



Consolidated Interim Financial Statements of

MAXIM POWER CORP.

for the Second Quarter ended June 30, 2016
(unaudited)



**FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE**

I, M. Bruce Chernoff, Interim Chief Executive Officer of Maxim Power Corp., certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Maxim Power Corp. (the "issuer") for the interim period ended June 30, 2016.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - (ii) information required to be disclosed by the issuer 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 periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.
- 5.1 **Control framework:** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the Internal Control - Integrated Framework (2013) published by the Committee of Sponsoring Organizations, of the Treadway Commission (COSO).

5.2 **ICFR – material weakness relating to design:** The issuer has disclosed in its interim MD&A for each material weakness relating to design existing at the end of the interim period

- (a) a description of the material weakness;
- (b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and
- (c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

5.3 **N/A**

6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1, 2016 and ended on June 30, 2016, that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: August 10, 2016

(signed) "M. Bruce Chernoff"

M. Bruce Chernoff
Interim Chief Executive Officer



**FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE**

I, Michael R. Mayder, Senior Vice President, Finance and Chief Financial Officer of Maxim Power Corp., certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Maxim Power Corp. (the "issuer") for the interim period ended June 30, 2016.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
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 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - (ii) information required to be disclosed by the issuer 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 periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.
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- (a) a description of the material weakness;
- (b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and
- (c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

5.3 **N/A**

6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1, 2016 and ended on June 30, 2016, that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: August 10, 2016

(signed) "Michael R. Mayder"

Michael R. Mayder
Senior Vice President, Finance and Chief Financial Officer

Condensed Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the Second Quarter Ended June 30, 2016

(Unaudited)

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	June 30, 2016	December 31, 2015
ASSETS			
Cash and cash equivalents		8,874	5,884
Trade and other receivables		9,806	20,871
Income taxes recoverable		762	1,070
Prepaid expenses and deposits		2,254	2,532
Inventories	4	10,892	19,331
Risk management asset	13	231	-
Total current assets		32,819	49,688
Property, plant and equipment, net		239,375	257,117
Restricted cash		1,308	1,405
Intangible assets, net		21,033	23,224
Deferred tax assets		5,100	5,100
Other assets		11,039	10,364
Total non-current assets		277,855	297,210
TOTAL ASSETS		310,674	346,898
LIABILITIES			
Trade and other payables		16,553	28,906
Deferred revenue		721	330
Loans and borrowings	5	17,887	7,579
Total current liabilities		35,161	36,815
Loans and borrowings	5	54,268	61,149
Provisions for decommissioning		18,872	16,981
Deferred tax liabilities		12,786	15,166
Total non-current liabilities		85,926	93,296
TOTAL LIABILITIES		121,087	130,111
EQUITY			
Share capital		156,323	156,248
Contributed surplus		11,263	10,686
Accumulated other comprehensive income		22,633	34,138
Retained earnings (deficit)		(1,347)	15,010
Equity attributable to shareholders		188,872	216,082
Non-controlling interests		715	705
TOTAL EQUITY		189,587	216,787
<i>Going concern</i>	2		
<i>Commitments and Contingencies</i>	9,10		
TOTAL LIABILITIES AND EQUITY		310,674	346,898

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Income (Loss)

For the three and six months ended June 30
(in thousands of Canadian dollars)

	Note	Three months ended June 30		Six months ended June 30	
		2016	2015	2016	2015
Revenue		11,613	23,027	49,831	70,548
Expenses					
Operating	4	15,475	15,597	52,845	59,955
General and administrative		1,575	1,767	2,906	3,165
Depreciation and amortization		3,132	3,336	12,512	11,730
Gain on commodity swaps	13	(231)	-	(231)	-
Reversal of asset impairment charge		-	-	-	(1,500)
Gain on derivative coal contracts	13	-	(3,418)	-	(3,719)
Other (income) expense, net	6	1,060	5,643	(209)	4,875
Operating income (loss)		(9,398)	102	(17,992)	(3,958)
Finance expense (income), net	7	523	937	(598)	3,839
Loss before income taxes		(9,921)	(835)	(17,394)	(7,797)
Income tax expense (benefit)					
Current		(258)	(220)	658	401
Deferred		(1,321)	(3,180)	(1,792)	(4,960)
		(1,579)	(3,400)	(1,134)	(4,559)
Net income (loss)		(8,342)	2,565	(16,260)	(3,238)
Attributable to:					
Non-controlling interest		6	(16)	97	108
Shareholders		(8,348)	2,581	(16,357)	(3,346)
Net income (loss) attributable to shareholders per share:	8				
Basic earnings		(0.15)	0.05	(0.30)	(0.06)
Diluted earnings		(0.15)	0.05	(0.30)	(0.06)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)

For the three and six months ended June 30
(in thousands of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Net income (loss)	(8,342)	2,565	(16,260)	(3,238)
Other comprehensive income (loss), net of tax:				
Items that may be subsequently reclassified to net income				
Unrealized gains (losses) on translation of foreign operations	(2,225)	(503)	(11,545)	7,949
Total comprehensive income (loss)	(10,567)	2,062	(27,805)	4,711
Comprehensive income (loss) attributable to:				
Non-controlling interest	(13)	(7)	57	123
Shareholders	(10,554)	2,069	(27,862)	4,588

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Changes in Equity

For the six months ended June 30

(in thousands of Canadian dollars, except common share data)

	Common shares (thousands)	Share capital	Contributed surplus	Accumulated other comprehensive gain (loss)	Retained earnings (deficit)	Equity attributable to shareholders	Non- controlling interest	Total
Equity at December 31, 2015	54,219	156,248	10,686	34,138	15,010	216,082	705	216,787
Net income (loss)	-	-	-	-	(16,357)	(16,357)	97	(16,260)
Stock options exercised	30	75	(16)	-	-	59	-	59
Share-based compensation	-	-	593	-	-	593	-	593
Translation of foreign operations	-	-	-	(11,505)	-	(11,505)	(40)	(11,545)
Distributions to non-controlling interest	-	-	-	-	-	-	(47)	(47)
Equity at June 30, 2016	54,249	156,323	11,263	22,633	(1,347)	188,872	715	189,587
Equity at December 31, 2014	54,219	156,248	9,908	8,393	92,428	266,977	606	267,583
Net income (loss)	-	-	-	-	(3,346)	(3,346)	108	(3,238)
Share-based compensation	-	-	293	-	-	293	-	293
Translation of foreign operations	-	-	-	7,934	-	7,934	15	7,949
Distributions to non-controlling interest	-	-	-	-	-	-	(41)	(41)
Equity at June 30, 2015	54,219	156,248	10,201	16,327	89,082	271,858	688	272,546

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Cash Flows

For the six months ended June 30
(in thousands of Canadian dollars)

	Note	2016	2015
Cash flows from operating activities:			
Net loss		(16,260)	(3,238)
Adjustments for items not involving cash or operations:			
Depreciation and amortization		12,512	11,730
Reversal of asset impairment charges		-	(1,500)
Inventories write-down	4	6,661	4,234
Restructuring of Alberta operations - non-cash consideration		-	3,676
Share-based compensation		593	293
Unrealized gain on derivative coal contracts	13	-	(3,719)
Unrealized gain on commodity swaps	13	(231)	-
Income tax benefit		(1,134)	(4,559)
Income taxes paid		(289)	(663)
Finance expense (income)	7	(593)	3,864
Loss on disposal of spare engines	6	376	-
Gain on sale of emission performance credits		-	(47)
Approved emission performance credits	6	(340)	(1,631)
Funds from operating activities before changes in working capital		1,295	8,440
Change in non-cash working capital	11	2,643	(6,075)
Net cash generated from operating activities		3,938	2,365
Cash flows from financing activities:			
Issuance of loans and borrowings		10,718	5,932
Repayment of loans and borrowings		(3,859)	(6,219)
Proceeds from exercise of stock options		59	-
Interest paid		(2,014)	(1,794)
Net cash generated from (used in) financing activities		4,904	(2,081)
Cash flows from investing activities:			
Property, plant and equipment		(3,832)	(12,731)
Proceeds on sale of emission performance credits		-	3,374
Increase in non-current deposits and restricted cash		-	(511)
Proceeds on sale of spare engines		627	-
Change in non-cash working capital	11	(2,030)	688
Net cash used in investing activities		(5,235)	(9,180)
Unrealized foreign exchange gain (loss) on cash and cash equivalents		(617)	501
Increase (decrease) in cash and cash equivalents		2,990	(8,395)
Cash and cash equivalents, beginning of period		5,884	17,142
Cash and cash equivalents, end of period		8,874	8,747

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

MAXIM POWER CORP.

Notes to Condensed Consolidated Interim Financial Statements, Page 1

For the three and six months ended June 30, 2016

(Amounts in thousands of Canadian dollars except as otherwise noted)

1. Reporting entity

Maxim Power Corp. is incorporated in the province of Alberta, Canada. Maxim Power Corp. and its subsidiaries (together "MAXIM" or the "Corporation") is an independent power producer, which acquires or develops, owns and operates power and power related projects. The Corporation has power generation facilities in Alberta, the United States of America ("United States") and France. The Corporation's common shares trade on the Toronto Stock Exchange under the symbol "MXG". MAXIM's registered office is Suite 1210, 715 – 5 Avenue S.W., Calgary, Alberta, Canada, T2P 2X6.

2. Basis of preparation and statement of compliance

(a) Going concern

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, which presumes that MAXIM will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at June 30, 2016, MAXIM determined it will breach its debt service coverage ratio ("DSCR"), minimum equity, interest coverage and net funded debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") financial covenants in relation to its Canadian bank facilities. On August 9, 2016, management obtained a waiver for these covenant breaches from the bank.

This quarter is the sixth consecutive quarter the Corporation has breached at least one financial covenant related to its revolving credit facility. MAXIM has been able to procure waivers at each reporting date for the financial covenant breaches.

At June 30, 2016, the Corporation has a working capital deficit of \$2,342. This is due to draws on the Canadian bank facility of \$10,718 at June 30, 2016. This amount is classified as a current liability as a result of the expiration of the facility at August 31, 2016.

In these circumstances, management believes the going concern assumption is appropriate for these consolidated financial statements but is contingent upon the successful raising of sufficient capital or sale of assets in the future, as required. There can be no assurance that the steps management is taking will be successful. This assumption will be reviewed on an ongoing basis by management and the Board of Directors. If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the statement of financial position classifications used.

There is, as a result of the above conditions, a material uncertainty that may raise a significant doubt about the appropriateness of using the going concern assumption. The Corporation's ability to continue as a going concern is dependent upon its ability to generate sufficient cash to settle its existing liabilities and commitments and fund its business plan without additional financing.

MAXIM POWER CORP.

Notes to Condensed Consolidated Interim Financial Statements, Page 2

For the three and six months ended June 30, 2016
(Amounts in thousands of Canadian dollars except as otherwise noted)

2. Basis of preparation and statement of compliance (continued)

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements, are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The unaudited condensed consolidated interim financial statements do not include all the information required for annual financial statements. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Corporation's December 31, 2015 annual audited consolidated financial statements, available at www.sedar.com.

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on August 9, 2016.

3. Significant accounting policies, judgments and estimates

The significant accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements have been applied consistently for all periods presented and are unchanged from the policies disclosed in the notes to the consolidated financial statements for the year ended December 31, 2015.

The use of judgments and estimates in the preparation of these unaudited condensed consolidated interim financial statements has been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2015.

4. Inventories

	June 30, 2016	December 31, 2015
Coal (a)	2,652	9,946
Fuel oil	2,663	3,138
Plant parts and stock items (b)	5,577	6,247
Total inventories	10,892	19,331

(a) In the second quarter and first six months of 2016, coal inventories at the Milner generating facility ("M1") were written down by \$1,900 and \$6,098, respectively, to net realizable value. The write-downs are included in operating expense on the statement of loss.

(b) In the first quarter of 2016, plant parts and stock items at M1 were written down by \$563 to net realizable value. The write-down is included in operating expense in the statement of loss.

MAXIM POWER CORP.

Notes to Condensed Consolidated Interim Financial Statements, Page 3

For the three and six months ended June 30, 2016

(Amounts in thousands of Canadian dollars except as otherwise noted)

5. Loans and borrowings

	June 30, 2016	December 31, 2015
Canadian bank facilities (a)	10,718	-
French bank facilities	38,254	42,730
United States facility	23,001	25,498
Finance leases	1,295	1,754
	73,268	69,982
Less: deferred financing costs	1,113	1,254
Net loans and borrowings	72,155	68,728
Less: current portion	17,887	7,579
	54,268	61,149

(a) Canadian bank facilities

As at June 30, 2016, facility A was a \$25,000 revolving credit facility. Total borrowings under this facility are not to exceed the sum of 90% of the book value of the Corporation's Canadian accounts receivable balance and 50% of the book value of the Corporation's Canadian property, plant and equipment. This facility matures on August 31, 2016. The borrowing limit at June 30, 2016 was \$25,000. As at June 30, 2016, the carrying amount of the loan was \$10,718 (December 31, 2015 - \$nil) and MAXIM has issued letters of credit of \$7,996 (December 31, 2015 - \$11,378) on the facility. The amount available to draw against Facility A at June 30, 2016 was \$6,286 (December 31, 2015 - \$13,622).

As at June 30, 2016, MAXIM breached the following financial covenants in relation to its Canadian bank facilities: DSCR, minimum equity, interest coverage and net funded debt to EBITDA ratio.

Management obtained a waiver for these June 30, 2016 covenant breaches from the bank on August 9, 2016. Accordingly, the issued letters of credit of \$7,996 and the \$10,718 drawn against Facility A are unaffected by these covenant breaches as at June 30, 2016.

(b) Repayments

The Corporation's anticipated principal repayment obligations as at June 30, 2016 on the above loans and borrowings over the next five calendar years are as follows:

2016	14,377
2017	7,299
2018	6,853
2019	6,463
2020	6,737
Thereafter	31,539
	73,268

MAXIM POWER CORP.

Notes to Condensed Consolidated Interim Financial Statements, Page 4

For the three and six months ended June 30, 2016
(Amounts in thousands of Canadian dollars except as otherwise noted)

6. Other income (expense), net

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Penalty income and insurance proceeds (a)	25	29	954	301
Restructuring of Alberta operations (b)	(709)	(5,719)	(709)	(6,854)
Loss on disposal of spare engines	(376)	-	(376)	-
Gain on sale of emission performance credits	-	47	-	47
Approved emission performance credits	-	-	340	1,631
Total other income (expense), net	(1,060)	(5,643)	209	(4,875)

(a) This consists of performance penalties and insurance proceeds related to France service providers. These payments compensate MAXIM for out-of-pocket costs and lost revenue.

(b) This consists of costs incurred to restructure the Corporation's Alberta operations to reduce ongoing operating costs.

7. Finance expense (income), net

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Interest expense	983	877	1,977	1,762
Amortization of deferred financing costs	53	51	97	106
Accretion of provisions	37	87	77	131
Foreign exchange loss (gain)	(548)	(67)	(2,744)	1,865
Finance expense (income)	525	948	(593)	3,864
Interest income	(2)	(11)	(5)	(25)
Total finance expense (income), net	523	937	(598)	3,839

8. Earnings per share

The calculation of basic and diluted earnings per share for the three months ended June 30, 2016 was based on the net loss attributable to common shareholders of \$8,348 (June 30, 2015 – net income of \$2,581) and weighted average number of common shares outstanding for the period of 54,245,730 (June 30, 2015 – 54,218,758). For the six months ended June 30, 2016 basic earnings per share was based on the net loss attributable to common shareholders of \$16,357 (June 30, 2015 – \$3,346) and weighted average number of common shares outstanding for the period of 54,244,723 (June 30, 2015 – 54,218,758).

The effects of exercisable stock options on diluted earnings per share were nil for the three and six months ended June 30, 2016 as they were antidilutive (three and six months ended June 30, 2015 – 30,358 and nil, respectively).

MAXIM POWER CORP.

Notes to Condensed Consolidated Interim Financial Statements, Page 5

For the three and six months ended June 30, 2016
(Amounts in thousands of Canadian dollars except as otherwise noted)

9. Commitments

(a) Canada

- (i) Milner Power Limited Partnership ("MPLP") is responsible for the decommissioning and reclamation of the power station lands at M1 and the present value of these amounts have been recorded in provisions. The Balancing Pool has agreed to reimburse MPLP for the first \$15,000 in decommissioning expense, the present value of which has been recorded in other assets. 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.
- (ii) The Corporation has entered into a natural gas transportation service agreement from January 1, 2018 to December 31, 2026 for the Deerland peaking station development project ("Deerland") whereby it is committed to reimburse out-of-pocket costs of the counterparty for the construction of the project. The maximum authorization of expenditure is \$1,570 and \$15 has been incurred by the counterparty as at June 30, 2016. The Corporation has an additional commitment of \$798 regarding the service portion of the contract.

(b) United States

The Corporation, through its US subsidiaries, has entered into various operating and maintenance ("O&M") contracts for fixed monthly fees which escalate by the amount of inflation on an annual basis. These contracts expire between 2016 and 2026 with commitments totaling US\$7,747 thousand.

(c) France

The Corporation has O&M service contracts with six service providers for its facilities in France. These contracts expire between 2016 and 2027 with commitments totaling EUR 14,062 thousand.

10. Contingencies

(a) Contingent liabilities

The Corporation operates in a regulatory and commercial environment that exposes it to regulatory, contractual and litigation risks. As a result, the Corporation is involved in certain disputes and legal proceedings, including litigation, arbitration, and regulatory investigations. Such cases are subject to many uncertainties, and the outcomes are often difficult to predict, including the impact on operations or on the financial statements, particularly in the earlier stages of a case. In certain circumstances, to avoid the expense and distraction of legal proceedings, the Corporation may, based on a cost-benefit analysis, enter into a settlement even though denying any wrongdoing. The Corporation makes provisions for cases brought against it when, in the opinion of management after seeking legal advice, it is probable that a liability exists, and the amount can be reliably estimated.

MAXIM POWER CORP.

Notes to Condensed Consolidated Interim Financial Statements, Page 6

For the three and six months ended June 30, 2016

(Amounts in thousands of Canadian dollars except as otherwise noted)

10. Contingencies (continued)

The Federal Energy Regulatory Commission ("FERC") has continued its inquiry related to MAXIM's supply of electricity to the ISO New England ("ISO-NE") market. In the fourth quarter of 2014, FERC issued a Notice of Alleged Violations ("Notice") concerning the Office of Enforcement ("OE") inquiry. OE is asserting that MAXIM received unjust gains of approximately US\$23 million for which it should be required to repay amounts not already repaid (MAXIM repaid approximately US\$3 million in 2010 through the ISO-NE mitigation program), and pay a civil penalty calculated based on the amount of unjust gains. In the first quarter of 2015, FERC issued an Order to Show Cause ("Show Cause Order") concerning certain offers to supply electricity during July and August of 2010. The preliminary findings of the OE, the Notice and the Show Cause Order do not constitute findings of FERC. In the second quarter of 2015, FERC issued an Order Assessing Civil Penalties ("Penalties Order") concerning the Show Cause Order. The Penalties Order has assessed penalties of US\$5 million against MAXIM and US\$50 thousand against an employee.

MAXIM has filed an election with FERC that requires FERC to initiate a judicial proceeding in which a federal district court will review the facts and the law *de novo* and filed a motion to dismiss this matter. On December 17, 2015, MAXIM and FERC appeared before the district court for oral argument on the motion to dismiss. On July 21, 2016, the district court ruled on the procedures to be followed in the FERC civil action against the Corporation. The court determined that the action would proceed as a trial *de novo* subject to the federal rules of civil procedure applicable in an ordinary civil action. The court further determined that the Corporation has a legitimate need for appropriate discovery and directed the Corporation and FERC to develop a discovery plan for the court's approval. The court also denied the Corporation's motion to dismiss the matter. MAXIM intends to vigorously defend itself and is confident it can demonstrate that the conduct set forth in the Show Cause Order did not violate FERC's anti-manipulation rule or any other rule. MAXIM and its external legal counsel strongly disagree with the findings of the OE on the other inquiry matters for which Show Cause Order have not been issued.

In addition to the regulatory inquiry in the preceding paragraphs, the Corporation has also received claims for additional costs from suppliers in France. Costs in relation to these claims and potential claims are only recognized when they become probable and based on the information presently known, it is the view of the Corporation that these claims and potential claims are without merit. The actual outcome of these claims and potential claims, including the timing and amount of any cash outflow or the possibility of reimbursements, is not yet determinable.

(b) Contingent asset

The Corporation anticipates that the Alberta Utilities Commission proceedings relating to the Alberta Electric System Operator Line Loss Rule will establish compensation to MAXIM. The Corporation estimates the compensation that it will be afforded to be approximately \$38,000 for the period January 1, 2006 to June 30, 2016 based on information currently available on the public record. As at June 30, 2016, the implementation date of the new rule under Module B and the timing of compensation under Module C cannot be determined.

MAXIM POWER CORP.

Notes to Condensed Consolidated Interim Financial Statements, Page 7

For the three and six months ended June 30, 2016

(Amounts in thousands of Canadian dollars except as otherwise noted)

11. Changes in non-cash working capital

	June 30, 2016	June 30, 2015
Operations		
Trade receivables	10,333	766
Prepaid expenses and deposits	187	(935)
Inventories	1,265	2,264
Trade and other payables	(9,553)	(8,135)
Deferred revenue	411	(35)
	2,643	(6,075)
Investing		
Trade and other payables	(2,030)	688
	(2,030)	688

12. Segmented information

MAXIM is an independent power producer engaged in the development, ownership and operation of power generation facilities and the sale of electricity and heat. The Corporation operates in three reportable segments with power generation facilities located in Canada, the United States and France. The Corporation has chosen to organize the entity around geographic areas. For each of the segments, results are reviewed regularly by the Corporation's Chief Executive Officer to make decisions about resources to be allocated to the segment and to assess its performance.

(a) Three months ended

June 30, 2016	Canada	United States	France	Total	Corporate Amounts	Total Consolidated
Revenues from external customers	180	10,700	733	11,613	-	11,613
Operating income	(5,845)	(384)	(1,869)	(8,098)	(1,300)	(9,398)

June 30, 2015	Canada	United States	France	Total	Corporate Amounts	Total Consolidated
Revenues from external customers	12,240	10,171	616	23,027	-	23,027
Operating income (loss)	1,970	832	(1,629)	1,173	(1,071)	102

(b) Six months ended

June 30, 2016	Canada	United States	France	Total	Corporate Amounts	Total Consolidated
Revenues from external customers	2,063	23,869	23,899	49,831	-	49,831
Operating income (loss)	(17,085)	(593)	1,821	(15,857)	(2,135)	(17,992)

June 30, 2015	Canada	United States	France	Total	Corporate Amounts	Total Consolidated
Revenues from external customers	16,495	30,183	23,870	70,548	-	70,548
Operating income (loss)	(8,123)	4,194	1,852	(2,077)	(1,881)	(3,958)

MAXIM POWER CORP.

Notes to Condensed Consolidated Interim Financial Statements, Page 8

For the three and six months ended June 30, 2016

(Amounts in thousands of Canadian dollars except as otherwise noted)

12. Segmented information (continued)

MAXIM's operations are impacted by seasonality due to its French operations. These are comprised of cogeneration facilities that annually operate from November through March, in addition to peaking facilities that operate throughout the year. As such, revenues and operating income are higher in the France segment in the first and fourth quarters, as opposed to the second and third quarters.

13. Fair value of financial instruments

The fair value measurement of a financial instrument or derivative contract is included in one of three levels as follows:

- Level I: unadjusted quoted prices in active markets for identical assets or liabilities
- Level II: inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly
- Level III: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Corporation's financial assets and financial liabilities that are not risk management contracts or loans and borrowings are all classified as Level I under the fair value hierarchy as they are based on unadjusted quoted prices in active markets for identical instruments.

The fair value of the loans and borrowings are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. MAXIM determined the fair value of the loans and borrowings using comparable debt instruments with similar maturities. The fair value of the fixed rate loans and borrowings at June 30, 2016 was \$70,238 (December 31, 2015 – \$76,119). The carrying value of the fixed rate loans and borrowings at June 30, 2016 was \$58,290 (December 31, 2015 – \$65,165). The carrying value of floating rate debt approximates fair value.

During the second quarter of 2016, the Corporation entered into firm financial swap agreements totaling 100 MW of Alberta power at a fixed price beginning July 1, 2016 for a term of six months. The fair value of the commodity swaps are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. MAXIM determined the fair value of the swaps by applying the market approach using market settled forward prices as reported by the Natural Gas Exchange for forward contracts of comparable term at the reporting date. For the three and six months ended June 30, 2016, the unrealized gain on commodity price swaps was \$231 (June 30, 2015 - nil).

MAXIM POWER CORP.

Notes to Condensed Consolidated Interim Financial Statements, Page 9

For the three and six months ended June 30, 2016

(Amounts in thousands of Canadian dollars except as otherwise noted)

13. Fair value of financial instruments (continued)

The following table summarizes the key factors impacting the Corporation's Level III fair value of derivative coal contracts during the period ended June 30, 2016:

	Level III			
Level III financial instruments at December 31, 2014	(3,719)			
Changes attributable to:				
Market price change on contract during 2015 - unrealized	(154)			
Purchase volume commitments fulfilled during 2015 - unrealized	404			
Contract termination during 2015 - unrealized	3,469			
Level III financial instruments at December 31, 2015 and June 30, 2016	-			
	Three months ended June		Six months ended June	
	2016	2015	2016	2015
Additional Level III information:				
Unrealized gain included in earnings before income taxes	-	(3,418)	-	(3,719)

The Corporation's policy is to recognize transfers out of Level III as of the date of the event that caused the transfer, in this case being a decrease to purchase commitment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated August 9, 2016 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the three and six months ended June 30, 2016. The MD&A should also be read in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2015. The unaudited condensed consolidated interim financial statements do not include all information required for the annual financial statements. MAXIM prepares its unaudited condensed consolidated interim financial statements in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting, under International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("GAAP"). In this MD&A, MAXIM also reports certain non-GAAP measures. See page 21 for an explanation of non-GAAP measures.

Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in the Glossary of Terms. Throughout this MD&A, dollar amounts within tables are in thousands of Canadian dollars unless otherwise noted.

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FORWARD-LOOKING INFORMATION

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

- The unaudited condensed consolidated interim consolidated financial statements have been prepared on a going concern basis, which presumes that MAXIM will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at June 30, 2016, MAXIM determined it will breach its debt service coverage ratio ("DSCR"), minimum equity, interest coverage and net funded debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") financial covenants in relation to its Canadian bank facilities. On August 9, 2016, management obtained a waiver for these covenant breaches from the bank.

This quarter is the sixth consecutive quarter the Corporation has breached at least one financial covenant related to its revolving credit facility. MAXIM has been able to procure waivers at each reporting date for the financial covenant breaches.

At June 30, 2016, the Corporation has a working capital deficit of \$2.4 million. This is due to draws on the Canadian bank facility of \$10.7 million at June 30, 2016. This amount is classified as a current liability as a result of the expiration of the facility at August 31, 2016. The Corporation is currently in advanced discussions to extend the credit facility beyond August 31, 2016; however, there can be no assurances that the Corporation will be successful in extending the credit facility.

Management has considered these circumstances and believes the going concern assumption is appropriate for these condensed consolidated interim financial statements but is contingent upon the successful raising of sufficient capital or sale of assets in the future, as required. There can be no assurance that the steps management is taking will be successful. This assumption will be reviewed on an ongoing basis by management and the Board of Directors. If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the statement of financial position classifications used.

There is, as a result of the above circumstances, a material uncertainty that may raise a significant doubt about the appropriateness of using the going concern assumption. In the absence of the contingencies in the preceding paragraph, the Corporation's ability to continue as a going concern is dependent upon its ability to generate sufficient cash to settle its existing liabilities and commitments and fund its business plan without additional financing.

- MAXIM's approved capital budget is based on engineering estimates to maintain facility equipment, which are set by the equipment manufacturer. In France, MAXIM's capital expenditures are based on the capital required in order to obtain renewal of contracts with the French electrical utility company.
- Development projects, including Deerland Peaking Station ("Deerland"), Buffalo Atlee, Milner expansion project ("M3"), Milner 2 ("M2"), Forked River Expansion and Summit Coal ("SUMMIT") 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 that cash flows for scheduled maintenance programs will be funded by its cash flow from operations, existing cash on hand or an extension of its current revolving Bank of Montreal ("BMO") credit facility and potentially asset sale proceeds. This estimate is based upon current budgets and forecasts. Interruptions to production, higher than anticipated operating costs, lower realized power 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 estimates total capital expenditures of \$7.6 million to be incurred in 2016. These costs are based upon estimates and may differ from the actual costs to complete or revisions in the program scope.
- In determining potential development sites, management estimates future electricity demand and power prices in these areas. The actual future demand and power prices in these areas may be different from expected.
- MAXIM anticipates all necessary provincial, state and federal regulations for environmental and climate change legislation will be met. Changes to environmental legislation and operational issues may affect the ability of MAXIM to comply with regulations.
- MAXIM anticipates that it will maintain a working capital deficit over the next twelve months until it is able to successfully replace its current revolving BMO credit facility or sell assets. This expectation is based on current Alberta and ISO New England ("ISO-NE") forecasted power prices in conjunction with hedges in place at June 30, 2016, which has an impact on trade and other receivables. MAXIM also makes assumptions about cost of fuel and other operating costs, including plant maintenance costs based on equipment manufacturer's specifications. If actual equipment performance differs or maintenance requirements vary, there may be an impact to trade and other payables. A material change in Alberta and the ISO-NE forward power prices or unplanned plant maintenance could have an adverse or favourable effect on MAXIM's expected working capital deficit over the next twelve months.

OVERALL PERFORMANCE

Highlights and Notable Events

On July 21, 2016, the district court ruled on the procedures to be followed in the Federal Energy Regulatory Commission's ("FERC") civil action against the Corporation. The court determined that the action would proceed as a trial *de novo* subject to the federal rules of civil procedure applicable in an ordinary civil action. The court further determined that the Corporation has a legitimate need for appropriate discovery and directed the Corporation and FERC to develop a discovery plan for the court's approval. The court also denied the Corporation's motion to dismiss the matter.

On July 8, 2016, MAXIM's France operating segment secured debt financing of \$1.5 million (€1.0 million) for the completion of the Mirail renovation project. The terms of the loans are favorable with leveraging at 88% of the total project investment and a fixed interest rate of 2.45%. The total cost of the project is expected to be \$1.7 million (€1.2 million).

On June 28, 2016, the Corporation entered into firm financial swaps for a 100 MW of Alberta power at the Milner generating facility ("M1") for a fixed price commencing July 1, 2016 and expiring December 31, 2016. This allowed the Corporation to resume the economic generation of electricity at M1. The plant staff, which were temporarily laid off in March 2016, were brought back to the plant to resume operations.

On June 2, 2016, the Corporation announced that Mr. John R. Bobenic is no longer serving as Chief Executive Officer ("CEO") of the Corporation. Mr. M. Bruce Chernoff, Chairman of the Board of the Corporation, will be serving as interim CEO.

On May 28, 2016, the French government announced that it will be discontinuing the contract renewal process for cogeneration electricity produced and sold to Electricité de France. This discontinuation has no impact to existing contracts or on planned renovations for 2016 to 2018 as certificates for these renovations were obtained before May 28, 2016. The French government is finalizing its energy policy and the terms of the new contracts for cogeneration electricity generation. As of the date of this MD&A, market participants do not have visibility to the terms of the new contracts and as such, the impact in 2019 and beyond is not yet determinable.

Key Performance Indicators

(\$000's, unless otherwise noted)	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015
Revenue	11,613	23,027	49,831	70,548
Adjusted EBITDA ⁽¹⁾	(3,199)	7,025	2,347	13,621
Adjusted net income (loss) ⁽¹⁾	(8,579)	18	(16,588)	(7,005)
Net income (loss) attributable to shareholders	(8,348)	2,581	(16,357)	(3,346)
Basic and diluted net income (loss) per share attributable to shareholders (\$ per share)	(0.15)	0.05	(0.30)	(0.06)
FFO ⁽²⁾	(4,054)	3,455	1,295	8,440
Total assets	310,674	386,767	310,674	386,767
Loans and borrowings	72,155	57,575	72,155	57,575
Total generation (MWh)	41,264	123,636	265,312	361,685
Average Alberta market power price (\$ per MWh)	15.00	57.22	16.55	43.20
Average Milner realized power price (\$ per MWh)	19.95	143.14	20.86	88.75
Average Northeast U.S. realized power price (US\$ per MWh)	32.42	50.27	43.23	114.22

(1) Select financial information was derived from the unaudited condensed consolidated interim financial statements and is prepared in accordance with GAAP, except adjusted EBITDA, and adjusted net income (loss). Adjusted EBITDA is provided to assist management and investors in determining the Corporation's approximate operating cash flows attributable to shareholders before interest, income taxes, depreciation and amortization and certain other income and expenses. Adjusted net income (loss) is used to compare MAXIM's results among reporting periods without consideration of unrealized non-cash gains and losses and to evaluate MAXIM's performance attributable to shareholders. Adjusted EBITDA and adjusted net income (loss) do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Refer to the Non-GAAP Measures section of this MD&A for reconciliations between non-GAAP financial measures and comparable measures calculated in accordance with GAAP.

(2) Funds from operating activities before changes in working capital ("FFO") is an additional GAAP measure provided to assist management and investors in determining the Corporation's cash flows generated from operations before the cash impact of working capital fluctuations. Refer to the Additional GAAP Measures section of this MD&A for a discussion on how MAXIM uses FFO to assess the Corporation's operations.

Financial Results

Revenue, adjusted EBITDA, adjusted net income, net income attributable to shareholders and FFO have decreased in the second quarter of 2016 when compared to 2015. The decrease in these financial measures is primarily due to lower Alberta power prices. Aside from revenue and adjusted EBITDA, these financial measures were partially offset by lower costs related to the restructuring of Alberta operations in the prior year.

Revenue, adjusted EBITDA and FFO have decreased and adjusted net loss and net loss attributable to shareholders increased in the first half of 2016 when compared to 2015. The changes in these financial measures are primarily due to the same factor impacting the second quarter and lower realized Northeast U.S. power prices in the first quarter of 2016. In addition, aside from revenue, the unfavourable movement in these financial measures was partially offset by favourable ongoing impacts of cost cutting initiatives implemented in the second quarter of 2015.

RESULTS OF OPERATIONS

Production

Summary of generation by segment:

Segment	Three months ended June 30, 2016		Three months ended June 30, 2015	
	MWh	% of Total	MWh	% of Total
Canada	8,594	21	85,465	69
United States	32,670	79	38,171	31
France	-	-	-	-
Total MWh generation	41,264	100	123,636	100

Segment	Six months ended June 30, 2016		Six months ended June 30, 2015	
	MWh	% of Total	MWh	% of Total
Canada	98,262	37	185,688	51
United States	86,977	33	94,062	26
France	80,073	30	81,935	23
Total MWh generation	265,312	100	361,685	100

Forked River and Basin Creek are excluded as these facilities provide capacity in exchange for monthly capacity payments.

Revenue

Summary of revenue by segment:

Segment (\$000's)	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Canada	180	12,240	2,063	16,495
United States	10,700	10,171	23,869	30,183
France	733	616	23,899	23,870
Revenue	11,613	23,027	49,831	70,548

Canada:

Revenue in second quarter of 2016 decreased \$12.0 million or 98% to \$0.2 million as compared to \$12.2 million in 2015. This decrease was largely due to lower Alberta power prices, which resulted in lower generation and ultimately the temporary suspension of operations at M1 in March 2016, which ended on June 29, 2016. The lower Alberta power prices were the result of excess supply driven by fewer reliability issues across Alberta, lower weather-based demand and lower natural gas prices.

Revenue in the first six months of 2016 decreased \$14.4 million or 87% to \$2.1 million as compared to \$16.5 million in 2015. This decrease was primarily due to the same factors impacting the second quarter.

United States:

Revenue in the second quarter of 2016 increased from \$10.2 million in 2015 to \$10.7 million in 2016, which is an increase of \$0.5 million or 5%. In the source currency, revenue in the second quarter of 2016 was US\$8.3 million, which is comparable to the same period in 2015.

Revenue in the first six months of 2016 decreased from \$30.2 million in 2015 to \$23.9 million in 2016, which is a decrease of \$6.3 million or 21%. In the source currency, revenue in the first six months of 2015 decreased from US\$24.4 million to US\$17.9 million in 2016, which is a decrease of US\$6.5 million or 27%. This decrease was primarily due to lower realized prices as a result of reduced weather-based demand in the first three months of 2016, partially offset by higher capacity revenues due to Pawtucket taking on additional capacity supply obligations at higher capacity prices through reconfiguration auctions.

France:

Revenue in the second quarter of 2016 was \$0.7 million, which is comparable to the same period in 2015. In the source currency, revenue was €0.5 million in 2016 which is comparable to the same period in 2015.

Revenue in the first six months of 2016 was \$23.9 million, which is comparable to the same period in 2015. In the source currency, revenue decreased from €17.1 million in 2015 to €15.7 million in 2016, which is a decrease of €1.4 million or 8%. This decrease was due to lower generation as a result of fewer dispatches and outages from some cogeneration facilities, which were operating in dispatch mode. This unfavourable variance was offset by lower fuel costs (page 8) and as such France's gross margin, in its source currency, was consistent with prior year.

Summary of revenue by fixed versus spot price:

(\$000's)	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015
Electricity and capacity sales at fixed prices	9,886	8,424	43,460	40,691
Electricity sales at spot prices	1,727	14,603	6,371	29,857
Revenue	11,613	23,027	49,831	70,548

Second quarter fixed price revenue in 2016 increased from \$8.4 million in 2015 to \$9.9 million in 2016, which is an increase of \$1.5 million or 18%. The increase is primarily a result of higher capacity revenues due to Pawtucket taking on additional capacity supply obligations at capacity prices through reconfiguration auctions which concluded May 31, 2016 and the appreciation of the value of the U.S. dollar relative to the Canadian dollar during 2016 as compared to 2015.

In the first six months fixed price revenue in 2016 increased from \$40.7 million in 2015 to \$43.5 million in 2016, which is an increase of \$2.8 million or 7%. The increase is primarily a result of higher capacity revenues due to Pawtucket taking on additional capacity supply obligations at capacity prices through reconfiguration auctions and the appreciation of the value of the U.S. dollar relative to the Canadian dollar during 2016 as compared to 2015. This increase was partially offset by lower thermal revenue as a result of lower variable costs passed onto the customer.

Second quarter electricity sales at spot prices decreased from \$14.6 million in 2015 to \$1.7 million in 2016, which is a decrease of \$12.9 million or 88%. The decrease was primarily due to lower Alberta power prices, which resulted in lower generation and ultimately a temporary suspension of operations at M1 from March 23, 2016 to June 28, 2016.

In the first half of 2016 electricity sales at spot prices decreased from \$29.9 million in 2015 to \$6.4 million in 2016, which is a decrease of \$23.5 million or 79%. This decrease was primarily due to the same factor impacting the second quarter and lower realized Northeast U.S. power prices.

Plant Operations

Summary of plant operations expense by type and segment:

Three months ended June 30 (\$000's)	2016			2015		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	2,116	3,546	5,662	2,199	4,876	7,075
United States	1,362	6,725	8,087	1,248	5,761	7,009
France	(17)	1,743	1,726	83	1,430	1,513
Total	3,461	12,014	15,475	3,530	12,067	15,597
Percent	22%	78%	100%	23%	77%	100%

Six months ended June 30 (\$000's)	2016			2015		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	8,425	9,360	17,785	10,311	9,861	20,172
United States	4,302	14,486	18,788	10,018	12,886	22,904
France	7,590	8,682	16,272	9,162	7,717	16,879
Total	20,317	32,528	52,845	29,491	30,464	59,955
Percent	38%	62%	100%	49%	51%	100%

Canada:

Canada's second quarter operations and maintenance ("O&M") expenses decreased \$1.4 million or 29%, from \$4.9 million in 2015 to \$3.5 million in 2016, primarily due to lower operating costs as a result of temporarily suspending generation at M1 in the first quarter of 2016 and cost cutting initiatives implemented midway through the second quarter of 2015. For the first six months of 2016 O&M expenses decreased \$0.5 million or 5%, from \$9.9 million in 2015 to \$9.4 million in 2016, primarily due to the same factors impacting the second quarter, partially offset by the write-off of spare parts inventories relating to coal-fired components at M1 in the first quarter of 2016.

Second quarter fuel expenses in 2016 decreased from \$2.2 million in 2015 to \$2.1 million in 2016, which is a decrease of \$0.1 million or 5%. Excluding a \$1.9 million coal inventory write-down in the second quarter of 2016, fuel expenses decreased from \$2.2 million in 2015 to \$0.2 million in 2016, which is a decrease of \$2.0 million or 91%. This decrease is primarily a result of temporarily suspending operations in the first quarter of 2016. For the first six months of 2016 fuel expenses decreased from \$10.3 million in 2015 to \$8.4 million in 2016, which is a decrease of \$1.9 million or 18%. Excluding \$6.1 million and \$4.2 million of coal inventory write-downs in 2016 and 2015, respectively, fuel expenses decreased from \$6.1 million in 2015 to \$2.3 million in 2016, which is a decrease of \$3.8 million or 62% primarily due to the same factors impacting the second quarter and lower per unit fuel costs of both natural gas and coal.

United States:

Second quarter O&M expenses in 2016 increased \$0.9 million or 16% to \$6.7 million in 2016 from \$5.8 million in 2015. In the source currency, O&M expenses in 2016 increased US\$0.6 million or 13%, to US\$5.3 million in 2016 from US\$4.7 million in 2015. This increase was primarily due to higher contractor costs. O&M expenses in the first six months of 2016 increased \$1.6 million or 12% to \$14.5 million in 2016 from \$12.9 million in 2015. In the source currency, O&M expenses in 2016 increased US\$0.5 million or 5%, to US\$10.8 million in 2016 from US\$10.3 million in 2015, primarily due to the same factor impacting the second quarter.

Second quarter fuel expenses in the United States in 2016 increased \$0.2 million or 17%, to \$1.4 million in 2016 from \$1.2 million in 2015. In the source currency, fuel expenses in the second quarter of 2016 were US\$1.1 million which is comparable to the US\$1.0 million incurred in the same period in 2015. In the first six months of 2016, fuel expenses in the United States decreased \$5.7 million or 57%, to \$4.3 million in 2016 from \$10.0 million in 2015. In the source currency, fuel expenses in 2016 decreased US\$4.8 million or 60%, to US\$3.2 million from US\$8.0 million in 2015. The decrease is primarily due to lower per unit fuel costs in 2016 as a result of lower natural gas prices and consuming more natural gas than fuel oil in 2016 as compared to the same period in 2015, in addition to an 8% decrease in production.

France:

Second quarter O&M expenses in France increased \$0.3 million or 21% to \$1.7 million in 2016 from \$1.4 million in 2015. In the source currency, O&M expenses in the second quarter of 2016 were €1.2 million which is comparable to the €1.1 million incurred in the same period in 2015. In the first six months of 2016, O&M expenses in France increased \$1.0 million or 13% to \$8.7 million in 2016 from \$7.7 million in 2015. In the source currency, O&M expenses in the first six months of 2016 were €5.8 million which is comparable to the €5.6 million incurred in the same period in 2015.

France fuel expenses in the second quarter of 2016 were nil, which is comparable to the same period in 2015. In the source currency, fuel expenses in 2016 were nil which is comparable to the €0.1 million incurred in the same period in 2015. France fuel expenses in the first six months of 2016 were \$7.6 million, which was a decrease of \$1.6 million or 17%, from the \$9.2 million incurred in 2015. In the source currency, fuel expense in 2016 decreased €1.6 million or 24% from €6.6 million in 2015 to €5.0 million in 2016. The decrease in fuel costs was due to lower per unit costs and lower generation. This favourable variance was offset by lower revenues (page 6) and as such France's gross margin, in its source currency, was consistent with the prior year.

General and Administrative Expense

(\$000's)	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015
Total general and administrative expense	1,575	1,767	2,906	3,165

General and administration expense in the second quarter of 2016 decreased \$0.2 million or 11% from \$1.8 million in 2015 to \$1.6 million in 2016. This decrease was primarily due to cost cutting initiatives at corporate offices.

General and administration expense in the first six months of 2016 decreased \$0.3 million or 9% from \$3.2 million in 2015 to \$2.9 million in 2016. This decrease was primarily due to the same factor impacting the second quarter.

Depreciation and Amortization Expense

(\$000's)	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015
Total depreciation and amortization expense	3,132	3,336	12,512	11,730

Depreciation expense in the second quarter of 2016 decreased from \$3.3 million in 2015 to \$3.1 million in 2016, which is a decrease of \$0.2 million or 6%. The decrease is primarily due the temporary suspension of operations at M1, which resulted in nil depreciation for the period in suspension, partially offset by higher asset bases in all segments resulting from capital expenditures in the trailing twelve months and the appreciation of the value of the U.S. dollar and Euro relative to the Canadian dollar.

Depreciation expense for the first six months of 2016 increased from \$11.7 million in 2015 to \$12.5 million in 2016, which is an increase of \$0.8 million or 7%. The increase is primarily due higher asset bases in all segments resulting from capital expenditures in the trailing twelve months and the appreciation of the value of the U.S. dollar and Euro relative to the Canadian dollar. This was partially offset by lower depreciation at M1 as a result of suspending operations.

Reversal of Impairment Charge

In the first quarter of 2015, due to a significant adverse change in fixed capacity rates in future periods in the ISO-NE market, the Corporation reversed a previously recognized asset impairment charge of \$1.5 million with respect to a generating facility in the United States operating segment.

Unrealized Gain on Derivative Coal Contract

(\$000's)	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015
Total unrealized gain on derivative coal contract	-	(3,418)	-	(3,719)

In the second quarter and first six months of 2015, MAXIM had a \$3.4 million and \$3.7 million unrealized gain on the derivative coal contract, respectively. This unrealized gain related to a coal supply agreement for M1, which was terminated in the second quarter of 2015.

Unrealized Gain Commodity swaps

In the second quarter and first six months of 2016, MAXIM recorded a \$0.2 million unrealized gain on fixed for floating firm financial swap agreements at M1. The swap agreements are for the period of July to December 2016. These swaps require MAXIM to pay the counterparties a floating price based on the Alberta Power Pool price and in turn MAXIM will receive a fixed price per MWh for the 100 MW of power. Since inception of the swaps, Alberta forward prices have moved lower than the fixed swap price, which resulted in an unrealized gain.

These commodity swaps are a Level II asset under IFRS. The Level II fair value for the commodity swaps have been determined using inputs other than quoted prices that are observable such as the forward Alberta pool price, ranging from \$27.00 per MWh to \$38.75 per MWh. This Level II asset resides in the Canada segment.

Other Income (Expense), Net

(\$000's)	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015
Other income (expense), net	(1,060)	(5,643)	209	(4,875)

Net other expense in the second quarter of 2016 decreased from of \$5.6 million in 2015 to \$1.1 million in 2016, which is a decrease of \$4.5 million. The decrease is primarily due to higher costs incurred in 2015 relating to the restructuring of Alberta operations as compared to same period in 2016, partially offset by a loss on disposal of spare engines in France in 2016.

Net other income in the first six months of 2016 increased from an expense of \$4.9 million in 2015 to income of \$0.2 million in 2016, which is an increase of \$5.1 million. The increase was primarily due to the same factors impacting the second quarter and the recognition of penalty income and insurance proceeds in France in the first quarter of 2016. This was partially offset by lower approved emission performance credits pertaining to Alberta's Greenhouse Gas Reduction Program ("Emission Performance Credits") at M1 in 2016 as compared to the same period in 2015.

Finance Expense (Income), Net

(\$000's)	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015
Interest expense	983	877	1,977	1,762
Amortization of deferred financing costs	53	51	97	106
Accretion of provisions	37	87	77	131
Foreign exchange loss (gain)	(548)	(67)	(2,744)	1,865
Finance expense (income)	525	948	(593)	3,864
Interest income	(2)	(11)	(5)	(25)
Total finance expense (income), net	523	937	(598)	3,839

Net finance expense incurred in the second quarter of 2016 decreased from \$0.9 million in 2015 to \$0.5 million in 2016. The increase is primarily due to an increase in foreign exchange gains from \$0.1 million in 2015 to \$0.5 million in 2016, which is caused primarily by the net impact of foreign exchange rate movement for US dollars and Euros on foreign intercompany liabilities held in Canada. These foreign exchange gains and losses are offset in other comprehensive income.

Net finance income incurred in the first six months of 2016 increased from an expense of \$3.8 million in 2015 to income of \$0.6 million in 2016. The increase is primarily due to an increase in foreign exchange losses from \$1.9 million in 2015 to gains of \$2.7 million in 2016, which is caused primarily by the net impact of foreign exchange rate movement for US dollars and Euros on foreign intercompany liabilities held in Canada. These foreign exchange gains and losses are offset in other comprehensive income.

Income Tax Expense (Benefit)

(\$000's)	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015
Current tax expense (benefit)	(258)	(220)	658	401
Deferred tax benefit	(1,321)	(3,180)	(1,792)	(4,960)
Total income tax benefit	(1,579)	(3,400)	(1,134)	(4,559)

Income tax benefit in the second quarter of 2016 decreased from \$3.4 million in 2015 to \$1.6 million in 2016. The decrease in the benefit is primarily due to a change in expectation in 2016 that the Corporation will likely not realize deferred taxable benefits from current period losses from operations in Canada.

Income tax benefit in the first six months of 2016 decreased from \$4.6 million in 2015 to \$1.1 million in 2016. The decrease in benefit is primarily due to the same factor impacting the second quarter.

Financial Position

The following highlights changes in the unaudited condensed consolidated interim Statements of Financial Position from December 31, 2015 to June 30, 2016.

As at (\$000's)	June 30, 2016	December 31, 2015	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	8,874	5,884	2,990	Financing and operating cash inflows exceeded investing activities
Trade and other receivables	9,806	20,871	(11,065)	Seasonality of MAXIM's operations
Inventories	10,892	19,331	(8,439)	Write-down of coal inventory and consumption of coal
Property, plant and equipment, net	239,375	257,117	(17,742)	Foreign exchange translation of foreign assets and amortization, partially offset by capital expenditures (see page 13)
Net other assets	35,906	38,265	(2,359)	Amortization of intangible assets
Liabilities & Equity				
Trade and other payables	16,553	28,906	(12,353)	Seasonality of MAXIM's operations
Loans and borrowings	72,155	68,728	3,427	Draw on revolving debt facility in Canada, partially offset by scheduled debt and lease payments
Provisions for decommissioning	18,872	16,981	1,891	Increased due to a decrease in discount rates
Net deferred tax liability	7,686	10,066	(2,380)	Net deferred income benefit in 2016 due to taxable losses outside of Canada
Equity	189,587	216,787	(27,200)	Net loss for the period and foreign exchange rates on self-sustaining operations

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

MAXIM utilizes existing cash, cash flows from operations, revolving credit facilities and, if eligible, government grants to provide liquidity to the Corporation's operations in order to finance maintenance-of-business capital expenditures and to finance development initiatives. 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.

Facility A is a \$25.0 million revolving credit facility. Total borrowings under this facility are not to exceed the sum of 90% of the book value of the Corporation's Canadian accounts receivable balance and 50% of the book value of the Corporation's Canadian property, plant and equipment ("PP&E"). This facility matures on August 31, 2016.

As at June 30, 2016, the carrying amount of the loan was \$10.7 million and MAXIM has issued letters of credit of \$8.0 million on the facility. The amount available to draw against Facility A at June 30, 2016 was \$6.3 million.

As at June 30, 2016, MAXIM determined it will breach its DSCR, minimum equity, interest coverage and net funded debt to EBITDA financial covenants in relation to its Canadian bank facilities. On August 9, 2016, management obtained a waiver for these covenant breaches from the bank.

This quarter is the sixth consecutive quarter the Corporation has breached at least one financial covenant related to its revolving credit facility. MAXIM has been able to procure waivers at each reporting date for the financial covenant breaches.

At June 30, 2016, the Corporation has a working capital deficit of \$2.4 million. This is due to draws on the Canadian bank facility of \$10.7 million at June 30, 2016. This amount is classified as a current liability as a result of the expiration of the facility at August 31, 2016. The Corporation is currently in advanced discussions to extend the facility beyond August 31, 2016; however, there can be no assurances that the Corporation will be successful in extending the credit facility.

Management has considered these circumstances and believes the going concern assumption is appropriate for these condensed consolidated interim financial statements but is contingent upon the successful raising of sufficient capital or sale of assets in the future, as required. There can be no assurance that the steps management is taking will be successful. This assumption will be reviewed on an ongoing basis by management and the Board of Directors. If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the statement of financial position classifications used.

There is, as a result of the above circumstances, a material uncertainty that may raise a significant doubt about the appropriateness of using the going concern assumption. In the absence of the contingencies in the preceding paragraph, the Corporation's ability to continue as a going concern is dependent upon its ability to generate sufficient cash to settle its existing liabilities and commitments and fund its business plan without additional financing.

MAXIM is currently in the process of pursuing various asset sales. The proceeds from these may in part be used to cash collateralize existing letters of credit under the Canadian credit facility and repay any draws on the revolving credit facility, thereby mitigating the risk of covenant default and decreasing the Corporation's debt service charges. In the event the sales do not proceed in a timely fashion, management is also actively pursuing financing options with current and prospective lenders which both would, in management's view, enable the Corporation to achieve its business plans. No agreements have been reached as of the date of this MD&A and there can be no assurance that such agreements will be reached.

In 2016, the Corporation is also pursuing only necessary sustaining capital and development projects with the highest return on investment. It is also continuing the cost cutting initiatives implemented in 2015 throughout 2016. Management's decision to resume operations at M1 in June 2016 was an initiative to monetize coal inventory and work towards sufficient levels of liquidity.

Cash flow summary:

Six months ended June 30 (\$000's)	2016	2015
Cash on hand, unrestricted, January 1	5,884	17,142
Cash flow from operations:		
• FFO	1,295	8,440
• Changes in working capital	2,643	(6,075)
Cash flow from (used in) financing	4,904	(2,081)
Available for investments	14,726	17,426
Cash used in investing	(5,235)	(9,180)
Effect of foreign exchange rates on cash	(617)	501
Cash on hand, unrestricted, June 30	8,874	8,747
Undrawn revolving credit facility	6,286	13,633
Net liquidity available, June 30	15,160	22,380

FFO in the first six months of 2016 decreased from \$8.4 million in 2015 to \$1.3 million in 2016, which is a decrease of \$7.1 million or 85%. The decrease is primarily due to weaker Alberta pool prices, which resulted in significantly less generation and lower realized Northeast U.S. power prices. Partially offsetting this was lower restructuring costs in 2016 as compared to the same period in 2015.

Fluctuations in working capital in the first six months of 2016 represented a cash inflow of \$2.6 million compared to an outflow of \$6.1 million in 2015. See page 14 for further discussion of working capital.

During the first six months of 2016, MAXIM's debt issuances exceeded financing outflows, resulting in a net financing inflow of \$4.9 million during the year. MAXIM's financing inflows included draws on revolving credit facility for \$10.7 million from its Canadian bank facility. Partially offsetting this inflow were debt and capital lease repayments of \$3.5 million and \$0.3 million, respectively and \$2.0 million in interest payments.

During the first six months of 2015, MAXIM's debt and capital lease repayments exceeded financing cash inflows, resulting in a net financing outflow of \$2.1 million during the year. MAXIM's financing outflows included debt and capital repayments lease repayments of \$5.8 million and \$0.4 million respectively, and \$1.8 million in interest payments. Partially offsetting these outflows were the issuances of long-term debt in France for \$5.9 million.

MAXIM's investing activities in the first six months of 2016 represented a cash outflow of \$5.2 million, which primarily consisted of \$3.8 million in PP&E purchases and a change in non-cash working capital of \$2.0 million, partially offset by proceeds for the sale of spare engines of \$0.6 million. The \$3.8 million in PP&E expenditures is comprised of \$3.0 million on improvements in the United States and \$0.8 million on development initiatives as well as improvements to M1 and facilities in France.

MAXIM's investing activities in the first six months of 2015 represented a cash outflow of \$9.2 million, which primarily consisted of \$12.7 million in PP&E purchases, \$0.5 million decrease in non-current deposits, partially offset by proceeds on sale of Emission Performance Credits for \$3.4 million and a change in non-cash working capital of \$0.6 million. The \$12.7 million in PP&E expenditures is comprised of \$4.6 million on facility renovations and other improvements in France, \$4.0 million on improvements at Forked River, \$2.6 million on improvements at Pittsfield, \$0.4 million on improvements at CDECCA and \$1.1 million on development initiatives as well as improvements to other North American facilities.

The following table represents the net capital of the Corporation:

As at (\$000's)	June 30, 2016	December 31, 2015
Long-term debt	70,860	66,974
Capital lease obligation	1,295	1,754
Less: Unrestricted cash	(8,874)	(5,884)
Net debt	63,281	62,844
Shareholders' equity	188,872	216,082
Capital	252,153	278,926
Net debt to capital	25.1%	22.5%

The Corporation uses the percent of net debt to capital to monitor leverage. The increase in net debt to capital from December 31, 2015 to June 30, 2016 is primarily due to a decrease in shareholders' equity as a result of operating losses in 2016 and a decrease in accumulated other comprehensive income as a result of foreign exchange rate changes. In the absence of foreign exchange fluctuations, the Corporation anticipates that net debt to capital will increase through the remainder of 2016 as a result of forecasted losses. This preceding statement represents FLI and users are cautioned that actual results may vary.

Working Capital

The Corporation's working capital deficit of \$2.4 million at June 30, 2016 represents a \$15.3 million decrease from the working capital surplus of \$12.9 million at December 31, 2015. The total decrease was due to a \$16.9 million decrease in current assets and a \$1.6 million decrease in current liabilities.

The decrease in current assets is due to a \$8.4 million decrease in inventory primarily due to a write down of inventories for \$6.7 million and consumption of coal inventories, a \$0.3 million decrease to prepaid expenses and deposits due to the consumption of previously purchased greenhouse gas ("GHG") credits related to Northeast U.S., a \$11.1 million decrease to accounts receivable due to seasonality and lower revenues in Canada in 2016 and a \$0.3 million decrease in income taxes recoverable due to changes in taxable income and adjustments upon tax filings. This was partially offset by a \$3.0 million increase in unrestricted cash and a \$0.2 million unrealized asset from the recognition of the commodity swap.

The decrease in current liabilities is due to a \$12.3 million decrease in trade and other payables primarily due to seasonality of MAXIM's operations, partially offset by \$10.3 million increase to the current portion of loans and borrowings and an increase in deferred revenues for \$0.4 million.

MAXIM anticipates that it will have a working capital deficit for the next twelve months or until it is able to successfully extend its current revolving BMO credit facility beyond twelve months or sell assets. This preceding statement represents FLI and users are cautioned that actual results may vary.

Contractual Obligations

During the first six months 2016, the Corporation entered into three new long-term agreements ending in 2024 and 2025 with operating and maintenance providers for three of its generation facilities in France. These contracts are entered into in the normal course of business to ensure reliable generation of electricity.

Contingencies

The Corporation operates in a regulatory and commercial environment that exposes it to regulatory, contractual and litigation risks. As a result, the Corporation is involved in certain disputes and legal proceedings, including litigation, arbitration, and regulatory investigations. Such cases are subject to many uncertainties, and the outcomes are often difficult to predict, including the impact on operations or on the financial statements, particularly in the earlier stages of a case. In certain circumstances, to avoid the expense and distraction of legal proceedings, the Corporation may, based on a cost-benefit analysis, enter into a settlement even though denying any wrongdoing. The Corporation makes provisions for cases brought against it when, in the opinion of management after seeking legal advice, it is probable that a liability exists, and the amount can be reliably estimated.

The FERC has continued its inquiry related to MAXIM's supply of electricity to the ISO-NE market. In the fourth quarter of 2014, FERC issued a Notice of Alleged Violations ("Notice") concerning the Office of Enforcement ("OE") inquiry. OE is asserting that MAXIM received unjust gains of approximately US\$23 million for which it should be required to repay amounts not already repaid (MAXIM repaid approximately US\$3 million in 2010 through the ISO-NE mitigation program), and pay a civil penalty calculated based on the amount of unjust gains. In the first quarter of 2015, FERC issued an Order to Show Cause ("Show Cause Order") concerning certain offers to supply electricity during July and August of 2010. The preliminary findings of the OE, the Notice and the Show Cause Order do not constitute findings of FERC. In the second quarter of 2015, FERC issued an Order Assessing Civil Penalties ("Penalties Order") concerning the Show Cause Order. The Penalties Order has assessed penalties of US\$5 million against MAXIM and US\$50 thousand against an employee.

MAXIM has filed an election with FERC that requires FERC to initiate a judicial proceeding in which a federal district court will review the facts and the law *de novo* and filed a motion to dismiss this matter. On July 21, 2016, the district court ruled on the procedures to be followed in the FERC civil action against the Corporation. The court determined that the action would proceed as a trial *de novo* subject to the federal rules of civil procedure applicable in an ordinary civil action. The court further determined that the Corporation has a legitimate need for appropriate discovery and directed the Corporation and FERC to develop a discovery plan for the court's approval. The court also denied the Corporation's motion to dismiss the matter. MAXIM intends to vigorously defend itself and is confident it can demonstrate that the conduct set forth in the Show Cause Order did not violate FERC's anti-manipulation rule or any other rule. MAXIM and its external legal counsel strongly disagree with the findings of the OE on the other inquiry matters for which Show Cause Order have not been issued.

In addition to the regulatory inquiry in the preceding paragraphs, the Corporation has also received claims for additional costs from suppliers in France. Costs in relation to these claims and potential claims are only recognized when they become probable and based on the information presently known, it is the view of the Corporation that these claims and potential claims are without merit. The actual outcome of these claims and potential claims, including the timing and amount of any cash outflow or the possibility of reimbursements, is not yet determinable.

The Corporation anticipates that the Alberta Utilities Commission proceedings relating to the Alberta Electric System Operator ("AESO") Line Loss Rule will establish compensation to MAXIM. The Corporation estimates the compensation that it will be afforded to be approximately \$38.0 million for the period January 1, 2006 to June 30, 2016 based on information currently available on the public record. As at June 30, 2016, the implementation date of the new rule under Module B and the timing of compensation under Module C cannot be determined.

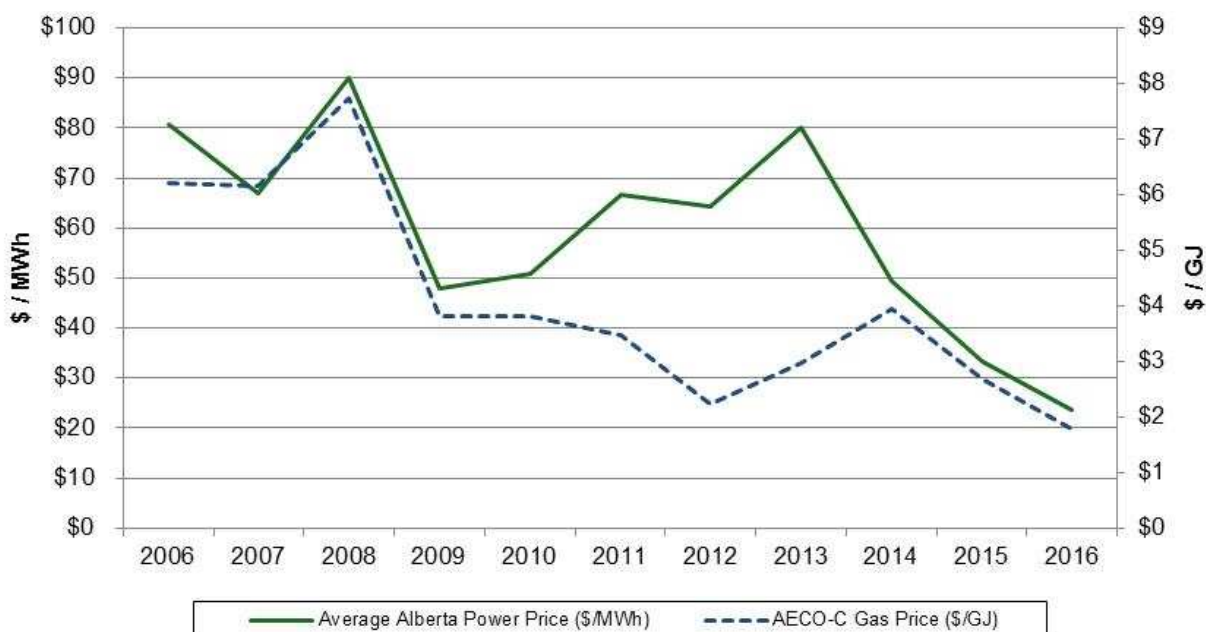
Capital Resources

The following represents FLI and users are cautioned that actual results may vary. The Corporation is currently estimating capital and development expenditures of approximately \$7.6 million for 2016. These expenditures include \$4.3 million on plant improvements at generating facilities in Northeast U.S., \$1.3 million on required facility renovations in order to obtain renewal of contracts with the French electrical utility company and \$0.5 million on other sustaining capital in France, \$0.4 million on plant improvements at M1 and \$1.1 million on other development projects in North America. Management intends to fund the France renovations with approximately 80% debt financing. Remaining expenditures will be financed through cash flows from operations and existing cash balances.

OUTLOOK

The Corporation's outlook is significantly impacted by Alberta electricity and fuel prices. Alberta electricity prices are a key revenue determinant for MAXIM's M1. As a result of record low Alberta power prices, which have undermined profitability for a prolonged period, the Corporation had made the decision to dial down operations at M1 and temporarily suspend generation on March 23, 2016. On June 29, 2016, the Corporation resumed the generation of electricity at M1 as it was determined that it was economic to do so through a fixed price firm financial swap agreement. This swap agreement ends in December 2016. MAXIM will actively monitor the Alberta power market to determine if it is economically to continue operations into 2017, while continuing to advance its initiatives to convert M1 from coal to natural gas.

Alberta power prices fluctuate based on the supply of and demand for electricity within Alberta, the cost of key inputs such as natural gas, and other market factors. The following chart compares the average annual Alberta power price to Alberta natural gas price since 2006. The break in correlation is the result of tighter generation capacity relative to demand beginning in 2011, which led to higher power prices from 2011 to 2013. Commencing in 2014, it was noted that Alberta power prices became more closely correlated to gas prices as new supply came on the system. This trend is expected to continue for the foreseeable future.



In the Northeast U.S., growing demand for natural gas as a fuel source for electricity generation, as well as constraints on existing gas pipeline infrastructure, have increased natural gas price volatility during periods of peak gas consumption. Although this volatility has not been realized in the past twelve months, in future periods it is expected to have a positive impact on MAXIM's power plants as energy margins are positively correlated to natural gas prices, resulting in higher margins at higher gas prices. It is also confirmed through advance capacity auctions that capacity revenue will increase from current levels as the market becomes more constrained with capacity shortcomings due to the retirement of generating facilities that do not have natural gas as an option for their fuel source, until such time capacity rates increase to the level that new capacity becomes economically viable to construct.

ACQUISITION AND DEVELOPMENT INITIATIVES

MAXIM is continuing its independent power producer strategy through the advancement of its development initiatives as described herein. Supply and demand for electricity, reserve margins, tariff structures, and the regulatory environment will be key fundamental factors in determining the pace at which to pursue opportunities. Demand is highly correlated to economic growth.

M3

MAXIM is proposing to increase generating capacity at the M1 site by building M3, which will be comprised of two gas-fired turbines located next to M1 and is a cost effective solution to transition M1 from coal to natural gas. M3 will utilize existing M1 assets including, but not limited to, its boiler, steam turbine, generator, water license, as well as electrical and gas interconnections. The development of M3 will also result in a reduction to total greenhouse gases and air emissions from current levels. Exhaust energy from M3's gas turbines will be converted to steam and utilized to generate electricity in the existing M1 steam turbine, displacing coal-sourced steam. Before giving effect to the development of M2, M3 will increase the nameplate capacity at the Milner site from 150 MW to 236 MW. Total emissions of carbon dioxide, nitrogen oxides, sulfur oxides and particulates at the M1 site will decrease compared to running the existing M1. MAXIM has received regulatory approval to construct and operate M3.

M2

MAXIM has received regulatory approval to construct and operate M2, a 520 MW natural gas-fired combined cycle generation facility. The M2 facility is to be located adjacent to the existing 150 MW M1. Synergies with existing M1 infrastructure such as electrical interconnection, fuel delivery, water license and a skilled operations team, allow the M2 project to achieve a competitive advantage as compared to a greenfield development. The M2 project will be one of the most efficient combined cycle gas turbines in the province and is anticipated to run as a base load facility, similar to that of the recently commissioned Shepard Energy Centre.

SUMMIT

SUMMIT is MAXIM's development initiative located north of Grande Cache, Alberta that owns metallurgical coal leases for Mine 14 ("M14") and Mine 16S ("M16S"). Current estimates for M14 are 18.9 million tonnes of low-mid volatile metallurgical coal reserves with a mine life of 17 years based on the NI 43-101 Technical Report filed on SEDAR on March 21, 2013. M16S is located 30 kilometers northwest of M14 and represents 1,792 hectares or 29% of SUMMIT's total area of coal leases. A NI 43-101 Technical Report has not been prepared for M16S.

M14 is permitted for a run-of-mine production rate of up to 1,300,000 tonnes per year. MAXIM has also received approval from the Alberta Energy Regulator to construct and operate a Coal Beneficiation Plant. This Coal Beneficiation Plant, to be located on MAXIM's existing M1 industrial complex, will bifurcate M14's run-of-mine coal into an estimated annual production of 950,000 tonnes of high-quality, low-mid volatile and metallurgical coal for shipment to export markets. These approvals provide SUMMIT with all of the requisite government and regulatory approvals to construct and operate M14. MAXIM has received delivery of five pieces of mine equipment including two continuous miners and three shuttle cars. The units are in storage awaiting development of M14.

Deerland

MAXIM has received regulatory approvals to construct and operate the Deerland peaking station, a 190 MW natural gas-fired peaking facility. MAXIM has entered into agreements to secure firm natural gas transportation service for the Deerland peaking station. MAXIM expects that full-scale construction of the facility would commence pending improved prices in the Alberta power market and satisfactory commercial arrangements.

Buffalo Atlee

MAXIM acquired the Buffalo Atlee Power Project, situated near Brooks, Alberta, through an amalgamation with EarthFirst Canada Inc. This project has the potential for development of up to 200 MW of wind generation capacity in multiple phases. The first phase consists of 33 MW and MAXIM anticipates this capacity will participate in the Government of Alberta ("GoA") renewable generation competition launching in the fourth quarter of 2016. The addition of wind generation to MAXIM's existing portfolio of assets would diversify further potential changes to MAXIM's generation fuel types and provide the potential to offset the impact of potential provincial emissions legislation, once enacted.

Financing

MAXIM requires capital (debt and equity), from internal or external sources, to finance development initiatives and for larger acquisitions. 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 PP&E. Capitalization of costs associated with these projects commences once technical and economic feasibility is established. If a project no longer meets these criteria, any capitalized costs for the project are expensed in the period.

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

In 2015, the GoA announced its Climate Leadership Plan ("CLP"). The CLP recommends that Alberta move forward on phasing out coal-fired electricity generation by 2030 and encourages more renewable energy. The GoA targets to have renewable sources comprising of 30% of Alberta's electricity production by 2030. Under the CLP, the GoA has also announced the intention to replace the existing Specified Gas Emitters Regulation with the Carbon Competitiveness Regulation ("CCR") commencing January 1, 2018. If enacted, the CCR will require coal-fired generators to pay \$30 per tonne of carbon dioxide on emissions above what Alberta's cleanest natural gas-fired plant would emit to generate the same amount of electricity. This has been estimated at \$18 per MWh for Alberta's coal-fired generation fleet.

On March 3, 2016, the AESO announced that it was tasked by the GoA to develop and implement a renewable electricity incentive program to add additional renewable generation capacity into Alberta's electricity system. In May, the GoA received draft recommendations from the AESO. As of the date of the MD&A, market participants are not aware of what the recommendations contain. Following GoA approval, the AESO expects to continue development of the program throughout 2016. The first competition for renewable power is expected to launch in the fourth quarter of 2016, with the first projects to be in service by 2019.

MAXIM anticipates that any resulting environmental compliance cost increases from the CCR will either be recovered in the market through higher wholesale power prices or, in the case of M1, incur a higher use of natural gas versus coal.

As at the date of this MD&A, uncertainties still exist on the details of the legislation resulting from the CLP. MAXIM currently anticipates that it will be permitted to run M1 at full capacity to December 31, 2019 as a coal, natural gas or dual fuel-fired facility and as a natural gas-fired facility at full capacity thereafter, consistent with the current Federal regulations. MAXIM is awaiting further clarification of the renewable electricity program and is looking forward to the growth opportunities that this may bring to the Corporation.

In addition to the GHG regulations, Canadian federal and Alberta provincial environmental regulations are also being developed and/or revised for air pollutants such as sulphur dioxide ("SO₂"), nitrogen oxides ("NO_x"), volatile organic carbons, and particulate matter. The Clean Air Strategic Alliance ("CASA") is an Alberta based, multi-stakeholder group of representatives from industry, government and nongovernment organizations. This group creates strategies to assess and improve air quality for Albertans and influences air emission regulations. CASA developed a framework to manage air emissions from the electricity sector in Alberta, and the provincial government is currently reviewing emissions, by each industry, in Alberta. A primary issue under review is the current misalignment of federal greenhouse gas coal regulations with the Alberta air emission regulations. The risk arises from the potential for retirement of coal generating plants before mandated under existing federal regulations, as a result of significant uneconomic expenditures to comply.

Up to the end of 2012, MAXIM generated NO_x credits at M1. As of January 1, 2013, MAXIM commenced consumption of these credits to maintain compliance under CASA. M1's rate of consumption of these credits is heavily influenced by coal-fired generation volumes and, as such, may fluctuate given changes in the levels of production and the fuel source used for production at M1.

MAXIM also has been able to generate emission credits used to offset the production of SO₂ ("SO₂ Credits") at M1 up to December 31, 2012. Similar to the NO_x credits, the consumption of these credits is driven by coal-fired generation volumes and as such may fluctuate given changes in the levels of production and the fuel source used for production.

MAXIM continues to advocate through various industry working groups and direct discussions with the provincial regulators for a reasonable and timely resolution to what it believes is a misalignment of the federal GHG and provincial air pollutant regulations.

The state of environmental regulation in the U.S. remains fluid. While the U.S. Congress has not enacted comprehensive climate change legislation, the United States Environmental Protection Agency ("U.S. EPA") has proposed and promulgated regulations under the Clean Air Act that limit power plant GHG emissions. On August 3, 2015, the U.S. EPA announced rules limiting carbon dioxide emissions from new, reconstructed, and existing power plants.

For new and reconstructed base load natural gas fired power plants, the rules impose emission limits consistent with the adoption of natural gas combined cycle technology. For existing power plants, the U.S. EPA issued GHG emissions guidelines that must be implemented by the individual states, so limitations for individual emissions sources are not yet determinable. On February 9, 2016 the United States Supreme Court stayed the implementation of the guidelines governing existing power plants' GHG emissions pending the resolution of litigation challenging U.S. EPA's regulations, so individual states are not required to submit their existing source implementation plans to U.S. EPA until after that litigation is resolved.

MAXIM is in compliance with the Climate Change and Emissions Act (Alberta) and the Regional Greenhouse Gas Initiative, which limit carbon dioxide emissions from facilities located in Alberta and the Northeast U.S., respectively. While future changes to those programs or the approval of state implementation plans regulating existing power plants' GHG emissions have the potential to impact future operations or impose additional costs, no such material changes are foreseeable at this time.

SELECTED QUARTERLY FINANCIAL INFORMATION

Key performance indicators

Quarter ended: (unaudited) (\$000's unless otherwise noted)	30-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015
Revenue	11,613	38,218	32,792	19,705
Adjusted EBITDA ⁽¹⁾	(3,199)	5,546	8,219	(2,339)
Adjusted net loss ⁽¹⁾	(8,579)	(8,009)	(2,305)	(8,917)
Net loss attributable to shareholders	(8,348)	(8,009)	(65,155)	(8,917)
Basic and diluted loss per share attributable to shareholders (\$ per share)	(0.15)	(0.15)	(1.20)	(0.16)
FFO ⁽²⁾	(4,054)	5,349	4,444	(2,621)
Total assets	310,674	327,875	346,898	406,610
Average Alberta electricity price (\$ per MWh)	15	18	21	26
Average Milner realized electricity price (\$ per MWh)	20	21	23	40
Average Northeast U.S. realized electricity price (US\$ per MWh)	32	50	42	44

Quarter ended: (unaudited) (\$000's unless otherwise noted)	30-Jun 2015	31-Mar 2015	31-Dec 2014	30-Sep 2014
Revenue	23,027	47,521	30,437	24,208
Adjusted EBITDA ⁽¹⁾	7,025	6,596	(1,401)	3,430
Adjusted net income (loss) ⁽¹⁾	18	(7,023)	(6,588)	(1,186)
Net income (loss) attributable to shareholders	2,581	(5,927)	(6,860)	(1,415)
Basic and diluted income (loss) per share attributable to shareholders (\$ per share)	0.05	(0.11)	(0.13)	(0.03)
FFO ⁽²⁾	3,455	4,985	(90)	2,611
Total assets	386,767	407,548	391,679	380,132
Average Alberta electricity price (\$ per MWh)	57	29	30	64
Average Milner realized electricity price (\$ per MWh)	143	42	36	92
Average Northeast U.S. realized electricity price (US\$ per MWh)	50	158	82	66

(1) Adjusted EBITDA is provided to assist management and investors in determining the Corporation's approximate operating cash flows attributable to shareholders before interest, income taxes, depreciation and amortization and certain other income and expenses. Adjusted net income (loss) is used to compare MAXIM's results among reporting periods without consideration of unrealized non-cash gains and losses and to evaluate MAXIM's performance attributable to shareholders. Adjusted EBITDA and adjusted net income (loss) do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Refer to the Non-GAAP Measures section of this MD&A for reconciliations between non-GAAP financial measures and comparable measures calculated in accordance with GAAP.

(2) FFO is an Additional GAAP measure provided to assist management and investors in determining the Corporation's cash flows generated from operations before the cash impact of working capital fluctuations. Refer to the Additional GAAP Measures section of this MD&A for a discussion on how MAXIM uses FFO to assess the Corporation's operations.

Quarter over quarter revenue and adjusted EBITDA are affected by planned and unplanned outages, market demand, market prices, timing of acquisitions and divestitures, weather conditions and seasonal Alberta power prices. Alberta power prices tend to be higher during winter and summer peak load months and are further affected by supply constraints such as outages at other Alberta generation facilities. Similarly, results in the Northeast U.S. tend to trend with weather based demand with higher earnings during the winter and summer peak periods versus non-peak periods.

In addition to the factors noted above, net income (loss) attributable to shareholders is affected by certain non-cash and non-recurring transactions as follows.

The second quarter of 2016 had a \$1.9 million write-down of coal inventory, \$0.7 million expense for costs relating to the restructuring of Alberta operations, a \$0.4 million loss on disposal of spare engines and a \$0.2 unrealized gain on commodity swaps. The first quarter of 2016 had a \$4.8 million write-down of inventories and a \$0.3 million gain on the approval of Emission Performance Credits.

The fourth quarter of 2015 had a reversal of \$32.1 million of deferred tax assets in Canada, asset impairment charges totaling \$37.2 million relating to the Milner generating facility and adjacent lands, which including coal leases and an \$8.8 million gain on the recognition of SO2 Credits. The third quarter of 2015 had a \$0.1 million expense for costs relating to the restructuring of Alberta operations. The second quarter of 2015 had a \$6.9 million expense for costs relating to the restructuring of Alberta operations and a \$3.4 million unrealized gain relating to the termination of a coal supply agreement. The first quarter of 2015 had a \$4.2 million write-down of coal inventory, a reversal of asset impairment charge for \$1.5 million relating to a US generating facility, \$0.3 million unrealized gain on the derivative coal contract, and a \$1.6 million gain on the approval of Emission Performance Credits.

The third quarter of 2014 had a \$0.3 million unrealized loss on the derivative coal contract. The fourth quarter of 2014 included the recognition of impairments of \$0.3 million at Gold Creek and \$0.5 million for capital spares at the Northeast U.S. facilities and a \$0.3 million unrealized gain on the derivative coal contract.

NON-GAAP MEASURES

Management evaluates MAXIM's performance using a variety of measures. The non-GAAP measures discussed below should not be considered as an alternative to or to be more meaningful than revenue, net income attributable to shareholders of the Corporation or net cash generated from operating activities, as determined in accordance with GAAP, when assessing MAXIM's financial performance or liquidity.

These measures do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies.

Adjusted EBITDA

(\$000's)	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015
GAAP Measures from Condensed Consolidated Statement of Income				
Net income (loss)	(8,342)	2,565	(16,260)	(3,238)
Income tax benefit	(1,579)	(3,400)	(1,134)	(4,559)
Finance expense (income), net	523	937	(598)	3,839
Depreciation and amortization	3,132	3,336	12,512	11,730
EBITDA	(6,266)	3,438	(5,480)	7,772
Adjustments:				
Restructuring of Alberta operations	709	6,854	709	6,854
Inventories write-down	1,900	-	6,661	4,234
Unrealized gain on derivative coal contract	-	(3,418)	-	(3,719)
Reversal of asset impairment charges	-	-	-	(1,500)
Share-based compensation	376	185	593	293
Unrealized gain on commodity swaps	(231)	-	(231)	-
Loss on disposal of spare engines	376	-	376	-
EBITDA from non-controlling interests	(63)	(34)	(281)	(313)
Adjusted EBITDA	(3,199)	7,025	2,347	13,621

Adjusted 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 for adjustment.

Adjusted EBITDA is provided to assist management and investors in determining the Corporation's approximate operating cash flows attributable to shareholders before finance expense, income taxes, depreciation and amortization, and certain other income and expenses. Financing expense, income taxes, depreciation and amortization are excluded from the EBITDA calculation, as they do not represent cash expenditures that are directly affected by operations. Furthermore, EBITDA is used in MAXIM's bank covenant calculations, which requires these items to be omitted. 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 adjusted EBITDA to compare financial results among reporting periods and to evaluate MAXIM's operating performance and ability to generate funds from operating activities.

In calculating adjusted EBITDA for the three and six months ended June 30, 2016 management excluded certain non-cash and non-recurring transactions. In the second quarter of 2016, adjusted EBITDA excluded coal inventories write-down at M1, expenses relating to the restructuring of Alberta operations, non-cash expenses related to share-based compensation, loss on disposal of spare engines, an unrealized gain on commodity swaps and EBITDA from non-controlling interests. In 2015, adjusted EBITDA excluded expenses relating to the restructuring of Alberta operations, an unrealized gain on the derivative coal contract, non-cash expenses related to share based compensation and EBITDA from non-controlling interest.

Adjusted EBITDA for the first six months of 2016 management excluded inventories write-down at M1, expenses relating to the restructuring of Alberta operations, non-cash expenses related to share-based compensation, loss on disposal of spare engines, an unrealized gain on commodity swaps and EBITDA from non-controlling interests. In 2015, adjusted EBITDA excluded expenses related to the restructuring of Alberta operations, a coal inventory write-down, the reversal of impairment charges related in a US generating facility, an unrealized gain on the derivative coal contract, non-cash expenses related to share based compensation and EBITDA from non-controlling interest.

Adjusted Net Loss

(\$000's)	Three months ended		Six months ended	
	June 30		June 30	
	2016	2015	2016	2015
Net income (loss)	(8,342)	2,565	(16,260)	(3,238)
Unrealized gain on coal derivative, net of tax	-	(2,563)	-	(2,789)
Unrealized gain on commodity swap, net of tax	(231)	-	(231)	-
Reversal of asset impairment charges, net of tax	-	-	-	(870)
Non-controlling interest loss (income)	(6)	16	(97)	(108)
Adjusted net income (loss)	(8,579)	18	(16,588)	(7,005)

Adjusted net loss provides management and investors with information on net loss excluding unrealized non-cash items and non-controlling interests. In the second quarter of 2016, adjusted net loss excluded a \$0.2 million unrealized gain, net of tax, on the commodity swap. In 2015, adjusted net income excluded a \$2.6 million unrealized gain, net of tax, on the derivative coal contract.

For the first six months of 2016, adjusted net loss excluded a \$0.2 million unrealized gain, net of tax, on the commodity swap and \$0.1 million non-controlling interest income. In 2015, adjusted net income excluded a \$2.8 million unrealized gain, net of tax, on the derivative coal contract, a reversal of \$0.9 million of asset impairment charges and \$0.1 million non-controlling interest income.

ADDITIONAL GAAP MEASURES

Loss from operations

MAXIM's condensed consolidated statements of loss includes a subtotal, income from operations, which is not required under IAS 1 - *Presentation of financial statements*. This additional GAAP measure is included in the statements of loss to increase the usefulness and understandability of the Corporation's financial results.

Income from operations reflects revenues less expenses related to the operations of the Corporation. This additional GAAP measure can be used to assess the operating efficiency of the Corporation, which excludes the impact of financing and taxes as these measures are not related to the efficiency of MAXIM's operations. Management reviews income from operations on a quarterly basis as part of their assessment of adjusted EBITDA in order to monitor MAXIM's performance.

Funds from operating activities before changes in working capital

MAXIM's condensed consolidated statements of cash flows includes a subtotal, FFO, which is not required under IAS 1 - *Presentation of financial statements*. This additional GAAP measure is included in the statements of cash flows to increase the usefulness and understandability of the Corporation's financial results. This description has been updated from the prior year in order to provide a more meaningful name to stakeholders.

FFO reflects cash generated from operations before changes in non-cash working capital. This additional GAAP measure can be used to assist management and investors in determining cash generated from operations before the impact of working capital fluctuations, which vary based upon timing differences and are not considered representative of underlying operational performance. Management reviews funds from operating activities before changes in working capital on a quarterly basis.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The use of judgements and estimates used in the preparation of the condensed consolidated interim financial statements has been applied consistently for all periods presented and are unchanged from the judgements and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2015.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Standards Issued Not Yet Effective

The International Accounting Standards Board ("IASB") has issued the following new standards to August 9, 2016. These standards have not been applied in preparing MAXIM's second quarter 2016 condensed consolidated interim financial statements as the effective date falls in a subsequent period.

There are no other standards that have been issued, but are not yet effective, that the Corporation anticipates will have a material effect on the consolidated financial statements once adopted.

Financial Instruments

IFRS 9, Financial Instruments, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income.

Requirements for financial liabilities were added to IFRS 9 in October 2010, which largely carries forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

In November 2013, an amendment to IFRS 9 was issued which represents a substantial overhaul of hedge accounting that will better reflect risk management activities in the financial statements. In addition the amendment will enable entities to change the accounting for liabilities that they have elected to measure at fair value, before applying any of the other requirements in IFRS 9. This change in accounting would mean that gains caused by a worsening in an entity's own credit risk on such liabilities are no longer recognized in profit or loss.

In July 2014, the IASB completed the final element of IFRS 9. The IASB has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a more timely basis.

The new standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted whereby the standard must be applied retrospectively. Management is currently assessing the impact of the application of this standard, but does not anticipate that it will early adopt this new standard.

Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, was issued in May 2014 and replaces IAS 18 and IAS 11 and related Interpretations. IFRS 15 establishes a model that will apply to revenue earned from a contract with a customer, except for those covered by standards on leases, insurance contracts and financial instruments. The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

The new standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted whereby the standard must be applied retrospectively. Management is currently assessing the impact of application of this standard, but does not anticipate that it will early adopt this new standard.

In April 2016, an amendment to IFRS 15 was issued to provide clarifying information on interpretation of the standard. Specifically, the amendment clarifies performance obligations in a contract, determines whether a company is a principal and determines whether the revenue from granting a license should be recognized at a point in time or over time.

Leases

IFRS 16, Leases, was issued in January 2016 and replaces IAS 17. IFRS 16 brings all leases on-balance sheet for lessees under a single model, with limited exemptions, eliminating the distinction between operating and finance leases. Lessor accounting remains substantially unchanged and the distinction between operating and finance leases is retained.

The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. Management is currently assessing the impact of the application of this standard, but does not anticipate that it will early adopt this new standard.

IFRS amendments

The IASB has issued the following amendments to August 9, 2016. These amendments have not been applied in preparing MAXIM's second quarter 2016 condensed consolidated interim financial statements as the effective date falls in a subsequent period.

Standard amended	Issued Date	Effective Date ⁽¹⁾	Impact on MAXIM
<i>IAS 7 Statement of Cash Flows</i>	January 2016	January 1, 2017	Additional note disclosure
<i>IAS 12 Income Taxes</i>	January 2016	January 1, 2017	Not applicable to MAXIM
<i>IFRS 2 Share-Based Payments</i>	June 2016	January 1, 2018	No impact to MAXIM

⁽¹⁾ Effective for annual periods beginning on or after effective date

The Corporation does not anticipate that it will early adopt these amendments.

TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter any related party transactions during the first six months of 2016, with the exception of transactions with the Corporation's Directors and members of the Executive Committee in the normal course of business. These transactions in the normal course of business are detailed in note 26 of the 2015 audited annual financial statements.

CONTROLS AND PROCEDURES

The interim CEO and the Senior Vice President, Finance and Chief Financial Officer ("CFO"), together with 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 interim 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 material weakness discussed below for internal control over financial reporting.

The interim 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 that 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 2013 Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission for the design of its internal control over financial reporting.

The interim CEO and CFO have evaluated, or caused to be evaluated under their supervision, the design and effectiveness of the Corporation's internal control over financial reporting and have identified the following material weakness in the design of the Corporation's internal control over financial reporting. The Corporation, predominately in its France segment, 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 is required to disclose herein any change in the Corporation's internal control over financial reporting that occurred during the period beginning January 1, 2016 and ended on June 30, 2016 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 have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

As a result, the Corporation's internal control over financial reporting is not effective as of June 30, 2016. 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.

OTHER INFORMATION

Outstanding share data:

Issued common shares at June 30, 2016	54,248,591
Outstanding share options at June 30, 2016	2,801,681
Total diluted common shares at June 30, 2016	57,050,272
Share options exercised in July 2016	(52,800)
Issued common shares in July 2016	52,800
Share options expired and forfeited in July 2016	(48,333)
Share options granted in July 2016	8,333
Total diluted common shares at August 9, 2016	57,010,272

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

GLOSSARY OF TERMS

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

AESO	Alberta Electric System Operator
Alberta market power prices	The hourly price established by the AESO for electricity bought and sold through the Alberta Power Pool
Basin Creek	Basin Creek generating station, a 55 MW generating facility located in Butte, Montana was acquired by MAXIM in April, 2005
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)
CASA	Clean Air Strategic Alliance
CCR	Carbon Competitiveness Regulation
CEO	Chief Executive Officer
CDECCA	Capital District Energy Center Cogeneration Associates power plant, a 62.1 MW generating facility located in Hartford, CT was acquired by MAXIM on October 1, 2006
CFO	Senior Vice President, Finance and Chief Financial Officer
CLP	Climate Leadership Plan
Coal Beneficiation Plant	A coal beneficiation plant is a facility that handles coal by washing it of impurities and prepares it for transportation to the end user or market.
Cogeneration	The combined, simultaneous generation of heat (usually in the form of hot water or steam) and power (usually in the form of electricity)
De novo	Starting from the beginning
Deerland	Deerland is a development project for a 190 MW natural gas-fired peaking station located near Bruderheim, Alberta
DSCR	Debt service coverage ratio
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
Emission Performance Credits	Emission performance credits are generated by facilities that have reduced emission of greenhouse gases by 12% since July 1, 2007
FERC	Federal Energy Regulatory Commission is the United States federal agency with jurisdiction over interstate electricity sales, wholesale electric rates, hydroelectric licensing, natural gas pricing and oil pipeline rates.
FFO	Funds from operation activities before changes in working capital is an Additional GAAP measure used in determining cash flows generated from operation before the impact of working capital fluctuations
FLI	Forward-looking information
Forked River	Forked River generating station, a 87 MW generating facility located in Forked River, New Jersey was acquired by MAXIM on April 17, 2008
GAAP	IFRS, as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants
GHG	Greenhouse gas
GoA	Government of Alberta
Gold Creek	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
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISO-NE	ISO New England is an independent, non-profit Regional Transmission Organization managing several states in the Northeast United States.

M1	HR Milner, a 150 MW (nameplate capacity) coal-fired generating facility located near the town of Grande Cache, Alberta has been in continuous operation since 1972 and was acquired by MAXIM on March 31, 2005
M14	Mine 14 is a development project of Summit Coal and is located north of Grande Cache, Alberta
M16S	Mine 16S is a development project of Summit Coal containing 1,792 hectares of coal leases and is located 30 kilometers northwest Mine 14 in the Smokey River Coalfield
M2	Milner expansion initiative to develop a 520 MW natural gas-fired generating facility
M3	Milner expansion initiative to develop a 86 MW natural gas-fired cogeneration facility
MAXIM or the Corporation	Maxim Power Corp.
MD&A	Management's Discussion and Analysis
Milner realized power price	The average price paid to Milner for sale of electricity in \$/MWh
MW	Megawatt, a measure of electrical generating capacity 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
NOx	Nitrogen oxide
Notice	Notice of Alleged Violations issued by FERC
O&M	Operations and maintenance
OE	FERC's Office of Enforcement
Pawtucket	Pawtucket generating station, a 64 MW generating facility located in Pawtucket, Rhode Island was acquired by MAXIM on November 10, 2005
Penalties Order	Order Assessing Civil Penalties issued by FERC
Pittsfield	Pittsfield generating station, a 181 MW generating facility located in Pittsfield, Massachusetts, was acquired by MAXIM on August 6, 2008
PP&E	Property, plant and equipment
Show Cause Order	Order to Show Cause issued by FERC
SO2	Sulphur dioxide
SO2 Credits	Emission credits used to offset the production of SO2
SUMMIT	Summit Coal is a wholly-owned MAXIM subsidiary, which owns the Mine 14 and Mine 16S development projects
Unplanned outage	Shutdown of a generating unit due to an unanticipated breakdown
U.S. or United States	The United States of America
U.S. EPA	United States Environmental Protection Agency

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