Consolidated Interim Financial Statements of

MAXIM POWER CORP.

for the Third Quarter ended September 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 September 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 September 30, 2016, that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: November 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 September 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 September 30, 2016, that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: November 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 Third Quarter Ended September 30, 2016

(Unaudited)

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	September 30, 2016	December 31, 2015
ASSETS			
Cash and cash equivalents		**4,239**	5,884
Trade and other receivables		**10,937**	20,871
Income taxes recoverable		**437**	1,070
Prepaid expenses and deposits		**1,510**	2,532
Inventories		**10,473**	19,331
Risk management asset	14	**1,744**	-
Assets held for sale	4	**79,543**	-
Total current assets		**108,883**	49,688
Property, plant and equipment, net		**159,351**	257,117
Restricted cash		**1,328**	1,405
Intangible assets, net		**10,396**	23,224
Deferred tax assets		**5,100**	5,100
Other assets		**10,228**	10,364
Total non-current assets		**186,403**	297,210
TOTAL ASSETS		**295,286**	346,898
LIABILITIES			
Trade and other payables	7	**15,090**	28,906
Deferred revenue		**-**	330
Loans and borrowings	5	**11,215**	7,579
Liabilities held for sale	4	**48,345**	-
Total current liabilities		**74,650**	36,815
Loans and borrowings	5	**20,605**	61,149
Provisions for decommissioning		**19,733**	16,981
Other long-term liability	7	**3,498**	-
Deferred tax liabilities		**4,048**	15,166
Total non-current liabilities		**47,884**	93,296
TOTAL LIABILITIES		**122,534**	130,111
EQUITY			
Share capital		**156,482**	156,248
Contributed surplus		**11,327**	10,686
Accumulated other comprehensive income		**25,613**	34,138
Retained earnings (deficit)		**(21,379)**	15,010
Equity attributable to shareholders		**172,043**	216,082
Non-controlling interests		**709**	705
TOTAL EQUITY		**172,752**	216,787
Going Concern	2		
Commitments and Contingencies	10, 11		
TOTAL LIABILITIES AND EQUITY		**295,286**	346,898

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Loss

For the three and nine months ended September 30
(in thousands of Canadian dollars)

		Three months ended September 30		Nine months ended September 30	
	Note	**2016**	2015	**2016**	2015
Revenue		**22,843**	19,065	**48,775**	65,743
Expenses					
Operating		**21,272**	18,919	**57,848**	61,829
General and administrative		**1,355**	1,467	**3,736**	4,208
Depreciation and amortization		**4,160**	3,857	**10,815**	10,737
Gain on commodity swaps	14	**(5,126)**	-	**(5,357)**	-
Reversal of asset impairment charge		**-**	-	**-**	(1,500)
Gain on derivative coal contracts	14	**-**	-	**-**	(3,719)
Other expense, net	7	**9,398**	114	**9,767**	5,290
Operating loss		**(8,216)**	(5,292)	**(28,034)**	(11,102)
Finance expense (income), net	8	**1,131**	3,902	**(298)**	7,026
Loss before income taxes		**(9,347)**	(9,194)	**(27,736)**	(18,128)
Income tax expense (benefit)					
Current		**1**	(215)	**190**	(170)
Deferred		**(943)**	(1,907)	**(2,762)**	(7,039)
		(942)	(2,122)	**(2,572)**	(7,209)
Net loss from continued operations		**(8,405)**	(7,072)	**(25,164)**	(10,919)
Discontinued operation					
Net loss from discontinued operation (net of tax)	4	**(11,626)**	(1,846)	**(11,127)**	(1,237)
Net loss		**(20,031)**	(8,918)	**(36,291)**	(12,156)
Attributable to:					
Non-controlling interest		**1**	(1)	**98**	107
Shareholders		**(20,032)**	(8,917)	**(36,389)**	(12,263)
Net loss attributable to shareholders per share:	9				
Basic earnings		**(0.37)**	(0.16)	**(0.67)**	(0.23)
Diluted earnings		**(0.37)**	(0.16)	**(0.67)**	(0.23)
Net loss attributable to shareholders per share continued operations:	9				
Basic earnings		**(0.16)**	(0.13)	**(0.46)**	(0.20)
Diluted earnings		**(0.16)**	(0.13)	**(0.46)**	(0.20)

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 nine months ended September 30
(in thousands of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Net loss	**(20,031)**	(8,918)	(36,291)	(12,156)
Other comprehensive income (loss), net of tax:				
Items that may be subsequently reclassified to net income				
Unrealized gains (losses) on translation of foreign operations	**3,000**	12,759	(8,545)	20,708
Total comprehensive income (loss)	**(17,031)**	3,841	(44,836)	8,552
Comprehensive income (loss) attributable to:				
Non-controlling interest	**21**	53	78	176
Shareholders	**(17,052)**	3,788	(44,914)	8,376

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 nine months ended September 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)	-	-	-	-	(36,389)	(36,389)	98	(36,291)
Stock options exercised	82	234	(41)	-	-	193	-	193
Share-based compensation	-	-	682	-	-	682	-	682
Translation of foreign operations	-	-	-	(8,525)	-	(8,525)	(20)	(8,545)
Distributions to non-controlling interest	-	-	-	-	-	-	(74)	(74)
Equity at September 30, 2016	**54,301**	**156,482**	**11,327**	**25,613**	**(21,379)**	**172,043**	**709**	**172,752**
Equity at December 31, 2014	54,219	156,248	9,908	8,393	92,428	266,977	606	267,583
Net income (loss)	-	-	-	-	(12,263)	(12,263)	107	(12,156)
Share-based compensation	-	-	559	-	-	559	-	559
Translation of foreign operations	-	-	-	20,639	-	20,639	69	20,708
Distributions to non-controlling interest	-	-	-	-	-	-	(63)	(63)
Equity at September 30, 2015	54,219	156,248	10,467	29,032	80,165	275,912	719	276,631

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 nine months ended September 30
(in thousands of Canadian dollars)

	Note	2016	2015
Cash flows from operating activities:			
Net loss		**(25,164)**	(10,919)
Adjustments for items not involving cash or operations:			
Depreciation and amortization		**10,815**	10,737
Reversal of asset impairment charges		**-**	(1,500)
Inventories write-down		**6,661**	4,234
Restructuring of Alberta operations - non-cash consideration		**-**	3,676
Share-based compensation		**682**	559
Unrealized gain on derivative coal contracts	14	**-**	(3,719)
Unrealized gain on commodity swaps	14	**(1,744)**	-
Income tax benefit		**(2,572)**	(7,209)
Income taxes received (paid)		**616**	(256)
Finance expense (income)	8	**(296)**	7,034
Loss on disposal of equipment	7	**1,667**	-
Gain on sale of emission performance credits	7	**-**	(47)
Approved emission performance credits	7	**(340)**	(1,631)
Funds from (used in) continued operating activities before changes in working capital		**(9,675)**	959
Change in non-cash working capital from continuing operations	12	**3,210**	(1,154)
Net cash generated used in operating activities from continuing operations		**(6,465)**	(195)
Cash flows from financing activities:			
Issuance of loans and borrowings		**9,599**	3,102
Repayment of loans and borrowings		**(1,229)**	(4,278)
Proceeds from exercise of stock options		**193**	-
Interest paid		**(1,775)**	(1,601)
Net cash generated from (used in) financing activities from continuing operations		**6,788**	(2,777)
Cash flows from investing activities:			
Property, plant and equipment		**(3,643)**	(12,179)
Proceeds on sale of emission performance credits		**-**	3,374
Increase in non-current liabilities and decrease in non-current assets		**3,653**	126
Change in non-cash working capital	12	**(1,179)**	2,867
Net cash used in investing activities from continuing operations		**(1,169)**	(5,812)
Unrealized foreign exchange gain (loss) on cash and cash equivalents		**(117)**	951
Decrease in cash and cash equivalents from continuing operations		**(963)**	(7,833)
Net increase in cash and cash equivalents from discontinued operation		**1,615**	2,188
Less: Cash held at discontinued operation		**(2,297)**	(6,401)
Cash and cash equivalents, beginning of period		**5,884**	17,142
Cash and cash equivalents, end of period		**4,239**	5,096

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

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 September 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 November 1, 2016, management obtained a waiver for these covenant breaches from the bank.

This quarter is the seventh 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 and has extended the maturity of its credit facility during this time period to December 31, 2016.

At September 30, 2016, the Corporation had cash of $4,239 and a working capital surplus from continuing operations of $3,035. However, in the event that the Corporation cannot realize the sale of the France segment it would have had a working capital deficit of $2,610.

In these circumstances, management believes the going concern assumption is appropriate for these consolidated financial statements but is contingent upon closing the sale of the France operating segment (note 4), a further extension of its credit facility, raising of sufficient capital or the sale of other 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.

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

(b) 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 November 10, 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. Assets and liabilities held for sale and discontinued operation

On September 13, 2016, the Corporation entered into an agreement to sell the France operating segment for €47.1 million including the assumption of €23.4 million of net debt resulting in sales proceeds of €23.7 million, of which €6.0 million is contingent on future events (note 11b). The proceeds will be used to reduce net debt in MAXIM's North American operations and the sale of the France operating segment is scheduled to close during the fourth quarter of 2016, subject to regulatory approvals and customary closing conditions. Upon closing, MAXIM is required to issue €3.2 million in letters of credit in order to provide security for indemnities over certain performance requirements of plant operations up to October 31, 2017 and a claim from suppliers (note 11a).

As such, the assets and liabilities of the France operating segment were reclassified to assets and liabilities held for sale on the statement of financial position. In addition to this, as the segment represents a separate major line of business for the Corporation, the operational results have been shown as a discontinued operation on the statement of income.

At the point when these assets and liabilities were reclassified to assets and liabilities held for sale, an intangible asset impairment charge of $10,491 and a property, plant and equipment ("PP&E") impairment charge of $5,133 were recognized. The assets were impaired as the carrying amount was greater than the anticipated proceeds, less costs to sell, based on the terms of the purchase and sales agreement.

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

4. Assets and liabilities held for sale and discontinued operation (continued)

(a) Assets and liabilities held for sale

In the France operating segment, the assets held for sale are reported at their fair value less costs to sell.

At September 30, 2016, the France operating segment comprised the following assets and liabilities:

(i) Assets classified as held for sale

	September 30, 2016
Cash and cash equivalents	2,297
Trade and other receivables	3,199
Prepaid expenses and deposits	1,613
Inventories	120
Property, plant and equipment, net	71,110
Other assets	1,204
Total held for sale	79,543

(ii) Liabilities classified as held for sale

	September 30, 2016
Trade and other payables	6,937
Deferred revenue	185
Loans and borrowings	38,798
Deferred tax liabilities	2,425
Total held for sale	48,345

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

4. Assets and liabilities held for sale and discontinued operation (continued)

(b) Results of discontinued operation - France

	Note	Three months ended September 30 2016	Three months ended September 30 2015	Nine months ended September 30 2016	Nine months ended September 30 2015
Revenue		735	640	24,634	24,510
Expenses (i)		17,793	2,915	39,866	24,933
Operating loss		(17,058)	(2,275)	(15,232)	(423)
Finance expense, net		396	401	1,227	1,116
Loss before income taxes		(17,454)	(2,676)	(16,459)	(1,539)
Income tax expense (benefit)					
Current		(246)	(72)	223	284
Deferred		(5,582)	(758)	(5,555)	(586)
		(5,828)	(830)	(5,332)	(302)
Net loss from discontinued operation		(11,626)	(1,846)	(11,127)	(1,237)
Attributable to:					
Non-controlling interest		(20)	(17)	37	70
Shareholders		(11,606)	(1,829)	(11,164)	(1,307)
Net loss from discontinued operation attributable to shareholders per share:	9				
Basic earnings		**(0.21)**	(0.03)	**(0.21)**	(0.03)
Diluted earnings		**(0.21)**	(0.03)	**(0.21)**	(0.03)

(i) Includes impairment charge of $15,624 in the three and nine months ended September 30, 2016.

	Nine months ended September 30 2016	Nine months ended September 30 2015
Cash flows from (used in) discontinued operation		
Net cash generated from operating activities	**8,391**	7,342
Net cash from (used in) financing activities	**(5,684)**	7,255
Net cash used in investing activities	**(786)**	(12,775)
Unrealized foreign exchange gain (loss) on cash	**(306)**	366
Net cash flows for the period	**1,615**	2,188

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

5. Loans and borrowings

	September 30, 2016	December 31, 2015
Canadian bank facilities (a)	9,599	-
French bank facilities (b)	-	42,730
United States facility	22,946	25,498
Finance leases (b)	-	1,754
	32,545	69,982
Less: deferred financing costs	725	1,254
Net loans and borrowings	31,820	68,728
Less: current portion	11,215	7,579
	20,605	61,149

(a) Canadian bank facilities

The Corporation obtained an extension of the Canadian bank facility, revising the maturity date from August 31, 2016 to December 31, 2016. As at September 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 North American PP&E. The borrowing limit at September 30, 2016 was $25,000. As at September 30, 2016, the carrying amount of the loan was $9,599 (December 31, 2015 - $nil) and MAXIM has issued letters of credit of $7,998 (December 31, 2015 - $11,378) on the facility. The amount available to draw against Facility A at September 30, 2016 was $7,405 (December 31, 2015 - $13,622). As part of the extension, the credit facility will reduce from $25,000 to $13,500 upon closing of the sale of the France operating segment.

As at September 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 September 30, 2016 covenant breaches from the bank on November 1, 2016. Accordingly, the issued letters of credit of $7,998 and the $9,599 drawn against Facility A are unaffected by these covenant breaches as at September 30, 2016.

(b) French bank facilities and leases

During the third quarter of 2016, the Corporation signed a purchase and sales agreement to sell its France operating segment. As such, the assets and liabilities of the disposal group have been reclassified to liabilities held for sale (note 4).

(c) Repayments

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

2016	10,017
2017	1,761
2018	1,891
2019	2,029
2020	2,174
Thereafter	14,673
	32,545

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

6. Share-based compensation

	Nine months ended September 30, 2016			Nine months ended September 30, 2015		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of period	2,811,681		2.67	1,794,420		3.14
Settled for cash	-		-	(1,500)		(2.05)
Exercised	(82,633)		2.35	-		-
Forfeited	-		-	(40,000)		(3.20)
Granted (a)	465,767		2.64	2,145,422		2.52
Cancelled	(704,435)		2.53	-		-
Expired	(591,428)		3.20	(1,086,661)		(3.13)
Outstanding, end of period	1,898,952	$	2.56	2,811,681	$	2.67
Exercisable	970,559	$	2.52	631,260	$	3.15

(a) During the third quarter of 2016, the Corporation granted options with a vesting period of one year to certain employees and directors. The fair value of each option granted is estimated at the date of the grant using the Black-Scholes option pricing model with weighted average assumptions for the grant as follows:

	2016
Fair value of each option ($)	0.51
Share price at grant date ($)	2.61
Exercise price ($)	2.61
Risk-free interest rate (%)	0.57
Expected life (years)	2.00
Expected volatility (%)	34.66

7. Other expense, net

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
FERC settlement (a)	(10,482)	-	(10,482)	-
Insurance recovery (b)	2,751	-	2,751	-
Loss on disposal of equipment (c)	(1,667)	-	(1,667)	-
Restructuring of Alberta operations (d)	-	(114)	(709)	(6,968)
Gain on sale of emission performance credits	-	-	340	47
Approved emission performance credits	-	-	-	1,631
Total other expense, net	(9,398)	(114)	(9,767)	(5,290)

(a) During the third quarter of 2016, the Federal Energy Regulatory Commission ("FERC") approved a stipulation and consent agreement that resolves and closes all matters alleged in the staff notice of alleged violations issued in November of 2014. The settlement totaled US$8,000 thousand, which is payable in three equal installments, with the first installment payable in October 2016 and the remaining two installments payable in September 2017 and September 2018. The entire balance of $3,498 presented in other long-term liabilities on the Statement of Financial Position represents the third installment of the settlement.

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

7. Other expense, net (continued)

(b) This consists of an insurance recovery related to a claim in the United States operating segment.

(c) During the third quarter of 2016, the Corporation sold its coal mining equipment, classified as PP&E, for cash consideration of $2,243. As a result, the Corporation realized a pre-tax loss of $1,667.

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

8. Finance expense (income), net

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Interest expense	553	548	1,720	1,601
Amortization of deferred financing costs	32	22	104	103
Accretion of provisions	39	79	116	210
Foreign exchange loss (gain)	508	3,255	(2,236)	5,120
Finance expense (income)	1,132	3,904	(296)	7,034
Interest income	(1)	(2)	(2)	(8)
Total finance expense (income), net	1,131	3,902	(298)	7,026

9. Earnings per share

The calculation of basic and diluted earnings per share for the three months ended September 30, 2016 was based on the net loss attributable to common shareholders and net loss attributable to common shareholders from continued operations of $20,032 and $8,426, respectively (September 30, 2015 – $8,917 and $7,088, respectively) and weighted average number of common shares outstanding for the period of 54,290,487 (September 30, 2015 – 54,218,758). For the nine months ended September 30, 2016 basic earnings per share was based on the net loss attributable to common shareholders and net loss attributable to common shareholders from continued operations of $36,389 and $25,225, respectively (September 30, 2015 – $12,263 and $10,956, respectively) and weighted average number of common shares outstanding for the period of 54,253,898 (September 30, 2015 – 54,218,758).

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

10. Commitments

(a) Continuing operations

(i) Milner Power Limited Partnership ("MPLP") is responsible for the decommissioning and reclamation of the power station lands at the Milner generating facility 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.

10. Commitments (continued)

(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 September 30, 2016. The Corporation has an additional commitment of $798 regarding the service portion of the contract.

(iii) 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$10,056 thousand.

(b) Discontinued operations

The Corporation has O&M service contracts with service providers for its facilities in France. These contracts expire between 2016 and 2027 with commitments totaling €13,964 thousand.

11. Contingencies

(a) Contingent liability

The Corporation has 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 (note 4).

(b) Contingent assets

Through its Decision 790-D04-2016 ("Decision"), released September 28, 2016, the Alberta Utilities Commission ("AUC") asserted its position on several preliminary matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the Alberta Electric System Operator ("AESO") Line Loss Rule. The Decision confirms the Corporation's view that the AUC's proceedings will establish compensation to Milner Power Inc. that will include an accounting for the time value of money. The Corporation estimates that overpayments of approximately $42,000 were made by Milner Power Inc. to the AESO for the period January 1, 2006 to September 30, 2016, based on information currently available on the public record. As at September 30, 2016, the implementation date of the new rule under Module B and the amount and timing of compensation under Module C cannot be determined.

The Corporation has entered into an agreement to sell its ownership interest in the France operating segment (note 4). Under the agreement, the Corporation is eligible for compensation up to €6.0 million, contingent upon a change in law in France which benefits the Corporation's cogeneration units. The change in law must occur no later than eighteen months following the closing of the agreement. As at September 30, 2016, the timing and amount of compensation cannot be determined.

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

12. Changes in non-cash working capital

	September 30, 2016	September 30, 2015
Operations		
Trade receivables	(3,430)	(997)
Prepaid expenses and deposits	136	(249)
Inventories	1,652	667
Trade and other payables	4,852	(575)
	3,210	(1,154)

	September 30, 2016	September 30, 2015
Investing		
Trade and other payables	(1,179)	2,867
	(1,179)	2,867

13. 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 two reportable segments with power generation facilities located in Canada and the United States. 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

September 30, 2016	Canada	United States	Corporate Amounts	Total from continuing operations	Total from discontinued operation	Total Consolidated
Revenues from external customers	1,581	21,262	-	22,843	735	23,578
Operating income	(2,539)	(5,551)	(126)	(8,216)	(17,058)	(25,274)

September 30, 2015	Canada	United States	Corporate Amounts	Total from continuing operations	Total from discontinued operation	Total Consolidated
Revenues from external customers	901	18,164	-	19,065	640	19,705
Operating income (loss)	(6,582)	2,324	(1,034)	(5,292)	(2,275)	(7,567)

(b) Nine months ended

September 30, 2016	Canada	United States	Corporate Amounts	Total from continuing operations	Total from discontinued operation	Total Consolidated
Revenues from external customers	3,644	45,131	-	48,775	24,634	73,409
Operating income (loss)	(19,629)	(6,144)	(2,261)	(28,034)	(15,232)	(43,266)

September 30, 2015	Canada	United States	Corporate Amounts	Total from continuing operations	Total from discontinued operation	Total Consolidated
Revenues from external customers	17,396	48,347	-	65,743	24,510	90,253
Operating income (loss)	(14,705)	6,518	(2,915)	(11,102)	(423)	(11,525)

14. 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 September 30, 2016 was $29,220 (December 31, 2015 – $76,119). The carrying value of the fixed rate loans and borrowings at September 30, 2016 was $22,946 (December 31, 2015 – $65,165). The carrying value of floating rate debt approximates fair value.

The fair value of the Corporations 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 nine months ended September 30, 2016, the unrealized gain on commodity price swaps was $1,513 (September 30, 2015 - nil) and $1,744 (September 30, 2015 - nil), respectively. For the three and nine months ended September 30, 2016, the realized gain on commodity price swaps was $3,613 (September 30, 2015 - nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated November 10, 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 nine months ended September 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 23 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 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 September 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 November 1, 2016, management obtained a waiver for these covenant breaches from the bank.

  This quarter is the seventh 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 and has extended the maturity of its credit facility during this time period to December 31, 2016.

  At September 30, 2016, the Corporation had cash of $4.2 million and a working capital surplus from continuing operations of $3.0 million. However, in the event that the Corporation cannot realize the sale of the France segment it would have had a working capital deficit of $2.6 million.

  In these circumstances, management believes the going concern assumption is appropriate for these consolidated financial statements but is contingent upon closing the sale of the France operating segment, a further extension of its credit facility, raising of sufficient capital or the sale of other 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’s approved capital budget is based on engineering estimates to maintain facility equipment, which are set by the equipment manufacturer.

- 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, asset sale proceeds or a further extension of its current revolving Bank of Montreal ("BMO") credit facility. 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 $5.7 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 surplus over the next twelve months. This expectation is based on proceeds to be received from the sale of the France operating segment. In addition, this expectation is based on current Alberta and ISO New England ("ISO-NE") forecasted power prices in conjunction with hedges in place, 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 a favourable or adverse effect on MAXIM's expected working capital surplus over the next twelve months.

OVERALL PERFORMANCE

Highlights and Notable Events

On September 13, 2016, the Corporation announced that it has entered into an agreement to sell 100% of its ownership interest in COMAX France S.A.S. and its parent MAXIM Power B.V. to Vine Luxembourg SARL, an affiliate of Basalt Infrastructure Partners LP, for €47.1 million including the assumption of €23.4 million of net debt resulting in sales proceeds of €23.7 million, €6.0 million of which is contingent on certain future events. The proceeds will be used to reduce net debt in MAXIM's North American operations and the sale of the France operating segment is scheduled to close during the fourth quarter of 2016, subject to regulatory approvals and customary closing conditions. Upon closing, MAXIM is required to issue €3.2 million in letters of credit in order to provide security for indemnities over certain performance requirements of plant operations up to October 31, 2017 and a claim from suppliers.

As a result of the agreement, an intangible asset impairment charge of $10.5 million and a property, plant and equipment ("PP&E") impairment charge of $5.1 million were recognized. The assets were impaired as the carrying amount was greater than the anticipated non-contingent proceeds, less costs to sell, based on the terms of the purchase and sales agreement.

On September 26, 2016, the Corporation announced that the Federal Energy Regulatory Commission ("FERC") issued an order approving a Stipulation and Consent Agreement ("Settlement Agreement") that resolves and closes all matters alleged in the Staff Notice of Alleged Violations issued in November of 2014. The Settlement Agreement resolves three investigations conducted by the FERC Office of Enforcement, all claims and allegations arising from these investigations, and FERC's lawsuit captioned *FERC v. Maxim Power Corporation et. al. No. 3:15-cv-30133-MGM (D. Mass.)* relating to one of the investigations. Pursuant to the Settlement Agreement, MAXIM neither admits nor denies any of the violations alleged by FERC. MAXIM has agreed to make settlement payments of US$4.0 million for a civil penalty and US$4.0 million in disgorgement, payable in three equal installments over a two-year period.

On September 28, 2016, the Alberta Utilities Commission ("AUC") asserted its position through Decision 790-D04-2016 (the "Decision") on several preliminary matters related to remedy under Module C of Milner Power Inc.'s (“Milner”) complaint relating to the Alberta Electric System Operator ("AESO") Line Loss Rule. The Decision confirmed, among other things, that the AUC's proceedings will establish compensation to Milner that will include an interest provision at the Bank of Canada Bank Rate plus one and one half percent, and that parties will not be compensated for their cost of participating in the proceedings. MAXIM’s internal calculations are that overpayments of $41.8 million were made by Milner to the AESO over the period from January 1, 2006 to September 30, 2016. In recognition of the possibility of delays in determining the final remedy to Milner, Milner applied to the AUC on November 9, 2016 for interim relief. As at September 30, 2016, the implementation date of the new rule under Module B and the amount and timing of compensation under Module C cannot be determined.

In the third quarter of 2016, the Corporation realized $3.6 million in gains on commodity swaps for Alberta Power. Including these gains, Milner generating facility ("M1") realized an average price of $34.47 during the quarter, which is a 92% premium to the $17.94 settled spot price in Alberta over the same time frame. These commodity swaps and M1’s existing coal inventory at site allowed M1 to realize positive cash-flows during the quarter. As at the date of this MD&A, the Corporation has sold 100 MW of fixed price Alberta power until the end of February 2017 and a further 95 MW of fixed price Alberta power in March 2017 between $30 to $35.

Following the agreement to sell its ownership interest in COMAX France S.A.S., the Corporation commenced consideration of various strategic and financing alternatives potentially available to MAXIM in relation to its investments in the United States and Canada. MAXIM currently owns and operates 446 MW of generating capacity in the United States and 156 MW of generating capacity in Canada. MAXIM also has permitted power generation development projects totalling up to 996 MW and a permitted metallurgical coal development project in Alberta (see page 18).

Key Performance Indicators

($000's, unless otherwise noted)	Three months ended September 30 2016	2015	Nine months ended September 30 2016	2015
Revenue				
Continuing operations	22,843	19,065	48,775	65,743
Discontinued operations	735	640	24,634	24,510
Total	23,578	19,705	73,409	90,253
Adjusted EBITDA(1)				
Continuing operations	3,842	(1,123)	(1,724)	5,979
Discontinued operations	(1,079)	(1,216)	6,834	5,303
Total	2,763	(2,339)	5,110	11,282
Adjusted net loss(1)				
Continuing operations	(9,939)	(7,088)	(26,969)	(14,615)
Discontinued Operations	(1,189)	(1,829)	(747)	(1,307)
Total	(11,128)	(8,917)	(27,716)	(15,922)
Net loss attributable to shareholders				
Continuing operations	(8,426)	(7,088)	(25,225)	(10,956)
Discontinued operations	(11,606)	(1,829)	(11,164)	(1,307)
Total	(20,032)	(8,917)	(36,389)	(12,263)
Basic and diluted net loss per share attributable to shareholders ($ per share)				
Continuing operations	(0.16)	(0.13)	(0.46)	(0.20)
Discontinued operations	(0.21)	(0.03)	(0.21)	(0.03)
Total	(0.37)	(0.16)	(0.67)	(0.23)
FFO(2)				
Continuing operations	(3,177)	(1,189)	(9,675)	959
Discontinued operations	(1,258)	(1,432)	6,535	4,860
Total	(4,435)	(2,621)	(3,140)	5,819
Total assets	295,286	406,610	295,286	406,610
Loans and borrowings				
Continuing operations	31,820	24,125	31,820	24,125
Discontinued operations	38,798	44,853	38,798	44,853
Total	70,618	68,978	70,618	68,978
Total generation (MWh) (3)	323,481	173,812	508,720	453,562
Average Alberta market power price ($ per MWh)	17.94	26.09	17.02	37.43
Average Milner realized power price ($ per MWh) (4)	34.47	40.01	27.25	83.52
Average Northeast U.S. realized power price (US$ per MWh)	41.33	43.86	40.19	70.81

(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 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 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 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.

(3) Total generation represents generation from continuing operations.

(4) Includes proportionate share of realized gains from commodity swap.

Financial Results

Three months ended September 30 ($000's)	2016			2015		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Revenue	22,843	735	23,578	19,065	640	19,705
Operating expense[(1)]	21,272	1,822	23,094	18,919	1,778	20,697
General and administrative expense[(1)]	1,266	112	1,378	1,201	101	1,302
Gain on commodity swaps[(1)]	(3,613)	-	(3,613)	-	-	-
Other income[(1)]	-	(93)	(93)	-	-	-
EBITDA from non-controlling interests	76	(27)	49	68	(23)	45
Adjusted EBITDA	3,842	(1,079)	2,763	(1,123)	(1,216)	(2,339)

Nine months ended September 30 ($000's)	2016			2015		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Revenue	48,775	24,634	73,409	65,743	24,510	90,253
Operating expense[(1)]	51,187	18,091	69,278	57,595	18,823	76,418
General and administrative expense[(1)]	3,054	637	3,691	3,649	525	4,174
Gain on commodity swaps[(1)]	(3,613)	-	(3,613)	-	-	-
Other income[(1)]	(340)	(1,042)	(1,382)	(1,678)	(301)	(1,979)
EBITDA from non-controlling interests	211	114	325	198	160	358
Adjusted EBITDA	(1,724)	6,834	5,110	5,979	5,303	11,282

(1) Excludes non-cash items. Refer to Non-GAAP measures on page 23 for further details.

Discontinued operations reflect the financial results from the France operating segment. Refer to the Assets and Liabilities Held for Sale and Discontinued Operations section on page 13 for a discussion on the financial results of discontinued operations.

Revenue and adjusted EBITDA increased in the third quarter as a result of higher generation volumes in the Northeast U.S. and at M1. Adjusted EBITDA also increased as a result of the realized gain from the commodity swaps at M1. Adjusted net loss and net loss attributable to shareholders increased and FFO decreased as a result of the amounts owing related to the FERC Settlement Agreement. This was partially offset by the favourable factors impacting adjusted EBITDA noted above. Net loss attributable to shareholders also decreased as a result of the impairment of the France operating segment.

Revenue, adjusted EBITDA and FFO have decreased and adjusted net loss and net loss attributable to shareholders increased in the nine months of 2016 when compared to 2015. The changes in these financial measures are primarily due to lower Alberta pool prices, lower realized Northeast U.S. power prices in the first quarter of 2016, and amounts owing relating to the FERC Settlement Agreement. This was partially offset by favourable ongoing impacts of cost cutting initiatives implemented in the second quarter of 2015 and realized gains from the commodity swap at M1. Net loss attributable to shareholders also decreased as a result of the impairment of the France segment.

RESULTS OF CONTINUING OPERATIONS

Production

Summary of generation by segment:

	Three months ended September 30, 2016		Three months ended September 30, 2015	
Segment	MWh	% of Total	MWh	% of Total
Canada	86,920	27	22,316	13
United States	236,561	73	151,496	87
Total MWh generation	323,481	100	173,812	100

	Nine months ended September 30, 2016		Nine months ended September 30, 2015	
Segment	MWh	% of Total	MWh	% of Total
Canada	185,182	36	208,004	46
United States	323,538	64	245,558	54
Total MWh generation	508,720	100	453,562	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:

	Three months ended September 30		Nine months ended September 30	
Segment ($000's)	2016	2015	2016	2015
Canada	1,581	901	3,644	17,396
United States	21,262	18,164	45,131	48,347
Revenue	22,843	19,065	48,775	65,743

Canada:

Revenue in third quarter of 2016 increased $0.7 million or 78% to $1.6 million as compared to $0.9 million in 2015. This increase was largely due to the cooling tower outage at M1 in the third quarter of 2015 which resulted in lower generation volumes in the prior period. This increase was partially offset by lower Alberta power prices which 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 nine months of 2016 decreased $13.8 million or 79% to $3.6 million as compared to $17.4 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. Lower Alberta power prices were primarily the result of excess supply driven by fewer reliability issues across Alberta, lower weather-based demand and lower natural gas prices.

United States:

Revenue in the third quarter of 2016 increased from $18.2 million in 2015 to $21.3 million in 2016, which is an increase of $3.1 million or 17%. In the source currency, revenue in the third quarter of 2015 increased from US$13.9 million to US$16.3 million in 2016, which is an increase of US$2.4 million or 17%.This increase was due to higher generation volumes as a result of lower natural gas prices which made the generation facilities more economical to dispatch during periods of low power prices. This increase was partially offset by lower capacity revenues at Pawtucket due to favourable capacity rates resulting from reconfiguration auctions, which concluded in the second quarter of 2016.

Revenue in the first nine months of 2016 decreased from $48.3 million in 2015 to $45.1 million in 2016, which is a decrease of $3.2 million or 7%. In the source currency, revenue in the first nine months of 2015 decreased from US$38.2 million in 2015 to US$34.2 million in 2016, which is a decrease of US$4.0 million or 10%. This decrease was primarily due to lower realized prices as a result of reduced weather-based demand in the first three months of 2016. This decrease was partially offset by higher generation volumes as a result of lower natural gas prices.

Summary of revenue by fixed versus spot price:

	Three months ended September 30		Nine months ended September 30	
($000's)	2016	2015	2016	2015
Electricity and capacity sales at fixed prices	8,613	9,455	28,174	26,276
Electricity sales at spot prices	14,230	9,610	20,601	39,467
Revenue	22,843	19,065	48,775	65,743

Third quarter fixed price revenue in 2016 decreased from $9.5 million in 2015 to $8.6 million in 2016, which is a decrease of $0.9 million or 9%. All electricity and capacity sales from continuing operations are from the Corporation's U.S. segment. In its source currency, fixed price revenue decreased from US$7.2 million in 2015 to US$6.6 million, which is a decrease of US$0.6 million or 8%. The decrease is primarily a result of lower capacity revenues at Pawtucket due to previously favourable reconfiguration auctions which concluded in the second quarter of 2016. In the first nine months fixed price revenue in 2016 increased from $26.3 million in 2015 to $28.2 million in 2016, which is an increase of 1.9 million or 7%. In its source currency, fixed price revenue increased from US$20.8 million in 2015 to US$21.3 million, which is an increase of US$0.5 million or 2%. 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 in the second quarter of 2016 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 in the Northeast U.S. as a result of lower variable costs passed onto the customer.

Third quarter electricity sales at spot prices increased from $9.6 million in 2015 to $14.2 million in 2016, which is an increase of $4.6 million or 48%. This increase was primarily due to higher generation volumes in the Northeast U.S. as a result of lower natural gas prices. In the first nine months of 2016 electricity sales at spot prices decreased from $39.5 million in 2015 to $20.6 million in 2016, which is a decrease of $18.9 million or 48%. 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. In addition, 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. In addition, revenues decreased as a result of lower realized Northeast U.S. power prices, partially offset by higher generation volumes as lower natural gas prices made it more economical to dispatch during periods of low power prices.

Plant Operations

Summary of plant operations expense by type and segment:

Three months ended September 30	2016			2015		
($000's)	Fuel	O&M	Total	Fuel	O&M	Total
Canada	1,235	4,133	5,368	645	5,019	5,664
United States	8,598	7,306	15,904	5,121	8,134	13,255
Total	9,833	11,439	21,272	5,766	13,153	18,919
Percent	46%	54%	100%	30%	70%	100%

Nine months ended September 30	2016			2015		
($000's)	Fuel	O&M	Total	Fuel	O&M	Total
Canada	9,660	13,495	23,155	10,956	14,714	25,670
United States	12,900	21,793	34,693	15,139	21,020	36,159
Total	22,560	35,288	57,848	26,095	35,734	61,829
Percent	39%	61%	100%	42%	58%	100%

Canada:

Canada’s third quarter operations and maintenance ("O&M") expenses decreased $0.9 million or 18%, from $5.0 million in 2015 to $4.1 million in 2016, primarily as a result of lower maintenance due to the non-reoccurrence of cooling tower outage related expenses in 2015 and fixed operating cost savings from cost cutting initiatives. For the first nine months of 2016 O&M expenses decreased $1.2 million or 8%, from $14.7 million in 2015 to $13.5 million in 2016, primarily due to the same factors impacting the third quarter and lower operating costs as a result of temporarily suspending generation at M1 during the second quarter of 2016. This was partially offset by the write-off of spare parts inventories relating to coal-fired components at M1 in the first quarter of 2016.

Third quarter fuel expenses in 2016 increased from $0.6 million in 2015 to $1.2 million in 2016, which is an increase of $0.6 million or 100%. This increase is due to higher generation volumes as a result of the prior year cooling tower outage, partially offset by lower per unit coal fuel costs as a result of prior period write-downs of coal inventory on a per unit basis. For the first nine months of 2016 fuel expenses decreased from $11.0 million in 2015 to $9.7 million in 2016, which is a decrease of $1.3 million or 12%. Excluding $6.1 million and $4.2 million of coal inventory write-downs in 2016 and 2015, respectively, fuel expenses decreased from $6.8 million in 2015 to $3.6 million in 2016, which is a decrease of $3.2 million or 47% primarily due to lower generation volumes and lower per unit fuel costs of both natural gas and coal. The lower per unit fuel costs in the absence of write-downs is primarily due to higher proportion of lower quality coal consumed in 2016.

United States:

Third quarter O&M expenses in 2016 decreased $0.8 million or 10% to $7.3 million in 2016 from $8.1 million in 2015. In the source currency, O&M expenses in 2016 decreased US$0.6 million or 10%, to US$5.6 million in 2016 from US$6.2 million in 2015. This decrease was primarily due to lower property taxes, utilities expense and legal fees incurred related to FERC. O&M expenses in the first nine months of 2016 increased $0.8 million or 4% to $21.8 million in 2016 from $21.0 million in 2015. In the source currency, O&M expenses in 2016 decreased US$0.4 million or 2%, to US$16.4 million in 2016 from US$16.8 million in 2015, primarily due to the same factor impacting the third quarter.

Third quarter fuel expenses in the United States in 2016 increased $3.5 million or 69%, to $8.6 million in 2016 from $5.1 million in 2015. In the source currency, fuel expenses in 2016 increased US$2.7 million or 69%, to US$6.6 million from US$3.9 million in 2015. This increase is primarily due to an increase in generation, partially offset by lower natural gas prices. In the first nine months of 2016, fuel expenses in the United States decreased $2.2 million or 15%, to $12.9 million in 2016 from $15.1 million in 2015. In the source currency, fuel expenses in 2016 decreased US$2.2 million or 18%, to US$9.8 million from US$12.0 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, partially offset by an increase in generation.

General and Administrative Expense

($000's)	Three months ended September 30 2016	2015	Nine months ended September 30 2016	2015
Total general and administrative expense	1,355	1,467	3,736	4,208

General and administration expense in the third quarter of 2016 was $1.4 million, which is comparable to the same period in 2015.

General and administration expense in the first nine months of 2016 decreased $0.5 million or 12% from $4.2 million in 2015 to $3.7 million in 2016. This decrease was primarily due to cost cutting initiatives at the corporate office.

Depreciation and Amortization Expense

($000's)	Three months ended September 30 2016	2015	Nine months ended September 30 2016	2015
Total depreciation and amortization	4,160	3,857	10,815	10,737

Depreciation expense in the third quarter of 2016 increased from $3.9 million in 2015 to $4.2 million in 2016, which is an increase of $0.3 million or 8%. The increase is primarily due to higher asset bases in all segments resulting from capital expenditures in the trailing twelve months.

Depreciation expense for the first nine months of 2016 was $10.8 million, which is comparable to the same period in 2015.

Reversal of Impairment Charge

In the first quarter of 2015, due to a significant favourable 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

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

Gain on Commodity swaps

($000's)	Three months ended September 30 2016	2015	Nine months ended September 30 2016	2015
Realized gain on commodity swaps	3,613	-	3,613	-
Unrealized gain on commodity swaps	1,513	-	1,744	-
Total	5,126	-	5,357	-

In the third quarter and first nine months of 2016, MAXIM recorded a $5.1 million and $5.4 million, respectively, gain on commodity swaps 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 spot prices have settled lower than the fixed swap price and the Corporation has a realized gain of $3.6 million for the first nine months of 2016. In addition to this, Alberta forward prices have moved lower than the fixed price and the Corporation has an unrealized gain of $1.7 million for the first nine months of 2016.

These commodity swaps are a Level II asset under IFRS. The Level II fair value for the unrealized commodity swaps have been determined using inputs other than quoted prices that are observable such as the forward Alberta pool price, ranging from $20.00 per MWh to $31.50 per MWh. This Level II asset resides in the Canada segment.

Other Expense, Net

	Three months ended September 30		Nine months ended September 30	
($000's)	2016	2015	2016	2015
Other expense, net	9,398	114	9,767	5,290

Net other expense in the third quarter of 2016 increased from $0.1 million in 2015 to $9.4 million in 2016, which is an increase of $9.3 million. The increase is primarily due to the costs incurred in the FERC Settlement Agreement.

Net other expense in the first nine months of 2016 increased from $5.3 million in 2015 to 9.8 million in 2016, which is an increase of $4.5 million. The increase was primarily due to the same factor impacting the third quarter, partially offset by higher costs incurred in 2015 relating to the restructuring of Alberta operations as compared to the same period in 2016.

Finance Expense (Income), Net

	Three months ended September 30		Nine months ended September 30	
($000's)	2016	2015	2016	2015
Interest expense	553	548	1,720	1,601
Amortization of deferred financing costs	32	22	104	103
Accretion of provisions	39	79	116	210
Foreign exchange loss (gain)	508	3,255	(2,236)	5,119
Finance expense (income)	1,132	3,904	(296)	7,034
Interest income	(1)	(2)	(2)	(8)
Total finance expense (income), net	1,131	3,902	(298)	7,026

Net finance expense incurred in the third quarter of 2016 decreased from $3.9 million in 2015 to $1.1 million in 2016. The decrease is primarily due to a decrease in foreign exchange losses from $3.3 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 nine months of 2016 increased from an expense of $7.0 million in 2015 to income of $0.3 million in 2016. The increase is primarily due to an increase from a foreign exchange loss of $5.1 million in 2015 to a gain of $2.2 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)

	Three months ended September 30		Nine months ended September 30	
($000's)	2016	2015	2016	2015
Current tax expense (benefit)	1	(215)	190	(170)
Deferred tax benefit	(943)	(1,907)	(2,762)	(7,039)
Total income tax benefit	(942)	(2,122)	(2,572)	(7,209)

Income tax benefit in the third quarter of 2016 decreased from $2.1 million in 2015 to $0.9 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 taxable losses from operations in Canada.

Income tax benefit in the first nine months of 2016 decreased from $7.2 million in 2015 to $2.6 million in 2016. The decrease in benefit is primarily due to the same factor impacting the third quarter.

Financial Position

The following highlights changes in the unaudited condensed consolidated interim Statements of Financial Position from December 31, 2015 to September 30, 2016. The table represents MAXIM's normal course of operations, and excludes the classification effect of assets and liabilities held for sale.

As at ($000's)	September 30, 2016	December 31, 2015	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	6,536	5,884	652	Operating and financing cash inflows exceed investing inflows
Trade and other receivables	14,136	20,871	(6,735)	Seasonality of MAXIM's operations
Inventories	10,593	19,331	(8,738)	Write-down of coal inventory and consumption of coal
Property, plant and equipment, net	230,461	257,117	(26,656)	Amortization, foreign exchange translation of foreign assets and impairment of France's PP&E, partially offset by capital expenditures (see page 15)
Net other assets	28,275	38,265	(9,990)	Impairment of France's intangible assets
Liabilities & Equity				
Trade and other payables	22,027	28,906	(6,879)	Seasonality of MAXIM's operations
Loans and borrowings	70,618	68,728	1,890	Draw on revolving debt facility in Canada, partially offset by scheduled debt and lease payments
Provisions for decommissioning	19,733	16,981	2,752	Increased due to a decrease in discount rate and increase in inflation rates
Other long-term liability	3,498	-	3,498	Long-term portion of FERC Settlement Agreement
Net deferred tax liability	1,373	10,066	(8,693)	Net deferred income benefit in 2016 due to taxable losses outside of Canada
Equity	172,752	216,787	(44,035)	Net loss for the period and foreign exchange rates on self-sustaining operations

ASSETS AND LIABILTIIES HELD FOR SALE AND DISCONTINUED OPERATIONS

During the third quarter of 2016, the Corporation signed a purchase and sale agreement to sell the France operating segment. As such, the assets and liabilities of the disposal group have been reclassified to assets and liabilities held for sale on the statement of financial position and the France operations are classified as discontinued operations on the statement of income. The sale of France is scheduled to close during the fourth quarter of 2016, subject to regulatory approvals and customary closing conditions.

Discontinued operations

Revenue in the third 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 nine months of 2016 was $24.6 million, which is comparable to the same period in 2015. In the source currency, revenue decreased from €17.5 million in 2015 to €16.3 million in 2016, which is a decrease of €1.2 million or 7%. This decrease was due to lower generation as a result of fewer dispatches and outages.

Excluding an impairment charge of $15.6 million, third quarter expenses in France decreased $0.7 million or 24% to $2.2 million in 2016 from $2.9 million in 2015. In the source currency, expenses in the third quarter of 2016 decreased €0.6 million or 30% to €1.4 million in 2016 from €2.0 million in 2015. This decrease was due to a loss on disposal of spare engines in the third quarter of 2015.

Excluding impairment of $15.6 million, expenses in the first nine months of 2016 in France decreased $0.7 million or 3% to $24.2 million in 2016 from $24.9 million in 2015. In the source currency, expenses in the first nine months of 2016 decreased €1.6 million or 9% to €16.2 million in 2016 from €17.8 million in 2015. This decrease was due to lower per unit fuel costs and lower generation.

Finance expense incurred in the third quarter and first nine months of 2016 was $0.4 million and $1.2 million, respectively, which is comparable to the same period in 2015. In the source currency, finance expense in the third quarter and first nine months of 2016 was €0.3 million and €0.8 million, respectively, which is comparable to the same period in 2015.

Excluding the tax impact of the impairment of $5.2 million, income tax benefit in the third quarter and first nine months of 2016 was $0.6 million and $0.1 million, respectively, which is comparable to the same period in 2015. In the source currency, income tax benefit in the third quarter and first nine months of 2016 was €0.4 and €0.1 million, respectively, which is comparable to the same period in 2015.

The cash flows from (used in) discontinued operations for the first nine months ended September 30, 2016 and 2015 are as follows:

- Funds from operations increased in the first nine months of 2016 to $6.5 million from $4.9 million in the first nine months of 2015. The increase is primarily due to favourable margins and lower taxes paid in the first nine months of 2016.
- Fluctuations in working capital represented a cash inflow of $1.9 million in 2016 as compared to $2.4 million in 2015. See page 16 for further discussion of working capital.
- Cash from financing activities for the first nine months of 2016 decreased from an inflow of $7.3 million in 2015 to an outflow of $5.7 million in 2016. This decrease is primarily due to the issuance of debt in order to finance capital investing activities in 2015.
- Cash used in investing activities in the first nine months of 2016 decreased to $0.8 million from $12.8 million used in 2015, which is primarily due to lower capital expenditures 2016 as compared to the same period in 2015.

Refer to the Liquidity and Capital Resources section (page 14) for further discussion on financing and investing activities.

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.

The Corporation obtained an extension of the Canadian bank facility, revising the maturity date from August 31, 2016 to December 31, 2016. Facility A is a $25.0 million revolving credit facility. As part of the extension, the credit facility will reduce from $25.0 million to $13.5 million upon closing of the sale of the France operating segment. 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 North American PP&E. The borrowing limit at September 30, 2016 was $25.0 million.

The sale of France is expected to improve the Corporation's liquidity. France sale proceeds will be used to repay the Canadian bank facility and go towards future operations.

As at September 30, 2016, the carrying amount of the Canadian bank loan was $9.6 million and MAXIM has issued letters of credit of $8.0 million on the facility. The amount available to draw against Facility A at September 30, 2016 was $7.4 million.

As at September 30, 2016, MAXIM breached its DSCR, minimum equity, interest coverage and net funded debt to EBITDA financial covenants in relation to its Canadian bank facilities. On November 1, 2016, management obtained a waiver for these covenant breaches from the bank.

This quarter is the seventh 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 and has extended the maturity of its credit facility during this time period to December 31, 2016.

At September 30, 2016, the Corporation had cash of $4.2 million and a working capital surplus from continuing operations of $3.0 million. However, in the event that the Corporation cannot realize the sale of the France segment it would have had a working capital deficit of $2.6 million.

In these circumstances, management believes the going concern assumption is appropriate for these consolidated financial statements but is contingent upon closing the sale of the France operating segment, a further extension of its credit facility, raising of sufficient capital or the sale of other 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 is currently in the process of pursuing various asset sales, including the sale of the France operating segment. The proceeds from these will in part be used to repay any draws on the revolving credit facility and cash collateralize existing letters of credit under the Canadian 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. Other than the sale of the France operating segment, 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 before an anticipated increase in compliance costs related to coal-fired generating commences.

Cash flow summary:

Nine months ended September 30 ($000's)	2016	2015
Cash on hand, unrestricted, January 1	5,884	17,142
Cash flow from operations:		
• FFO	(9,675)	959
• Changes in working capital	3,210	(1,154)
Cash flow generated from (used in) financing	6,788	(2,777)
Available for investments	6,207	14,170
Cash flow used in investing	(1,169)	(5,812)
Effect of foreign exchange rates on cash	(117)	951
Cash on hand, unrestricted, September 30	4,921	9,309
Net increase in cash from discontinued operation	1,615	2,188
Less: Cash held at discontinued operation	(2,297)	(6,401)
Undrawn revolving credit facility	7,405	13,626
Net liquidity available, September 30	11,644	18,722

FFO in the first nine months of 2016 decreased from an inflow of $1.0 million in 2015 to outflow of $9.7 million in 2016, which is a decrease of $10.7 million. The decrease is primarily due to weaker Alberta pool prices, which resulted in less generation, lower realized Northeast U.S. power prices and amounts payable as a result of the Settlement Agreement with FERC. Partially offsetting this was lower restructuring costs in 2016 as compared to the same period in 2015 and the realized gains on the commodity swaps.

Fluctuations in working capital in the first nine months of 2016 represented a cash inflow of $3.2 million compared to an outflow of $1.2 million in 2015. See page 16 for further discussion of working capital.

During the first nine months of 2016, MAXIM's debt issuances exceeded financing outflows, resulting in a net financing inflow of $6.8 million during the year. MAXIM's financing inflows included draws on the revolving credit facility for $9.6 million from its Canadian bank facility and proceeds received from exercise of stock options for $0.2. Partially offsetting this inflow were regularly scheduled debt repayments in the United States of $1.2 million and $1.8 million in interest payments.

During the first nine months of 2015, MAXIM's debt repayments exceeded financing cash inflows, resulting in a net financing outflow of $2.8 million during the year. MAXIM's financing outflows included debt repayments of $4.3 million and $1.6 million in interest payments. Partially offsetting these outflows were draws on the revolving credit facility for $3.1 million from its Canadian bank facility.

MAXIM's investing activities in the first nine months of 2016 represented a cash outflow of $1.2 million, which primarily consisted of $3.6 million in PP&E purchases and a change in non-cash working capital of $1.2 million, partially offset by an increase in non-current liabilities related to the Settlement Agreement with FERC of $3.6 million. The $3.6 million in PP&E expenditures is comprised of $2.8 million on sustaining capital in the United States and $0.8 million on development initiatives as well as sustaining capital to M1.

MAXIM's investing activities in the first nine months of 2015 represented a cash outflow of $5.8 million, which primarily consisted of $12.2 million in PP&E purchases, partially offset by proceeds on sale of emission performance credits pertaining to Alberta's Greenhouse Gas Reduction Program ("Emission Performance Credits") for $3.4 million, a change in non-cash working capital of $2.9 million and a decrease in non-current assets of $0.1 million. The $12.2 million in PP&E expenditures is comprised of $7.0 million on sustaining capital in the United States, $3.9 million on sustaining capital at M1 and $1.3 million on development initiatives.

The following table represents the net capital of the Corporation:

As at ($000's)	September 30, 2016	December 31, 2015
Long-term debt	31,820	66,974
Capital lease obligation	-	1,754
Less: Unrestricted cash	(4,239)	(5,884)
Net debt	27,581	62,844
Net debt - discontinued operations	38,798	-
Shareholders' equity	172,043	216,082
Capital	238,422	278,926
Net debt to capital	27.8%	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 September 30, 2016 is primarily due to a decrease in shareholders' equity as a result of operating losses and impairment charges taken 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 and the potential closing of the sale of France, 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

At September 30, 2016, the Corporation has recognized all assets and liabilities related to the France operating segment as current assets and liabilities held for sale on the Statement of Financial Position. As a result, the Corporation has a working capital surplus of $34.2 million at September 30, 2016, which represents a $21.3 million increase from the working capital surplus of $12.9 million at December 31, 2015. The decrease in working capital surplus of $15.5 million from MAXIM's normal operations was due to a $13.1 million decrease in current assets and a $2.4 million increase in current liabilities. The remaining increase was due to the reclassification of the France non-current to current assets of $72.3 million, which exceeded its non-current liabilities of $35.5 million reclassified as current liabilities.

The decrease in current assets from the normal course of operations is due to a $8.7 million decrease in inventory primarily due to a write down of inventories for $6.7 million and consumption of coal inventories, a $6.7 million decrease to accounts receivable due to seasonality and a $0.6 million decrease in income taxes recoverable due to changes in taxable income and adjustments upon tax filings. This was partially offset by a $1.7 million unrealized asset from the recognition of the commodity swap, a $0.7 million increase to unrestricted cash and a $0.5 million increase to prepaid expenses and deposits.

The increase in current liabilities from the normal course of operations is due to a $9.4 million increase to the current portion of loans and borrowings partially offset by a $7.0 million decrease in trade and other payables primarily due to seasonality of MAXIM's operations.

MAXIM anticipates that it will have a working capital surplus for the next twelve months pending the sale of the France operating segment or successfully extending its current revolving BMO credit facility beyond twelve months. This preceding statement represents FLI and users are cautioned that actual results may vary.

Contractual Obligations

During the first nine months of 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

Contingent liability

The Corporation has 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.

Contingent assets

Through its Decision, released September 28, 2016, the AUC asserted its position on several preliminary matters related to remedy under Module C of Milner’s complaint relating to the AESO Line Loss Rule. The Decision confirms the Corporation's view that the AUC's proceedings will establish compensation to Milner that will include an accounting for the time value of money. The Corporation estimates that overpayments of $41.8 million were made by Milner to the AESO for the period January 1, 2006 to September 30, 2016, based on information currently available on the public record. As at September 30, 2016, the implementation date of the new rule under Module B and the amount and timing of compensation under Module C cannot be determined.

The Corporation has entered into an agreement to sell its ownership interest in the France operating segment. Under the agreement, the Corporation is eligible for compensation up to €6.0 million, contingent upon a change in law in France which benefits the Corporation’s cogeneration units. The change in law must occur no later than 18 months following the closing of the agreement. As at September 30, 2016, the timing and amount of compensation cannot be determined.

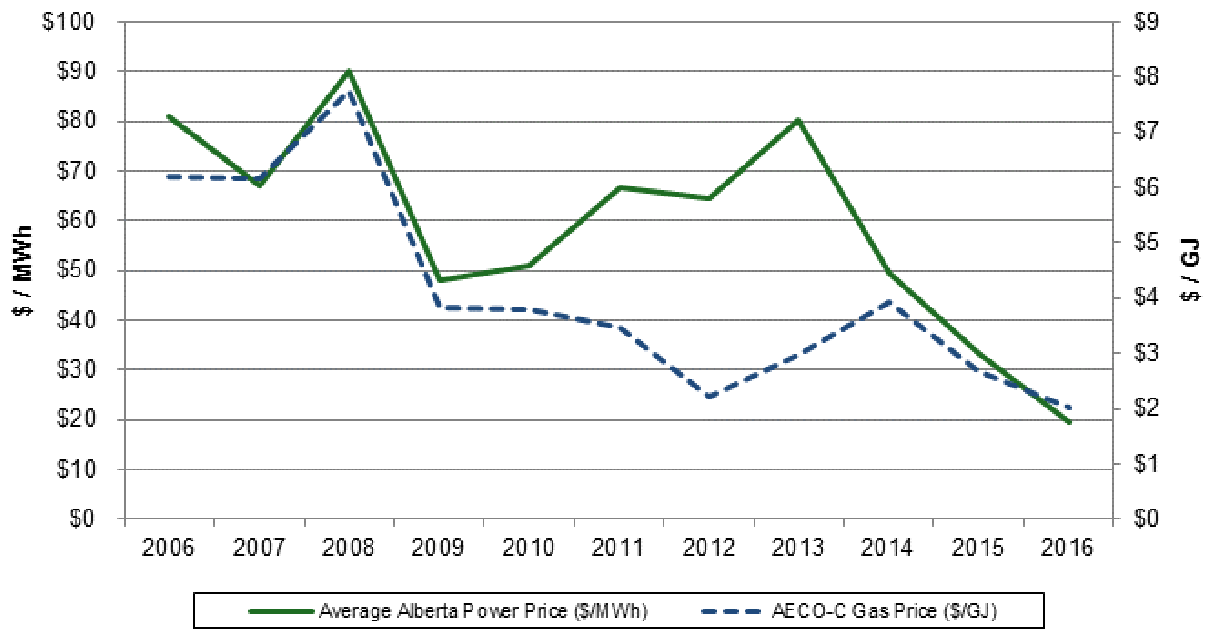
Capital Resources

The following represents FLI and users are cautioned that actual results may vary. The Corporation is currently estimating capital and development expenditures of approximately $5.7 million for 2016. These expenditures include $4.1 million on sustaining capital at generating facilities in Northeast U.S., $0.4 million on sustaining capital at M1, $0.9 million on other development projects in North America and $0.3 on sustaining capital in France before the close of the sales agreement. Capital 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. The Corporation's swap agreements end in March 2017. As at the date of this MD&A, the Corporation has sold 100MW of fixed price Alberta power until the end of February 2017 and a further 95MW of fixed price Alberta power in March 2017 between $30 to $35.

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. The Corporation maintains optionality for all of the development initiatives in order to maximize shareholder value including outright sale, joint venture, build and operate or pace development process to hold as future opportunity.

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 AESO's renewable electricity program expected to commence, with expressions of interest, in the first quarter of 2017. 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.

M3

MAXIM has regulatory approval 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. Construction of the facility is pending regulatory certainty in Alberta, improved prices in the Alberta power market and satisfactory commercial arrangements.

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 metallurgical coal 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.

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. Construction of the facility is pending regulatory certainty in Alberta, improved prices in the Alberta power market and satisfactory commercial arrangements.

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 Government of Alberta ("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, incent 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 continue to 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 greenhouse gas ("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 ("NOx"), 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 NOx 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 NOx 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) ($000's unless otherwise noted)	30-Sep 2016	30-Jun 2016	31-Mar 2016	31-Dec 2015
Revenue				
Continuing operations	22,843	10,880	15,052	17,600
Discontinued operations	735	733	23,166	15,192
Total	23,578	11,613	38,218	32,792
Adjusted EBITDA[1]				
Continuing operations	3,842	(2,023)	(3,543)	2,642
Discontinued operations	(1,079)	(1,176)	9,089	5,577
Total	2,763	(3,199)	5,546	8,219
Adjusted net loss [1]				
Continuing operations	(9,939)	(7,057)	(9,973)	(3,005)
Discontinued operations	(1,189)	(1,522)	1,964	700
Total	(11,128)	(8,579)	(8,009)	(2,305)
Net loss attributable to shareholders				
Continuing operations	(8,426)	(6,826)	(9,973)	(65,855)
Discontinued operations	(11,606)	(1,522)	1,964	700
Total	(20,032)	(8,348)	(8,009)	(65,155)
Basic and diluted loss per share attributable to shareholders ($ per share)				
Continuing operations	(0.16)	(0.13)	(0.18)	(1.21)
Discontinued operations	(0.21)	(0.02)	0.03	0.01
Total	(0.37)	(0.15)	(0.15)	(1.20)
FFO[2]				
Continuing operations	(3,177)	(2,703)	(3,795)	(1,052)
Discontinued operations	(1,258)	(1,351)	9,144	5,496
Total	(4,435)	(4,054)	5,349	4,444
Total assets	295,286	310,674	327,875	346,898
Average Alberta electricity price ($ per MWh)	18	15	18	21
Average Milner realized electricity price ($ per MWh)	34	20	21	23
Average Northeast U.S. realized electricity price (US$ per MWh)	41	37	37	42

Key performance indicators

Quarter ended: (unaudited) ($000's unless otherwise noted)	30-Sep 2015	30-Jun 2015	31-Mar 2015	31-Dec 2014
Revenue				
Continuing operations	19,065	22,411	24,267	17,811
Discontinued operations	640	616	23,254	12,626
Total	19,705	23,027	47,521	30,437
Adjusted EBITDA(1)				
Continuing operations	(1,123)	8,288	(1,186)	(5,388)
Discontinued operations	(1,216)	(1,263)	7,782	3,987
Total	(2,339)	7,025	6,596	(1,401)
Adjusted net income (loss)(1)				
Continuing operations	(7,088)	1,364	(8,891)	(4,241)
Discontinued operations	(1,829)	(1,346)	1,868	(2,347)
Total	(8,917)	18	(7,023)	(6,588)
Net income (loss) attributable to shareholders				
Continuing operations	(7,088)	3,927	(7,795)	(4,513)
Discontinued operations	(1,829)	(1,346)	1,868	(2,347)
Total	(8,917)	2,581	(5,927)	(6,860)
Basic and diluted income (loss) per share attributable to shareholders ($ per share)				
Continuing operations	(0.13)	0.07	(0.14)	(0.08)
Discontinued operations	(0.03)	(0.02)	0.03	(0.05)
Total	(0.16)	0.05	(0.11)	(0.13)
FFO(2)				
Continuing operations	(1,189)	5,092	(2,944)	(3,966)
Discontinued operations	(1,432)	(1,637)	7,929	3,876
Total	(2,621)	3,455	4,985	(90)
Total assets	406,610	386,767	407,548	391,679
Average Alberta electricity price ($ per MWh)	26	57	29	30
Average Milner realized electricity price ($ per MWh)	40	143	42	36
Average Northeast U.S. realized electricity price (US$ per MWh)	44	50	158	82

(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 third quarter of 2016 had a $15.6 million impairment charge relating to the France operating segment, a $10.5 million charge related to the FERC Settlement Agreement, $1.7 million loss on disposal of coal mining equipment, a $2.8 million insurance recovery and a $1.5 million gain on commodity swaps. 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 M1 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 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

	Three months ended September 30		Nine months ended September 30	
($000's)	2016	2015	2016	2015
GAAP Measures from Condensed Consolidated Statement of Income				
Net loss	(8,405)	(7,072)	(25,164)	(10,919)
Income tax benefit	(942)	(2,122)	(2,572)	(7,209)
Finance expense, net	1,131	3,902	(298)	7,026
Depreciation and amortization	4,160	3,857	10,815	10,737
EBITDA	(4,056)	(1,435)	(17,219)	(365)
Adjustments:				
FERC Settlement Agreement	10,482	-	10,482	-
Inventories write-down	-	-	6,661	4,234
Loss on disposal of equipment	1,667	-	1,667	-
Restructuring of Alberta operations	-	114	709	6,968
Share-based compensation	89	266	682	559
Reversal of asset impairment charges	-	-	-	(1,500)
Unrealized gain on commodity swaps	(1,513)	-	(1,744)	-
Insurance recovery	(2,751)	-	(2,751)	-
Unrealized gain on derivative coal contract	-	-	-	(3,719)
EBITDA from non-controlling interest	(76)	(68)	(211)	(198)
Adjusted EBITDA from continuing operations	3,842	(1,123)	(1,724)	5,979
Adjusted EBITDA from discontiued operation	(1,079)	(1,216)	6,834	5,303
Adjusted EBITDA	2,763	(2,339)	5,110	11,282

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 nine months ended September 30, 2016 management excluded certain non-cash and non-recurring transactions. In the third quarter of 2016, adjusted EBITDA excluded an impairment charge relating the France operating segment, the FERC Settlement Agreement, insurance claim recovery in Canada, loss on sale of coal mining equipment, non-cash expenses related to share-based compensation, 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, loss on sale of assets, non-cash expenses related to share based compensation and EBITDA from non-controlling interest.

Adjusted EBITDA for the first nine months of 2016 management excluded an impairment charge relating the France operating segment, coal inventories write-down at M1, the FERC Settlement Agreement, insurance claim recovery in Canada, loss on sale of coal mining equipment, 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, loss on sale of assets, non-cash expenses related to share based compensation and EBITDA from non-controlling interest.

Adjusted Net Loss from Continuing Operations

	Three months ended September 30		Nine months ended September 30	
($000's)	2016	2015	2016	2015
Net loss from continuing operation	(8,405)	(7,072)	(25,164)	(10,919)
Unrealized gain on coal derivative, net of tax	-	-	-	(2,789)
Unrealized gain on commodity swap, net of tax	(1,513)	-	(1,744)	-
Reversal of asset impairment charges, net of tax	-	-	-	(870)
Non-controlling interest income	(21)	(16)	(61)	(37)
Adjusted net loss from continuing operations	(9,939)	(7,088)	(26,969)	(14,615)

Adjusted net loss provides management and investors with information on net loss excluding unrealized non-cash items and non-controlling interests. In the third quarter of 2016, adjusted net loss excluded a $1.5 million unrealized gain, net of tax, on the commodity swap. In 2015, adjusted net income was equal to the net loss for the period.

For the first nine months of 2016, adjusted net loss excluded a $1.7 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 and a reversal of $0.9 million of asset impairment charges.

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 November 10, 2016. These standards have not been applied in preparing MAXIM's third 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 November 10, 2016. These amendments have not been applied in preparing MAXIM's third 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
IAS 7 Statement of Cash Flows	January 2016	January 1, 2017	Additional note disclosure
IAS 12 Income Taxes	January 2016	January 1, 2017	Not applicable to MAXIM
IFRS 2 Share-Based Payments	June 2016	January 1, 2018	No impact to MAXIM
IFRS 4 Insurance Contracts	September 2016	January 1, 2018	Not applicable 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 nine 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 Chief Executive Officer ("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 September 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 September 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 September 30, 2016	54,301,391
Outstanding share options at September 30, 2016	1,898,952
Total diluted common shares at September 30, 2016	56,200,343
Total diluted common shares at November 10, 2016	56,200,343

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
AUC	Alberta Utilities Commission
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
Buffalo Atlee	Buffalo Atlee is a development project for up to 200 MW wind generation situated near Brooks, Alberta.
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
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)
Decision	Decision 790-D04-2016 issued by the AUC
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	Milner Power Inc., a wholly owned subsidiary of MAXIM
Milner realized power price	The weighted average price realized by Milner for sale of electricity and spot and fixed prices, 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
O&M	Operations and maintenance
Pawtucket	Pawtucket generating station, a 64 MW generating facility located in Pawtucket, Rhode Island was acquired by MAXIM on November 10, 2005
PP&E	Property, plant and equipment
Settlement Agreement	Stipulation and Consent Agreement that resolves and closes all matters in the Staff Notice of Alleged Violations issued in November of 2014 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.