING POLICIES**

### **International financial reporting standards ("IFRS")**

On February 13, 2008, the CICA Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. Comparative figures for the

equivalent periods of 2010 are required. MAXIM is continuing to assess the impact of IFRS on accounting policies, financial statements, internal controls, information systems and business activities.

MAXIM has developed an IFRS changeover plan that includes initial assessment, detailed assessment and implementation phases. The Corporation has completed the initial assessment stage, which included certain staff training, obtaining external IFRS expertise, researching and documenting the impact of significant differences between Canadian GAAP and IFRS, and performing the preliminary assessment of IFRS information technology systems requirements.

Following initial assessment, MAXIM concluded that although IFRS uses a conceptual framework similar to Canadian GAAP, certain recognition, measurement, and disclosure differences exist which may have a significant impact on the Corporation's financial reporting. The initial assessment phase determined that these areas include, but are not limited to, property, plant and equipment, impairment, business combinations, leases, future income taxes, and provisions.

The Corporation has now progressed well into the detailed assessment stage, which includes assigning various financial statement items and disclosures to work groups that are focused on concluding on IFRS 1 elections, identifying and documenting detailed differences between IFRS and Canadian GAAP, assessing the impact of such differences on the Corporation, and preparing detailed technical papers on the Corporation's IFRS accounting policies and choices. MAXIM's auditor, KPMG, is reviewing these technical papers as they are being prepared, and upon finalization these papers will form the foundation for MAXIM's accounting and reporting policies under IFRS. Completion of the detailed assessment stage is expected by the end of the third quarter of 2010.

The Corporation has entered the detailed testing and implementation stage of the IFRS conversion and anticipates that this phase will be completed by December 31, 2010. During this stage of the changeover project MAXIM will:

- quantify the impact of IFRS differences and prepare an opening IFRS balance sheet as at January 1, 2010
- prepare and maintain quarterly reconciliations between Canadian GAAP and IFRS during 2010
- obtain supplemental training as needed
- design, document and test internal financial reporting and disclosure controls to support certification of controls during and after the initial transition to IFRS
- obtain Board and Audit Committee approvals of exemption elections and accounting policy choices and related documentation

All above implementation steps will be completed for full IFRS compliance for the fiscal year 2011.

MAXIM's detailed assessment to date has resulted in the identification of the areas most likely to significantly impact the corporation. Those areas include, but are not limited to, accounting policy impacts and decisions (first-time adoption of IFRS, property, plant, and equipment, impairment, income taxes, business combinations, provisions, leases), information systems, internal control over financial reporting and disclosure, and business activities (debt covenants and counter party credit requirements).

The conversion to IFRS will impact the way the Corporation presents its financial results. The first financial statements prepared under IFRS will be issued for the three month period ended March 31, 2011 and will include numerous notes disclosing extensive transitional information and full disclosure of all new IFRS accounting policies.

While tentative conclusions have been drawn regarding most key accounting policies and significant elections, it is important to note that the final numerical impact of most IFRS standards on MAXIM

financial statements have not yet been quantified. Additionally, several IFRS standards are in the process of being amended by the International Accounting Standards Board ("IASB") and amendments to certain standards are expected to continue up to the transition date of January 1, 2011. MAXIM continues to monitor IASB progress and to assess the impact that resulting IFRS changes may have on the Corporation. Since all changes to IFRS which will be effective as at January 1, 2011 are not known, any conclusions drawn at this point in time are considered preliminary.

## **CONTROLS AND PROCEDURES**

The President and Chief Executive Officer ("CEO") and the Vice President, Finance and Chief Financial Officer ("CFO"), together with other members of management have designed and maintained disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have concluded that the Corporation's disclosure controls and procedures are not effective for the foregoing purposes due to the weakness discussed below for internal control over financial reporting.

The CEO and the CFO are also responsible for designing and maintaining internal control over financial reporting, as defined under rules adopted by the Canadian Securities Administrators, within the Corporation which are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. MAXIM has adopted the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations (COSO Framework) for the design of its internal control over financial reporting.

The CEO and CFO identified the following material weakness in the operational effectiveness of the Corporation's internal control over financial reporting as of December 31, 2009. The Corporation does not have a sufficient number of finance personnel with the required technical knowledge to address all complex accounting and tax issues that may arise and this may result in inaccuracies in financial reporting. Management mitigates this weakness by periodically utilizing outside consultants for assistance as required to the fullest extent reasonable or by developing in-house expertise or recruiting personnel with the necessary expertise; however, such mitigating procedures do not constitute a compensating control for the purposes of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. The Corporation has determined that it is not cost-effective to fully remediate this weakness and accordingly a weakness will continue in the foreseeable future. No impact on amounts reported for the first three months of 2010 is anticipated.

The Corporation is required to disclose herein any change in the Corporation's internal control over financial reporting that occurred during the period beginning on January 1, 2010 and ended on March 31, 2010 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting. No material changes in the Corporation's internal control over financial reporting were identified during such period that has materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## TRANSACTIONS WITH RELATED PARTIES

There were no transactions with related parties during the first quarter of 2010 or 2009.

## OTHER INFORMATION

### Outstanding Share Data

Issued common shares at March 31, 2010 and May 14, 2010	54,032,091
Outstanding share options	4,393,992
Total diluted common shares at May 14, 2010	58,426,083

Additional information relating to MAXIM, including the Annual Information Form, is posted on SEDAR at [www.sedar.com](http://www.sedar.com) under Maxim Power Corp. and at the Corporation's website [www.maximpowercorp.com](http://www.maximpowercorp.com).

## GLOSSARY OF TERMS

The following are definitions of certain terms used throughout this MD&A:

**"Alberta Power Pool"** - An independent, central, open-access pool that functions as a spot market for all energy bought and sold in Alberta, matching demand with the lowest supply to establish an hourly pool price

**"APP"** - The Alberta Power Project, consisting of four separate facilities in southern Alberta with a combined 25 MW capacity, was constructed by MAXIM in 2001, operates through a tolling agreement, and is included in the Canada segment for the purposes of reporting segmented information

**"Basin Creek"** - Basin Creek generating facility, a 52 MW generating facility located in Montana and operated under a 20 year tolling agreement, commenced operations on July 1, 2006 and is included in the United States segment for the purposes of reporting segmented information

**"BMO"** - Bank of Montreal

**"Capacity"** - The rated continuous load-carrying ability, expressed in megawatts, of generation equipment (throughout the MD&A references to electric and thermal capacity are stated in "nameplate" capacity,

**"CARA"** - Clean Air Regulatory Agenda, an integrated, nationally-consistent approach to the regulation of greenhouse gas and air pollutant emissions which is the capacity that the manufacturer has stated the equipment is capable of producing)

**"CICA"** - Canadian Institute of Chartered Accountants

**"Cogeneration"** - The combined, simultaneous generation of heat (usually in the form of hot water or steam) and power (usually in the form of electricity)

**"COMAX"** - Comax France S.A.S., MAXIM's wholly-owned French subsidiary

**"CSA"** - Coal supply agreement

**"CVRI"** - Coal Valley Resources Inc.

**"Dispatch"** - Intermittent operation as dictated by a local system operator or the party to a tolling agreement

**"EdF"** - Electricité de France

**"EPA"** - Environmental Protection Agency of the United States of America

**"ERCB"** - Energy Resources Conservation Board of Alberta

**"Exchange"** - Toronto Stock Exchange

**"Forked River"** - Forked River Power Plant, an 86 MW power plant located in Ocean County, New Jersey, was acquired by MAXIM on April 17, 2008, is run under a tolling agreement, and is included in the United States segment for the purposes of reporting segmented information

**"G&A"** - General and administrative expense

**"GAAP"** - Generally accepted accounting principles

**"Gift Lake"** - Gift Lake Power Plant, a 0.8 MW plant located in north-central Alberta, was sold by MAXIM in June 2008 and was previously included in the Canada segment for the purposes of the reporting of segmented information

**"Gold Greek"** - Gold Creek generating facility, a 6.5 MW generating facility acquired by MAXIM in 2001, utilizes waste heat from a main line gas compressor to generate power and is included in the Canada segment for the purposes of reporting segmented information

**"Heat Rate"** - A measure of conversion, expressed as MMBtu/MWh or GJ/MWh, of the amount of thermal energy required to generate electrical energy

**"IFRS"** - International Financial Reporting Standards

**"IPP"** - Independent power producer, meaning a corporation or other entity that owns or operates facilities for the generation of electricity that is purchased at wholesale prices and that is not a rate-regulated electric utility

**"LRFM"** - Locational Forward Reserve Market, an electricity market developed by "NE-ISO" to provide economic incentives to resources providing real-time operating reserve supplies during peak periods

**"MAXIM"** - Maxim Power Corp.

**"MD&A"** - Management's Discussion and Analysis

**"Milner"** - HR Milner, a 150 MW (nameplate capacity) coal-fired power station located near the town of Grande Cache, Alberta has been in continuous operation since 1972 and was acquired by MAXIM on March 31, 2005

**"MPLP"** - Milner Power Limited Partnership

**"MW"** - Megawatt, a measure of electricity that is equivalent to one million watts

**"MWh"** - Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour

**"NCIB"** - Normal Course Issuer Bid, the action of a company buying back its own outstanding shares from the market so it can cancel them in order to add value to remaining outstanding shares

**"NE-ISO"** - ISO New England is a US regional transmission organization serving Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

**"O&M"** - Operations and maintenance

**"PPA"** - Power Purchase Agreement, a contract between an electricity generator and customer for the supply of energy and/or capacity, typically used to sell the output of an electrical generating asset for a defined revenue stream (see also tolling agreement)

**"Pittsfield"** - Pittsfield generating station, a 170 MW electric power plant in Pittsfield, Massachusetts, was acquired by MAXIM on August 6, 2008 and is included in the United States segment for the purposes of reporting segmented information

**"RGGI"** - Regional Greenhouse Gas Initiative, a cooperative effort by ten Northeast and Mid-Atlantic states to limit greenhouse gas emissions

**"Somal"** - Somal Power Plant, a 7 MW cogeneration plant in France, was acquired by COMAX on April 1, 2008 and is included in the France segment for the purposes of reporting segmented information

**"Tolling (Tolling Agreement)"** - An agreement whereby MAXIM imposes tolling charges as compensation for processing natural gas to produce electricity through one of its generating facilities. The counterparty is responsible for procuring the natural gas and owns the electricity generated at the facility

**"Turnaround"** - Scheduled large-scale maintenance activity wherein an entire process, facility or generating unit is taken offline for an extended period for comprehensive revamp and renewal

**"Unplanned Outage"** - Shutdown of a generating unit due to an unanticipated breakdown

**"US or United States"** - The United States of America

Words importing the singular number, where the context requires, include the plural, and vice versa, and words importing any gender include all genders.