Consolidated Financial Statements of

MAXIM POWER CORP.

for the Years Ended December 31, 2015 and 2014
(Audited)

FORM 52-109F1 - CERTIFICATION OF ANNUAL FILINGS - FULL CERTIFICATE

I, John R. Bobenic, President & CEO, Maxim Power Corp., certify the following:

1. ***Review:*** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of Maxim Power Corp. (the "issuer") for the financial year ended December 31, 2015.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual 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, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual 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 financial year end

   (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 annual 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 annual MD&A for each material weakness relating to design existing at the financial year end

(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. ***Evaluation:*** The issuer's other certifying officer(s) and I have

(a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

(b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A

(i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

(ii) for each material weakness relating to operation existing at the financial year end

(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

7. ***Reporting changes in ICFR:*** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2015 and ended on December 31, 2015 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. ***Reporting to the issuer's auditors and board of directors or audit committee:*** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: March 28, 2016

(signed) "John R. Bobenic"

John R. Bobenic
President & CEO

FORM 52-109F1 - CERTIFICATION OF ANNUAL FILINGS - FULL CERTIFICATE

I, Michael R. Mayder, Senior Vice President, Finance & CFO, Maxim Power Corp., certify the following:

1. ***Review:*** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of Maxim Power Corp. (the "issuer") for the financial year ended December 31, 2015.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual 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, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual 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 financial year end

    (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 annual 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 annual MD&A for each material weakness relating to design existing at the financial year end

(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. ***Evaluation:*** The issuer's other certifying officer(s) and I have

(a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

(b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A

(i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

(ii) for each material weakness relating to operation existing at the financial year end

(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

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8. ***Reporting to the issuer's auditors and board of directors or audit committee:*** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: March 28, 2016

(signed) "Michael R. Mayder"

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

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Maxim Power Corp.

We have audited the accompanying consolidated financial statements of Maxim Power Corp., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of loss, comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Maxim Power Corp. as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(a) in the consolidated financial statements which indicates that Maxim Power Corp. has breached financial covenants in its Canadian debt facility as at December 31, 2015 and will likely continue to breach financial covenants in the same debt facility in 2016. Additionally, Maxim Power Corp.'s ability to continue as a going concern is dependent on its ability to generate sufficient cash to settle its existing liabilities and commitments and fund its business plan without additional financing. These conditions, along with other matters as set forth in Note 2(a) in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Maxim Power Corp.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants

March 28, 2016
Calgary, Canada

MAXIM POWER CORP.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	**December 31, 2015**	December 31, 2014
ASSETS			
Cash and cash equivalents		**5,884**	17,142
Trade and other receivables	6	**20,871**	20,269
Income taxes recoverable		**1,070**	1,978
Prepaid expenses and deposits	7	**2,532**	1,104
Inventories	8	**19,331**	22,947
Total current assets		**49,688**	63,440
Property, plant and equipment, net	9	**257,117**	246,904
Restricted cash		**1,405**	1,221
Goodwill and other intangible assets, net	10	**23,224**	33,095
Deferred tax assets	25	**5,100**	31,406
Other assets	11	**10,364**	15,613
Total non-current assets		**297,210**	328,239
TOTAL ASSETS		**346,898**	391,679
LIABILITIES			
Trade and other payables	12	**28,906**	26,437
Deferred revenue		**330**	304
Loans and borrowings	13	**7,579**	6,068
Derivative coal contracts	31	**-**	3,719
Total current liabilities		**36,815**	36,528
Loans and borrowings	13	**61,149**	50,288
Provisions for decommissioning	14	**16,981**	22,506
Deferred tax liabilities	25	**15,166**	14,774
Total non-current liabilities		**93,296**	87,568
TOTAL LIABILITIES		**130,111**	124,096
EQUITY			
Share capital	15	**156,248**	156,248
Contributed surplus		**10,686**	9,908
Accumulated other comprehensive income		**34,138**	8,393
Retained earnings		**15,010**	92,428
Equity attributable to shareholders		**216,082**	266,977
Non-controlling interests		**705**	606
TOTAL EQUITY		**216,787**	267,583
Going concern	2		
Commitments and Contingencies	22, 23		
Subsequent events	13(a), 34		
TOTAL LIABILITIES AND EQUITY		**346,898**	391,679

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

On behalf of the Board:

(Signed)	(Signed)
Director	Director

MAXIM POWER CORP.

Consolidated Statements of Loss

For the years ended December 31
(in thousands of Canadian dollars)

	Note	2015	2014
Revenue	17	**123,045**	142,915
Expenses			
Operating	8, 18	**111,111**	123,823
General and administrative	18	**4,622**	6,167
Depreciation and amortization	9, 10	**24,877**	22,348
Asset impairment charges, net	9, 10	**35,729**	1,366
Unrealized loss (gain) on derivative coal contracts	31	**(3,719)**	79
Other income, net	19	**(8,841)**	(2,064)
Operating loss		**(40,734)**	(8,804)
Finance expense, net	20	**10,560**	4,741
Loss before income taxes		**(51,294)**	(13,545)
Income tax expense (benefit)	25		
Current		**473**	(685)
Deferred		**25,542**	(3,879)
		26,015	(4,564)
Net loss		**(77,309)**	(8,981)
Attributable to:			
Non-controlling interest		**109**	132
Shareholders		**(77,418)**	(9,113)
Net loss attributable to shareholders per share:	21		
Basic earnings		**(1.43)**	(0.17)
Diluted earnings		**(1.43)**	(0.17)

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

MAXIM POWER CORP.

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31
(in thousands of Canadian dollars)

	2015	2014
Net loss	**(77,309)**	(8,981)
Other comprehensive income, net of tax:		
Items that may be subsequently reclassified to net income		
Unrealized gains on translation of foreign operations	**25,825**	6,428
Total comprehensive loss	**(51,484)**	(2,553)
Comprehensive income (loss) attributable to:		
Non-controlling interest	**189**	119
Shareholders	**(51,673)**	(2,672)

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

MAXIM POWER CORP.

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

	Common shares (thousands)	Share Capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Equity attributable to shareholders	Non-controlling interest	Total
Equity at December 31, 2014	54,219	156,248	9,908	8,393	92,428	266,977	606	267,583
Net income (loss)	-	-	-	-	(77,418)	(77,418)	109	(77,309)
Share-based compensation	-	-	778	-	-	778	-	778
Translation of foreign operations	-	-	-	25,745	-	25,745	80	25,825
Distributions to non-controlling interest	-	-	-	-	-	-	(90)	(90)
Equity at December 31, 2015	54,219	**156,248**	**10,686**	**34,138**	**15,010**	**216,082**	**705**	**216,787**
Equity at December 31, 2013	54,199	156,168	10,022	1,952	101,541	269,683	569	270,252
Net income (loss)	-	-	-	-	(9,113)	(9,113)	132	(8,981)
Stock options exercised	20	80	(30)	-	-	50	-	50
Share-based compensation	-	-	(84)	-	-	(84)	-	(84)
Translation of foreign operations	-	-	-	6,441	-	6,441	(13)	6,428
Distributions to non-controlling interest	-	-	-	-	-	-	(82)	(82)
Equity at December 31, 2014	54,219	156,248	9,908	8,393	92,428	266,977	606	267,583

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

MAXIM POWER CORP.

Consolidated Statements of Cash Flows

For the years ended December 31
(in thousands of Canadian dollars)

	Note	2015	2014
Cash flows from operating activities:			
Net loss		**(77,309)**	(8,981)
Adjustments for items not involving cash or operations:			
Depreciation and amortization	9, 10	**24,877**	22,348
Asset impairment charges, net	9, 10	**35,729**	1,366
Inventory write-down	8	**4,234**	-
Restructuring of Alberta operations - non-cash expenses	19	**3,676**	-
Share-based compensation		**778**	397
Unrealized loss (gain) on derivative coal contracts		**(3,719)**	79
Payment to cash settle stock options		**-**	(769)
Income tax expense (benefit)	25	**26,015**	(4,564)
Income taxes refunded		**702**	572
Finance expense	20	**10,609**	4,826
Gain on sale of environmental credits	19	**(5,507)**	-
Loss on disposal of spare engines and generating facility	19	**631**	23
Recognition of environmental credits	10, 19	**(10,453)**	(1,697)
Funds from operating activities before changes in working capital		**10,263**	13,600
Change in non-cash working capital	28	**(1,893)**	9,763
Net cash generated from operating activities		**8,370**	23,363
Cash flows from financing activities:			
Issuance of loans and borrowings		**15,762**	17,310
Repayment of loans and borrowings		**(9,839)**	(21,070)
Proceeds from common share issuance		**-**	50
Interest paid		**(3,724)**	(3,343)
Net cash from (used in) financing activities		**2,199**	(7,053)
Cash flows from investing activities:			
Property, plant and equipment	9	**(33,259)**	(29,475)
Proceeds on sale of environmental credits	19	**8,834**	-
Decrease in non-current deposits and restricted cash		**(894)**	(294)
Proceeds on sale of spare engines and generating facility	19	**201**	4,781
Change in non-cash working capital	28	**1,857**	3,953
Net cash used in investing activities		**(23,261)**	(21,035)
Unrealized foreign exchange gain on cash and cash equivalents		**1,434**	505
Decrease in cash and cash equivalents		**(11,258)**	(4,220)
Cash and cash equivalents, beginning of year		**17,142**	21,362
Cash and cash equivalents, end of year		**5,884**	17,142

The accompanying notes are an integral part of these consolidated 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 annual consolidated financial statements have been prepared on a going concern basis, which presumes that MAXIM will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at December 31, 2015, MAXIM determined it will breach its debt service coverage ratio ("DSCR") and minimum equity financial covenants in relation to its Canadian bank facilities. On March 24, 2016, management obtained a waiver for the DSCR covenant breach from the bank. As a condition of the waiver, if the Corporation cannot satisfy the DSCR through confirmation of anticipated insurance proceeds by April 29, 2016, which is the date MAXIM is required to file its compliance certificate for the year ended December 31, 2015, then the Corporation has agreed to forego the $15,000 second tranche of its revolving credit facility indefinitely (note 13). On March 24, 2016, the minimum equity financial covenant was amended to reduce the required equity balance of $192,000 to $175,000 effective December 31, 2015 (note 33).

This quarter is the fourth 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. However, current Alberta power forward price curves suggest low Alberta power prices in the near term and under these low prices, the Corporation will likely continue to breach the DSCR covenant and, commencing in the first quarter of 2016, also breach the net funded debt to EBITDA ratio covenant. Commencing in the second quarter of 2016, the Corporation will likely breach the interest coverage ratio covenant. There is no assurance that the Corporation will continue to receive waivers in future quarters. The current facility expires on August 31, 2016.

At December 31, 2015, the Corporation had cash of $5,884 and a working capital surplus of $12,873. However, in the event that the Corporation is unable to monetize certain inventories in the next 12 months as a result of the dial-down of the Milner generating facility ("Milner") (note 34), the Corporation would have working capital deficiency of $1,676.

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

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

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.

(b) Statement of compliance

MAXIM prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on March 28, 2016.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the derivative coal contracts, emission credits used to offset the production of sulphur dioxide ("SO2 Credits"), emission performance credits pertaining to Alberta's Greenhouse Gas Reduction Program ("Emission Performance Credits"), amounts payable to employees under a restricted share unit ("RSU") plan and the reimbursement of decommissioning costs, which are measured at fair value on the statements of financial position.

(d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand unless otherwise noted.

(e) Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions, based on its experience, that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

(f) Significant Judgments

(i) Operating leases

MAXIM has entered into long-term tolling arrangements with third parties at two of its facilities whereby MAXIM imposes toll charges as compensation for processing natural gas to produce electricity. The counterparties have the right to nominate all facility output, are responsible for procuring natural gas used for power generation, and own the electricity generated by the facility. The initial terms of these agreements are between ten and twenty years with the twenty year agreement having a lessee option to extend the agreement for an additional five to ten years. MAXIM has made the judgment that these arrangements are operating leases as the Corporation retains the principal risks and rewards of ownership of the facilities. The assets subject to these leases continue to be recorded as property, plant and equipment and are depreciated over their useful lives.

(ii) Contingencies

The Corporation operates in a regulatory and commercial environment that exposes it to regulatory, contractual and litigation risks. As a result, the Corporation is involved in certain disputes and legal proceedings including litigation, arbitration, and regulatory investigations. Such cases are subject to many uncertainties, and the outcome is often difficult to predict, particularly in the earlier stages of the case. By their nature contingencies will only be resolved when one or more uncertain future events not wholly within the control of the Corporation occur or fail to occur. The assessment of the existence of contingencies inherently involves the exercise of significant judgment by management, which includes incorporating external legal advice.

(iii) Interests in other entities

The Corporation holds a 50% equity interest in Mirail Cogen SARL as part of its operations in France. Despite not having a majority ownership, the Corporation has made the judgment that it has control of the entity because MAXIM operates the Mirail facility, including the practical ability to direct the relevant activities. As a result, the results of this subsidiary are consolidated by the Corporation (note 3).

(iv) Assets and liabilities held for sale

Assets and liabilities are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. MAXIM has made the judgment that none of its assets meet the above criteria as at December 31, 2015.

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

(v) Impairment indicators

At the end of each reporting period, management makes a judgment whether there are any indications of impairment of its PP&E and intangible assets at the lowest level at which there are separately identifiable cash flows. If there are indications of impairment, MAXIM performs an impairment test on the asset or the cash-generating unit (“CGU”).. Intangible assets that are not amortized and goodwill are tested for impairment annually regardless of indications of impairment.

The Corporation evaluates impairment losses, other than goodwill impairment, for potential reversals when management has determined that events or circumstances warrant such consideration.

(vi) Functional currency

The designation of the functional currency of the Corporation and its foreign operations is a management judgment based on the composition of revenue and costs in the locations in which it operates.

(g) Assumptions and Critical Estimates

(i) Decommissioning costs

Decommissioning costs are expected to be incurred at the end of the operating life of many of the facilities. A provision is recognized when there is a present obligation to restore the site, it is probable the expenditure will be required, and a reliable estimate of the costs can be determined. The ultimate cost to settle these obligations is uncertain due to timing and cost estimates that may vary in response to many different factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other facilities. As a result, there could be significant adjustments to the provisions established which could affect future financial results. Management bases these estimates on its best knowledge, experience in similar circumstances and in some cases reports from independent experts.

During 2016, due to changes in market conditions in the Alberta economy, the Corporation engaged third parties to update the estimated cost to decommission Milner. The updated cost estimates resulted in a decrease to the decommissioning cost estimate. The effect of these changes has been disclosed in notes 9 and 14.

(ii) Useful life and residual value of property, plant and equipment (“PP&E”)

Each major component of PP&E is depreciated over its estimated useful life net of residual value. The estimated useful life of the assets are based upon current conditions and management’s experience, which take into consideration specific contracts, agreements, condition of the asset, technology, production and use of the asset, and regular maintenance programs. The facilities are operated within manufacturers’ specifications to realize the expected useful life of each asset. Notwithstanding these measures, the useful life of equipment may vary from that which is estimated by management.

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

Residual value is estimated by management to be the amount that MAXIM would receive from disposal of the asset after deducting the estimated costs of disposal if the asset was already of the age and in the condition expected at the end of its useful life. Actual amounts received may differ from estimated amounts.

During 2015, the Corporation revised its business plan for the Milner. This facility is now expected to remain a coal-fired facility until no later than the end of 2019, with more precise timing pending clarification of the regulatory uncertainty that exists as a result of the Government of Alberta's Climate Leadership Plan. The facility is then expected to be converted to a natural gas-fired facility and have a 40 year life-extension. As a result, the expected useful life of Milner as a coal-fired facility has decreased. The effect of these changes on current and future period depreciation expense is not significant. The effect of these changes has been disclosed in notes 9, 11 and 14.

(iii) Impairment of non-financial assets

The recoverable amount of CGUs and individual assets is determined based on the higher of fair value less costs of disposal or value-in-use calculations (present value of the estimated future cash flows). Management is required to make assumptions about future cash flows including future commodity process, expected generation, future operating and development costs, discount rates, sustaining capital programs and tax rates. It is possible that future cash flow assumptions may change. This may impact the estimated fair value of the associated asset and may require a material adjustment to the carrying value of the asset.

(iv) Income taxes

The Corporation recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Corporation to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are dependent on capital investment and subsequent future income from development projects in Canada in addition to monetization of development projects not constructed. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the statements of financial position date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Corporation operates could limit the ability of the Corporation to obtain estimated tax deductions in future periods.

(v) SO2 credits

The fair value for SO2 Credits have been determined using valuation techniques with inputs that are unobservable such as bilateral quotes obtained from counterparties, previous actual sales prices transacted by the Corporation, or an internally calculated price based on estimated aggregate market supply and demand curves, whichever is deemed by the Corporation as most reliable. Management bases these estimates on its experience and knowledge of long and short positions of SO2 credits of industry participants.

3. Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements have been applied consistently for all periods presented and are set out below.

(a) Basis of consolidation

The financial statements include the accounts of the Corporation and its subsidiaries. Subsidiaries are entities which the Corporation controls by having the power to govern the entity's financial and operating policies. The Corporation consolidates all of its wholly-owned subsidiaries and the accounts of its 95% interest in Basin Creek Holdco LLC, and 50% interest in Mirail Cogen SARL. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances, transactions and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

The acquisition method of accounting is used to record acquisitions of subsidiaries whereby the recognized amount of identifiable assets acquired and the liabilities assumed are measured at their fair value at the date of acquisition. Non-controlling interests are measured at fair value or as a proportionate share of the identifiable net assets acquired.

Goodwill is measured as the excess of the fair value of the consideration transferred plus the recognized amount of any non-controlling interest in the acquiree, less the recognized amount of identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the statement of income.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

(b) Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The non-controlling interests' share in the equity and results of the Corporation's subsidiaries are shown as a separate component of equity in the consolidated statements of financial position.

(c) Foreign currency translation

(i) Foreign operations

The Corporation's subsidiaries' functional currencies are either the Canadian dollar, United States dollar or European euro. Each subsidiary determines its functional currency based on the currency of the primary economic environment in which it operates.

The financial statements of subsidiaries that have a different functional currency than the Corporation are translated to Canadian dollars at the closing rate at the date of the statements of financial position for assets and liabilities and at the exchange rate at the date of the transaction for income and expenses. The resulting changes in the carrying values on the statements of financial position are recognized in other comprehensive income as cumulative translation adjustments.

3. Significant accounting policies (continued)

(ii) Foreign currency transactions

Foreign currency transactions of the Corporation and its subsidiaries are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation, at period end exchange rates, of monetary assets and liabilities denominated in currencies other than the Corporation's or subsidiaries' functional currency are recognized as finance costs in the statements of loss.

(d) Impairment of non-financial assets

The carrying value of the Corporation's non-financial assets, other than deferred tax assets and inventories, are reviewed at each reporting date to determine whether there are any indicators of impairment. MAXIM performs an impairment test on the CGU if there are indicators of impairment present. Intangible assets that are not amortized and goodwill are tested for impairment annually regardless of indications of impairment. Goodwill related to the Milner cash-generating unit was tested for impairment as at December 31, 2015.

The impairment test compares the recoverable amount of the asset to its carrying amount. The recoverable amount is the higher of the asset's value in use (present value of the estimated future cash flows) and its estimated fair value less costs to sell. Management is required to make assumptions about future cash flows including production, fuel costs, operating expenses, power prices and capital programs. It is possible that future cash flow assumptions may change. This may impact the estimated fair value of the associated asset and may require a material adjustment to the carrying value of the asset including goodwill and intangible assets.

The Corporation evaluates impairment losses, other than goodwill impairment, for potential reversals when management has made the judgment that events or circumstances warrant such consideration.

(e) Non-financial derivative contracts

Non-financial derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value are recognized in income.

(f) Financial instruments

(i) Recognition

Financial assets and liabilities are recognized on the trade date, which is the date when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled or expires.

3. Significant accounting policies (continued)

(ii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(iii) Measurement and classification

All financial instruments, including all derivatives, are measured at fair value upon initial recognition and are classified into one of the following five categories: financial assets and liabilities at fair value through profit or loss, available-for-sale investments, held-to-maturity investments, loans and receivables or other financial liabilities. The Corporation does not have any available-for-sale investments or held-to-maturity investments.

(iv) Financial assets and liabilities at fair value through profit or loss

A financial asset or liability is classified in this category if acquired principally for the purposes of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statements of loss. Gains and losses arising from changes in fair value are presented in the statements of loss in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion to be realized or paid beyond twelve months of the statements of financial position date, which is classified as non-current.

The instruments held by the Corporation classified in this category are derivative coal contracts and the RSU plan.

(v) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

The Corporation’s loans and receivables are comprised of trade and other receivables and cash and cash equivalents.

(vi) Other financial liabilities

Other financial liabilities include trade payables and loans and borrowings. Other financial liabilities are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

3. Significant accounting policies (continued)

(vii) Derivative financial instruments and hedges

The Corporation periodically uses risk management techniques including the use of derivative instruments to reduce its exposure to movements in energy commodity prices. Derivative instruments include futures contracts, which are used to establish a fixed price for an energy commodity.

All derivative instruments, are recorded at fair value on the statements of financial position as derivative financial instruments assets or derivative financial instruments liabilities except for embedded derivative instruments that are clearly and closely related to their host contract where the combined instrument is not measured at fair value. Any contract to buy or sell a non-financial item is not treated as a non-financial derivative if that contract was entered into and continues to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Corporation's expected purchase, sale or usage requirements. The Corporation accounts separately for any embedded derivatives in any hybrid instruments issued or acquired.

All changes in the fair value of derivatives are recorded in net income unless cash flow hedge accounting is used. If hedge accounting requirements are met, realized gains and losses on financial energy derivatives are recorded in revenues or operating expenses and realized gains and losses on foreign exchange derivatives are recorded in revenues, whereas unrealized gains and losses are recorded in other comprehensive income. If hedge accounting requirements are not met, unrealized and realized gains and losses on financial energy derivatives are recorded in revenues or operating expenses as appropriate.

(viii) Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss.

The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(g) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits with banks and other financial institutions, and short-term investments with original maturities of less than three months. Cash deposits held as collateral to various counterparty agreements to secure credit are recorded separately as non-current restricted cash.

(h) Inventories

Inventories are comprised of coal, fuel oil and spare parts, which are valued at the lower of cost and net realizable value. Inventory cost is determined using the weighted average method. The cost of inventory includes the purchase price and all other costs to bring the inventory item to its existing location and condition.

3. Significant accounting policies (continued)

(i) Property, plant and equipment

The Corporation records PP&E at cost less accumulated depreciation and impairment losses. Cost includes expenditures to purchase and construct assets, and other costs associated with purchasing and preparing assets for their intended use. The costs associated with construction include material, labor, interest, and other direct costs required to bring the assets to their intended use.

Cost also includes an initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located to its original state.

Additional expenditures not related to day-to-day servicing of the items are also recognized as part of PP&E. Expenditures for maintenance and repairs are recognized in the statements of loss as incurred.

MAXIM separates PP&E into identifiable components with different useful lives for depreciation purposes. Depreciation is based on the cost of the asset less its residual value. Depreciation of a component commences when the asset is first available for use and ceases when the asset is classified as held for sale or when the asset is derecognized.

The following rates are used in the computation of depreciation expense in the period:

Coal-fired generating facility	Straight-line until 2019
Other generating facilities	12 - 30 years straight-line
Equipment	20 - 30% declining balance or 3 - 20 years straight-line
Finance leases	6 - 10 years straight-line

Leases that transfer substantially all the risks and rewards of ownership to the Corporation are classified as finance leases, and form part of PP&E. Finance leases are recorded at the lower of fair value and the present value of the minimum lease payments determined at the inception of the lease. Assets under finance leases are depreciated over the lesser of the useful life of the asset and lease term unless it is reasonable that the Corporation will obtain ownership by the end of the lease term.

Assets under construction are projects undertaken by the Corporation where the asset is not yet available for use. Capitalization of costs associated with these projects commences once technical feasibility is established. If the project is subsequently abandoned, all costs are expensed in the period.

(j) Goodwill

Goodwill is the excess of the consideration transferred in a business combination over the sum of the non-controlling interest and the recognized amounts of the identifiable assets acquired less the liabilities assumed at the acquisition date. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

3. Significant accounting policies (continued)

(k) Other intangible assets

Intangible assets consist of power sales contracts, a ground lease contract, nitrous oxide emission (“NOx”) credits, SO2 Credits and Emission Performance Credits.

The power sales contracts and ground lease contract are initially recorded at cost of acquisition and have finite lives. Any subsequent expenditure that increases the future economic benefit of a specific asset is included as part of the cost. These contracts are amortized over the term of the related contracts.

The NOx credits are recorded at cost of acquisition. The Emission Performance Credits and SO2 Credits are recorded at fair value. The Corporation recognizes these intangible assets when there is reasonable assurance that the Corporation will receive the future benefit of the asset.

The Corporation consumes the NOx credits and SO2 Credits at the same rate at which the Milner generating facility produces electricity and as such uses a unit of production method to amortize these assets.

(l) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as finance expense in the consolidated statements of loss using the effective interest method.

(m) Employee benefits

(i) Defined contribution plans

The Corporation has a defined contribution plan under which the Corporation pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts as a result of past service. Contributions are recognized as an employee benefit expense in the statements of loss in the period in which services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under a short-term cash bonus if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3. Significant accounting policies (continued)

(iii) Share-based compensation

The Corporation records a compensation cost for all stock options granted to employees, directors or officers over the vesting period of the options based on the fair value of the option at grant date. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest, by increasing contributed surplus. The number of awards expected to vest is reviewed each period, with the effect of any change being recognized immediately. Consideration paid by employees, directors or officers upon exercise of the stock options and the amount previously recognized in contributed surplus are recorded as an increase to share capital.

The Corporation calculates a liability at each reporting period related to any stock options which the Corporation has an obligation to cash settle. The amount of the liability is based on the fair value of the stock options measured at the reporting date using the Black-Scholes option pricing model.

The Corporation records a compensation cost for all RSU's granted to employees over the vesting period of the RSU based on the fair value of the RSU at grant date. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair values of the amounts payable, which are settled in cash, are recognized as expenses with corresponding increases in liabilities over the period that the employees unconditionally become entitled to payments. The fair value of each grant is measured at the date of grant using the Black-Scholes option pricing model. The liability is re-measured to fair value at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized in income or loss.

(n) Provisions

(i) Decommissioning liabilities

The Corporation has an obligation to restore certain project sites to an acceptable level at the end of each project's respective life. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The estimated cash flows for decommissioning costs are discounted at a current pre-tax rate that reflects the risk-free rate specific to the decommissioning liability. The unwinding of the discount due to the passage of time is recorded as an increase to provisions for decommissioning liabilities with the associated expense recognized in the statements of loss as a finance cost. When the Corporation carries out its obligation to restore a site, incurred decommissioning costs will be recorded as a reduction to the decommissioning liability. The estimated future costs of decommissioning are reviewed periodically and adjusted to reflect the current best estimate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset and the liability.

3. Significant accounting policies (continued)

(ii) Other provisions

A provision is recognized if, as a result of a past event, the Corporation has a present or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the Corporation expects some or all of a provision to be reimbursed the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statements of loss net of any reimbursement. Non-current provisions are determined by discounting the expected future cash flows using a risk-free rate. Provisions are not recognized for future operating losses.

(o) Revenue recognition

Revenue is recognized under fixed and variable price contracts for electricity, thermal energy, generation capacity, and availability. For electricity and thermal energy, revenue is recognized upon delivery. Under generation capacity and availability contracts, revenue is recognized over the term of the agreement.

(p) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Payments made under operating leases are charged to the statements of loss on a straight-line basis over the term of the relevant lease. Payments received under operating leases where the Corporation leases out generating equipment under generation capacity and availability contracts are recognized as electricity sales in the statements of loss.

(q) Finance income and finance expense

Finance income comprises interest income on funds invested in short-term investments. Interest income is recognized as it accrues in the statements of loss, using the effective interest method.

Finance expense comprises interest expense on borrowings, amortization of deferred financing costs and unwinding of the discount on provisions.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expense depending on whether foreign currency movements are in a net gain or net loss position.

3. Significant accounting policies (continued)

(r) Income taxes

Income taxes are comprised of current and deferred taxes. Current tax and deferred tax are recognized in the statements of loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for taxation purposes. Deferred tax is not recognized for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss

(ii) Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Corporation intends to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which these deductions can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(s) Earnings per share

Basic income per share is calculated by dividing the net income or loss for the period attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the period.

Diluted income per share is calculated in the same manner as basic income per share, except that the weighted average number of common shares outstanding is adjusted for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Corporation’s potentially dilutive common shares are comprised of stock options granted to employees.

3. Significant accounting policies (continued)

(t) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. All operating segments' operating results are reviewed regularly by the Corporation's chief decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. Determination of fair value

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other accounts receivable

The fair value of trade and other accounts receivable is estimated as their carrying value due to the short period to maturity.

(b) Intangible assets

The fair value of the Emission Performance Credits and SO2 Credits are estimated at the most reliable of: bilateral quotes obtained from counterparties, previous actual sales prices transacted by the Corporation, or an internally calculated price based on estimated aggregate market supply and demand curves.

(c) Other assets

The fair value of long-term deposits and the Milner decommissioning reimbursement (note 11) is estimated at the present value of future cash flows, discounted at the risk-free rate specific to the asset.

(d) Other non-derivative financial liabilities

The fair value of other non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market interest rate is estimated by adjusting the market rate since the inception of the lease for changes to the Government of Canada bond rates and Euribor rates for leases in Canada and France, respectively.

(e) Derivative coal contracts

The fair value of derivative coal contracts is estimated by discounting the difference for future periods between: a) the contracted coal price and b) the futures market coal prices, adjusted for both the foreign exchange forward prices between the Canadian and United States dollar and the historical margins on previous coal remarketing agreements. This difference for each period is then multiplied by the outstanding volumetric purchase obligation for the same period.

4. Determination of fair value (continued)

(f) Share-based payment transactions

The fair value of the employee share options and RSU's are measured using the Black-Scholes model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instrument, expected dividends, and the risk-free interest rate. Assumptions regarding employee turnover, and related forfeitures, are also taken into account in determining fair value.

(g) Other non-financial assets

The fair value of the Corporation's Milner generating facility and adjacent lands which include the metallurgical coal development project ("Milner CGU") is estimated using discounted cash flow. This fair value method is corroborated by reference to recent market transactions. A key assumption in the determination of the fair value includes the proven and probable metallurgical coal reserve volumes as estimated by external experts. These estimated volumes are based on the NI 43-101 Technical Report filed on SEDAR on March, 21, 2013.

5. New accounting pronouncements

(a) IFRS adoption of new or amended standards

On January 1, 2015, the Corporation adopted the amendments to Employee Benefits - International Accounting Standard ("IAS") 19. The adoption of this amendment has no impact on the amounts recorded in the Corporation's consolidated financial statements as of January 1, 2015 or on the comparative periods.

(b) Accounting standards and amendments issued but not yet adopted

(i) 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.

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

5. New accounting pronouncements (continued)

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.

(ii) 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.

(iii) 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.

There are no other standards, amendments or interpretations 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.

6. Trade and other receivables

	December 31, 2015	December 31, 2014
Trade receivables	19,635	18,770
Other receivables	1,236	1,499
Total accounts receivable	20,871	20,269

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

7. Prepaid expenses and deposits

	December 31, 2015	December 31, 2014
Prepaid expenses	1,728	1,104
Deposit - environmental credit agency	804	-
Total prepaid expenses and deposits	2,532	1,104

8. Inventories

	December 31, 2015	December 31, 2014
Coal (a)	9,946	13,781
Fuel oil	3,138	3,737
Plant parts and stock items	6,247	5,429
Total inventories (b)	19,331	22,947

(a) During 2015, coal inventories were written down by $4,234 to net realisable value. The write-down is included in operating expense on the statements of loss.

(b) The cost of consumable inventories recognized in operating expense for the year ended December 31, 2015 was $47,698 (2014 - $64,308).

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

9. Property, plant and equipment, net

	Land	Generating Facilities	Equipment	Assets under Construction (b)	Total
Cost					
Balance, December 31, 2013	7,768	318,584	4,058	38,687	369,097
Additions	-	17,972	219	11,284	29,475
Capitalized interest	-	-	-	157	157
Disposals (d)	-	(14,601)	-	(100)	(14,701)
Capital spares usage	-	(459)	-	-	(459)
Revisions to decommissioning provisions	-	2,992	-	-	2,992
Effect of movements in exchange rates	630	6,327	22	50	7,029
Balance, December 31, 2014	8,398	330,815	4,299	50,078	393,590
Additions	61	31,522	104	1,572	33,259
Capitalized interest	-	-	-	44	44
Disposals	-	(832)	-	-	(832)
Transfers to generating facilities	-	2,593	-	(2,593)	-
Revisions to decommissioning provisions	-	(3,827)	-	-	(3,827)
Effect of movements in exchange rates	1,555	35,395	147	454	37,551
Balance, December 31, 2015	10,014	395,666	4,550	49,555	459,785
Accumulated depreciation					
Balance, December 31, 2013	-	131,064	2,951	-	134,015
Depreciation	-	18,970	247	-	19,217
Asset impairment charges (e)	-	1,366	-	-	1,366
Disposals (d)	-	(9,785)	-	-	(9,785)
Effect of movements in exchange rates	-	1,856	17	-	1,873
Balance, December 31, 2014	-	143,471	3,215	-	146,686
Depreciation (g)	-	22,202	249	-	22,451
Asset impairment charges (e)	-	900	-	20,697	21,597
Reversal of asset impairment charges (f)	-	(1,500)	-	-	(1,500)
Effect of movements in exchange rates	-	13,320	114	-	13,434
Balance, December 31, 2015	-	178,393	3,578	20,697	202,668
Property, plant and equipment, net					
December 31, 2014	8,398	187,344	1,084	50,078	246,904
December 31, 2015	10,014	217,273	972	28,858	257,117

(a) Finance leases

The Corporation leases generating facilities under a number of finance lease agreements. At December 31, 2015, the net carrying amount of leased generating facilities was $4,820 (December 31, 2014 - $4,913).

(b) Assets under construction

During the year, the Corporation incurred direct costs for assets under construction totaling $1,572 (2014 - $11,284). Capitalized borrowing costs related to the construction of these projects amounted to $44 (2014 - $157), at a weighted average rate of 5.8% (2014 – 5.1%).

9. Property, plant and equipment, net (continued)

(c) Security

At December 31, 2015 property, plant and equipment with a carrying value of $284,448 (December 31, 2014 - $246,904) are registered as security against bank loans (note 13).

(d) Disposals

During 2014, the Corporation sold Maxim Power (B.C.) Inc., whose principal asset was the Vancouver Landfill Project ("MAXIM BC").

(e) Asset impairment charges

(i) During 2014, when the assets and liabilities of MAXIM BC were reclassified to assets and liabilities held for sale, an asset impairment charge of $538 was recognized in the Canada operating segment. The assets were impaired as the carrying amount was greater than the anticipated net proceeds under the terms of the purchase and sales agreement.

(ii) During 2014, due to significant changes in the market conditions in Alberta, the Corporation recognized an asset impairment charge of $289 with respect to a generating facility in the Canada operating segment. The fair value measurement valuation technique used was residual value in the local market based on industry knowledge and management experience.

(iii) During 2014, due to a review for obsolescence of capital spares, the Corporation recognized an asset impairment charge of $539 in the United States operating segment. The fair value measurement valuation technique used was residual value in the local market based on industry knowledge and management experience.

(iv) At December 31, 2015, due to significant adverse changes in the market conditions in Alberta, the Corporation recognized an asset impairment charge of $900 with respect to coal-fired components at Milner included in Canada operating segment. In the absence of contractual arrangements at December 31, 2015 that would extend Milner's ability to operate as a baseload coal-fired generating facility beyond 2019, the recoverable amount of the coal related components of the generating facility was estimated to be $494. The recoverable amount was determined using the value in use method using a pre-tax discount rate of 13.8%.

(v) At December 31, 2015, due to significant adverse changes in the market conditions for metallurgical coal, the Corporation recognized an asset impairment charge of $20,697 with respect to its assets under construction for its metallurgical coal development project included in Canada operating segment. The recoverable amount was estimated to be $15,405. The recoverable amount was determined using fair value less costs of disposal. The fair value measurement was categorized as Level III within the fair value hierarchy. The fair value measurement valuation technique used was discounted cash flow which was corroborated by reference to recent market transactions. The key assumptions used in determination of fair value include a pre-tax discount rate of 24.7% and the proven and probable metallurgical coal reserve volumes as estimated by external experts. These estimated volumes are based on the NI 43-01 Technical Report filed on SEDAR on March 21, 2013.

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

9. Property, plant and equipment, net (continued)

(f) Reversal of asset impairment charge

During 2015, due to a significant change in fixed capacity rates in future periods in the ISO New England market, the Corporation reversed a previously recognized asset impairment charge of US$1,190 thousand with respect to a generating facility in the United States operating segment. The recoverable amount was determined using the value in use (present value of the estimated future cash flows) method using a pre-tax discount rate of 11.6%.

10. Goodwill and other intangible assets, net

	Goodwill	Power contracts	Emission performance credits (a)	SO2 credits (b)	NOx credits and other (c)	Total
Cost						
Balance, December 31, 2013	15,632	28,473	-	-	4,661	48,766
Additions	-	-	1,697	-	-	1,697
Effect of movements in exchange rates	-	(693)	-	-	29	(664)
Balance, December 31, 2014	15,632	27,780	1,697	-	4,690	49,799
Additions (note 19)	-	-	1,631	8,822	-	10,453
Disposals	-	-	(3,328)	-	-	(3,328)
Effect of movements in exchange rates	-	2,468	-	-	67	2,535
Balance, December 31, 2015	15,632	30,248	-	8,822	4,757	59,459
Accumulated amortization						
Balance, December 31, 2013	-	12,750	-	-	1,130	13,880
Amortization	-	1,828	-	-	1,303	3,131
Effect of movements in exchange rates	-	(311)	-	-	4	(307)
Balance, December 31, 2014	-	14,267	-	-	2,437	16,704
Amortization	-	1,822	-	-	604	2,426
Impairment (d)	15,632	-	-	-	-	15,632
Effect of movements in exchange rates	-	1,463	-	-	10	1,473
Balance, December 31, 2015	15,632	17,552	-	-	3,051	36,235
Goodwill and other intangible assets, net						
December 31, 2014	15,632	13,513	1,697	-	2,253	33,095
December 31, 2015	-	12,696	-	8,822	1,706	23,224

(a) Emission performance credits

During 2014, the Alberta Environment and Sustainable Resource Development approved the 2012 Emission Performance Credits at 119,911 tonnes and MAXIM recognized other income of $1,697. During 2015, the Alberta Environment and Sustainable Resource Development approved the 2013 Emission Performance Credits at 115,237 tonnes and MAXIM recognized other income of $1,631. On April 16, 2015, the Corporation closed the sale of its 2012 and 2013 Emission Performance Credits.

(b) SO2 Credits

On November 3, 2015, the Corporation closed the sale of SO2 Credits for cash consideration of $5,460 (note 19). As a result, the Corporation's remaining SO2 Credits were recognized at their fair value of $8,822 (note 32) as there is reasonable assurance that the Corporation will receive a future benefit from these assets.

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

10. Goodwill and other intangible assets, net (continued)

(c) Amortization of NOx credits

Amortization for the NOx credits commenced on January 1, 2013, in conjunction with the use of these credits to satisfy the requirement by Alberta Environment for reduced NOx emissions from generating facilities.

(d) Goodwill impairment test

The Corporation has allocated goodwill entirely to the Milner CGU. The Corporation uses the fair value less costs of disposal method as this method yields a higher recoverable amount than the value in use method (present value of the estimated future cash flows). The fair value measurement technique used for the Milner CGU was discounted cash flow. The fair value measurement was categorized as Level III within the fair value hierarchy.

The key assumptions used in measuring the recoverable amount of these assets, using the fair value less costs of disposal method, were:

- The Milner generating facility operating on coal until 2017 and then converted to a natural gas facility until 2058
- Capital expenditures, including the cost of conversion to a natural gas facility, based on industry standards and management experience
- Independent forecast Alberta electricity prices until 2020 which averaged $51.82/MWh and $61.00/MWh from 2021 until 2023; price inflation of 2.0% after 2023
- Independent forecast Alberta natural gas prices until 2021; price inflation of 2.0% after 2021
- Independent forecast metallurgical coal prices until 2033 which averaged US$126.04/tonne
- Other key assumptions:

	2015
Pre-tax discount rate - power assets; using observable market data inputs (%)	12.8
Pre-tax discount rate - coal assets; using observable market data inputs (%)	24.7
Long-term Canadian dollar to United States dollar foreign exchange rate	1.21:1
Inflation (%)	2.0

(i) Defined as generation divided by maximum continuous rating capacity

Based on the above inputs, the recoverable amount of the Milner CGU was found to be lower than the carrying amount of the CGU which resulted in an impairment of $15,632 to goodwill.

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

11. Other assets

	December 31, 2015	December 31, 2014
Project financing guarantee deposits	1,152	220
Long term prepaid expenses (a)	388	4,128
Milner decommissioning reimbursement (b)	8,624	11,240
Other long term deposits	200	25
Total other assets	10,364	15,613

(a) Long term prepaid expense

During 2015, the Corporation terminated its terminal services agreement for port capacity relating to coal exports. As part of the consideration under the termination agreement, the Corporation has forgone a deposit (note 19).

(b) During 2015, the Corporation revised its business plan for the Milner generating facility, which resulted in a change in the useful life of Milner. This change in estimate was due to the extension of Milner's useful life via a planned conversion to a natural gas-fired generating facility at the conclusion of its useful life as a coal-fired generating facility. As a result of the revision, it is anticipated that a portion of the decommissioning reimbursement will not be received until 2057.

12. Trade and other payables

	December 31, 2015	December 31, 2014
Trade payables	20,449	16,084
Accrued liabilities and other payables	8,335	10,220
Income taxes payable	122	133
Total trade and other payables	28,906	26,437

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

13. Loans and borrowings

	December 31, 2015	December 31, 2014
French bank facilities	42,730	32,276
United States facility	25,498	22,800
Finance leases	1,754	2,443
	69,982	57,519
Less: deferred financing costs	1,254	1,163
Net loans and borrowings	68,728	56,356
Less: current portion	7,579	6,068
	61,149	50,288

(a) Canadian bank facilities

As at December 31, 2015, Facility A is a $40,000 revolving credit facility divided into two tranches. Total borrowings under this facility are not to exceed the sum of 90% of the book value of the Corporation's Canadian accounts receivable balance and 50% of the book value of the Corporation's Canadian property, plant and equipment. The first tranche provided for borrowing up to $25,000. The second tranche provides for borrowing of up to an additional $15,000 subject to twelve month trailing EBITDA being equal to or greater than $15,000 and MAXIM being in compliance with all financial covenants for a minimum of two consecutive quarters. This facility matures on August 31, 2016. The borrowing limit at December 31, 2015 was $25,000, as the Corporation did not meet the conditions to access the second tranche. The facility bears interest at the bank's prime interest rate plus 1.75% or the bank's US base interest rate plus 1.75%. Bankers' acceptances under this facility bear a stamping fee of 3.00% per annum and letters of credit and letters of guarantee bear interest at 1.75% per annum. As at December 31, 2015, MAXIM had issued letters of credit of $11,378 (December 31, 2014 - $10,860) on the facility. The amount available to draw against Facility A at December 31, 2015 was $13,622 (December 31, 2014 - $22,639). Facility B is a $3,500 risk management facility with the Bank of Montreal, for interest rate swaps and foreign exchange. As at December 31, 2015 the amount drawn on Facility B was $nil.

As at December 31, 2015, MAXIM determined it will breach its DSCR and minimum equity financial covenants in relation to its Canadian bank facilities. On March 24, 2016, management obtained a waiver for the DSCR covenant breach from the bank. As a condition of the waiver, if the Corporation cannot satisfy the DSCR through confirmation of anticipated insurance proceeds by April 29, 2016, which is the date MAXIM is required to file its compliance certificate for the year ended December 31, 2015, then the Corporation has agreed to forego the $15,000 second tranche of its revolving credit facility indefinitely. On March 24, 2016, the minimum equity financial covenant was amended to reduce the required equity balance of $192,000 to $175,000 effective December 31, 2015 (note 33).

The Canadian bank facilities are secured by Canadian and United States PP&E, excluding United States PP&E secured by the US bank facility (note 13(c)).

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

13. Loans and borrowings (continued)

(b) French bank facilities

The Corporation has twenty-six bank term loans associated with projects in France at December 31, 2015 with an aggregate balance of EUR 28,432 thousand (2014 – EUR 22,992 thousand). Loan obligations of EUR 2,371 thousand bear variable interest at Euribor plus 2.5% to 2.7%, and obligations of EUR 26,061 thousand bear fixed interest in the range of 2.8% - 5.6%, with either quarterly or monthly repayments, and mature between April 2016 and April 2027.

These loans are secured by assignment of key contracts and PP&E in addition to life insurance on certain officers of Comax. A select number of loans have additional security provided in the form of long-term deposits (note 11).

(c) US bank facility

MAXIM's subsidiary, Basin Creek Equity Partners, LLC ("Basin Creek"), has a term loan with fixed interest rate of 6.95% per annum, with quarterly repayments, maturing on June 30, 2026. At December 31, 2015, Basin Creek had an outstanding balance of US$18,423 thousand (December 31, 2014 – US$19,653 thousand).

This loan is secured by the PP&E of the Basin Creek facility.

(d) Finance leases

Finance lease liabilities are payable as follows:

	December 31, 2015			December 31, 2014		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	856	71	785	909	105	804
Between one and five years	1,010	41	969	1,741	102	1,639
More than five years	-	-	-	-	-	-
	1,866	112	1,754	2,650	207	2,443

14. Provisions for decommissioning

The Corporation's provisions are comprised of decommissioning liabilities that relate to the retirement of its electrical generating facilities. The decommissioning liabilities have been discounted at the risk-free rate, which ranges from 1.2% to 3.0% (December 31, 2014 – 1.7% to 3.0%) depending on the timeframe of when the liability will be settled and inflation rates, which range from 1.8% to 2.0% (December 31, 2014 – 1.7% to 2.5%). The Corporation is required to re-measure the provision at each reporting period in order to reflect expected cost, timing and discount rates in effect at that time. The total undiscounted inflation adjusted amounts of estimated obligations are approximately $34,544 (December 31, 2014 - $31,433) and are expected to be incurred in four to 42 years from the date of these consolidated financial statements.

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

14. Provisions for decommissioning (continued)

Because of the long-term nature of the liabilities, the greatest uncertainty in estimating the provision is the costs that will be incurred. In particular, the Corporation has assumed that each site will be restored using technology and materials that are currently available.

Balance, December 31, 2013	17,619
Accretion	485
Sale of generating facility	(334)
Changes in previously estimated liabilities due primarily to discount rate revisions	4,502
Revaluation of foreign currency denominated liabilities	234
Balance, December 31, 2014	22,506
Accretion	438
Change in timing for the decommissioning of Milner as a coal-fired facility (note 9)	(2,745)
Change in the estimate of decommissioning costs of Milner (note 2(g)(i))	(6,634)
Changes in previously estimated liabilities due to discount rate revisions	2,790
Revaluation of foreign currency denominated liabilities	626
Balance, December 31, 2015	16,981

(a) Reimbursement of decommissioning costs

The Corporation is responsible for the decommissioning of the Milner generating facility subject to the Balancing Pool reimbursing MAXIM for the first $15,000 of costs. The fair value of the reimbursement from the Balancing Pool for the year ended December 31, 2015 is included in other assets (note 11) and accretion of the asset is included as a credit to finance expense (note 20).

15. Share capital

	Number of Shares	$
Common Shares of Maxim Power Corp.		
Common Shares, December 31, 2013	54,198,758	156,168
Share options exercised	20,000	80
Common Shares, December 31, 2014 and December 31, 2015	54,218,758	156,248

The Corporation is authorized to issue the following classes and number of shares:

(a) an unlimited number of Common Shares without nominal or par value

(b) an unlimited number of Preferred Shares

All shares rank equally with regard to the Corporation's equity and shall be entitled to one vote per share at the meetings of the Corporation. The holders of the Common Shares are entitled to receive equally any dividends declared by the Corporation.

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

16. Share-based compensation

The Corporation has an employee stock option plan under which employees, directors and key consultants are eligible to receive grants.

Stock options granted under the plan vest over a three year period in equal amounts. The grantee has the right to exercise the vested stock options within one year of vesting. The maximum number of outstanding stock options under the plan is limited to 10% of the number of common shares outstanding. The Corporation's Board of Directors determines the number of stock options to be granted, and sets the exercise price based on the market value at the time of granting. Stock options issued and outstanding are as follows:

	Year ended December 31, 2015			Year ended December 31, 2014		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of year	1,794,420	$	3.14	2,929,526	$	2.95
Settled for cash (a)	(1,500)		(2.05)	(2,281,133)		(2.87)
Exercised	-		-	(20,000)		(2.51)
Forfeited	(40,000)		(3.20)	(18,666)		(2.76)
Granted (b)	2,145,422		2.52	1,244,693		3.20
Expired	(1,086,661)		(3.13)	(60,000)		(5.83)
Outstanding, end of year (c)	2,811,681	$	2.67	1,794,420	$	3.14
Exercisable	634,594	$	3.14	1,088,161	$	3.13

The Corporation recorded non-cash share-based expense of $778 (December 31, 2014 - $397) for the year ended December 31, 2015.

(a) During 2014, the Corporation cash-settled 2,281,133 options that had expired in 2013 and 2014 during a company-wide black-out for $769.

(b) During 2015 and 2014, the Corporation granted options to certain employees and directors. The fair value of each option granted is estimated at the date of grant using the Black-Scholes option pricing model with weighted average assumptions for the grant as follows:

	2015	2014
Fair value of each option ($)	0.48	0.59
Share price at grant date ($)	2.52	3.20
Exercise price ($)	2.52	3.20
Risk-free interest rate (%)	0.55	1.13
Expected life (years)	1.98	1.61
Expected volatility (%) (i)	30.36	35.75
Forefiture rate (%)	2.36	13.57

(i) Expected volatility was calculated by using daily volatility of the historical closing value of the Corporation's stock, using the date of the grant as the starting point of the retrospective data capture.

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

16. Share-based compensation (continued)

(c) As at December 31, 2015, the range of exercise prices was \$1.93 - \$3.24 (December 31, 2014 - \$1.93 - \$3.24) and the weighted average remaining contractual life was 1.63 years (December 31, 2014 – 1.02 years).

17. Revenue

	December 31, 2015	December 31, 2014
Electricity and power revenue	57,041	83,558
Capacity revenue	50,881	42,476
Thermal heat revenue	8,083	9,753
Ancillary and other revenue	7,040	7,128
Total revenue	123,045	142,915

18. Expenses by nature

	December 31, 2015	December 31, 2014
Fuel cost	46,904	62,718
Operating and maintenance	47,769	43,888
Office and administrative	3,745	4,777
Wages and employee benefits	17,315	18,607
Depreciation and amortization	24,877	22,348
Asset impairment charges, net	35,729	1,366
Unrealized loss (gain) on derivative coal contracts	(3,719)	79
Other income, net (note 19)	(8,841)	(2,064)
Total expenses	163,779	151,719

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

19. Other income, net

	December 31, 2015	December 31, 2014
Penalty income and insurance proceeds (a)	480	390
Restructuring of Alberta operations (b)	(6,968)	-
Loss on disposal of spare engines and generating facility (c)	(631)	(23)
Approved emission performance credits (d)	1,631	1,697
Recognition of SO2 credits (note 10)	8,822	-
Gain on sale of emission performance credits and SO2 credits (e)	5,507	-
Total other income, net	8,841	2,064

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

(b) This consists of costs incurred to restructure the Corporation’s Alberta operations to reduce ongoing operating costs. These expenses relate to termination of the Corporation’s terminal services agreement, long-term coal supply agreement and coal handling agreement, as well as severance payments to employees.

(c) During 2015, the Corporation’s French subsidiary sold spare engines that were replaced as part of the renovation program for cash consideration of $201. As a result, the Corporation realized a pre-tax loss of $631. During 2014, the Corporation closed the sale of MAXIM BC, for total cash consideration of $5,265. As a result, the Corporation realized a pre-tax loss of $23.

(d) During 2015, the Alberta Environment and Sustainable Resource Development approved the 2013 Emission Performance Credits at 115,237 tonnes. During 2014, the Alberta Environment and Sustainable Resource Development approved the 2012 Emission Performance Credits at 119,911 tonnes.

(e) During 2015, the Corporation closed the sale of SO2 Credits for cash consideration of $5,460. The SO2 Credits had a carrying value of $nil and as such, the proceeds of $5,460 were recognized as other income. The Corporation also closed the sale of the Emission Performance Credits for cash consideration of $3,374. As a result, the Corporation realized a pre-tax gain of $47.

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

20. Finance expense, net

	December 31, 2015	December 31, 2014
Interest expense	3,680	3,186
Amortization of deferred financing costs	204	249
Accretion of provisions	294	253
Foreign exchange loss (gain)	6,431	1,138
Finance expense	10,609	4,826
Interest income	(49)	(85)
Total finance expense, net	10,560	4,741

21. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2015 was based on the net loss attributable to common shareholders of $77,309 (December 31, 2014 – net loss of $9,113), and weighted average number of common shares outstanding for the year of 54,218,758 (2014 – 54,205,333), calculated as follows:

Weighted average number of common shares (basic):

	2015	2014
Issued common shares at January 1	54,218,758	54,198,758
Effect of stock options exercised	-	6,575
Weighted average number of common shares at December 31	54,218,758	54,205,333

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2015 was based on the net loss attributable to common shareholders of $77,309 (2014 – net loss of $9,113), and weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares for the year of 54,218,758 (December 31, 2014 – 54,205,333).

For the 2015 diluted income per share calculation, nil (December 31, 2014 – nil) shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options because they were antidilutive.

22. Commitments

(a) Canada

(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.

(ii) The Corporation has entered into various operating and maintenance ("O&M") contracts to supply services for the operation of certain Canadian facilities. These contracts expire in 2016 with commitments totaling $362.

(iii) 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 December 31, 2015. The Corporation has an additional commitment of $798 regarding the service portion of the contract.

(b) United States

The Corporation, through its US subsidiaries, has entered into various 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$8,246 thousand.

(c) France

The Corporation has operating and maintenance service contracts with five service providers for its facilities in France. These contracts expire between 2016 and 2027 with commitments totaling EUR 11,453 thousand.

23. Contingencies

(a) Contingent liabilities

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

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

MAXIM has filed an election with FERC that requires FERC to initiate a judicial proceeding in which a federal district court will review the facts and the law *de novo*. On December 17, 2015, MAXIM and FERC appeared before the district court for oral argument on the motion to dismiss. MAXIM intends to vigorously defend itself and is confident it can demonstrate that the conduct set forth in the Show Cause Order did not violate FERC's anti-manipulation rule or any other rule. MAXIM and its external legal counsel strongly disagree with the findings of the OE on the other inquiry matters for which Show Cause Order have not been issued.

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

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

23. Contingencies (continued)

(b) Contingent asset

The Corporation anticipates that the Alberta Utilities Commission ("AUC") proceedings relating to the Alberta Electric System Operator ("AESO") Line Loss Rule will establish compensation to MAXIM. The Corporation estimates the compensation that it will be afforded to be approximately $38,000 for the period January 1, 2006 to December 31, 2015 based on information currently available on the public record. As at December 31, 2015, the implementation date of the new rule under Module B and the timing of compensation under Module C cannot be determined.

24. Operating leases

(a) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2015	December 31, 2014
Less than one year	1,141	981
Between one and five years	1,022	1,364
More than five years	104	164
Total	2,267	2,509

The Corporation leases office space and equipment under operating leases. These leases typically run for a period of 1 - 8 years and office space leases are customarily renegotiated for similar terms, at then-current market rates. During the year ended December 31, 2015, $1,164 was recognized as an expense in the statements of loss in respect of operating leases (December 31, 2014 - $1,047).

(b) Leases as lessor

The Corporation leases assets under tolling agreements in the normal course of business. Tolling agreements are present at two generating facilities in the United States.

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

25. Income taxes

(a) Tax expense recognized in statements of loss

	December 31, 2015	December 31, 2014
Current tax expense (benefit)		
Current year	754	(910)
Adjustment for prior years tax returns	(281)	225
	473	(685)
Deferred tax benefit		
Origination and reversal of temporary differences	(8,469)	(3,495)
Changes in tax rates	(2,755)	369
Change in recognized deductible temporary differences	36,846	(254)
Adjustment for prior years tax returns	(80)	(499)
	25,542	(3,879)
Total tax expense (benefit)	26,015	(4,564)

(b) Tax recognized in other comprehensive income

	December 31, 2015	December 31, 2014
Exchange differences on translation of foreign operations	1,156	(57)
	1,156	(57)

(c) Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at December 31, 2015 of 26.00% (December 31, 2014 - 25.00%) to income before income taxes. A reconciliation of this difference is presented below.

A reconciliation of the differences is as follows:

	December 31, 2015	December 31, 2014
Net loss before tax	(51,294)	(13,545)
Statutory tax rate	26.00%	25.00%
Computed income taxes	(13,336)	(3,386)
Increase (decrease) in taxes:		
Change in recognized deductible temporary differences	36,846	(581)
Effect of tax rates in foreign jurisdictions	(212)	369
Changes in tax rates	(2,755)	(350)
Non-deductible expenses (non-taxable income), net	5,703	(254)
Over (under) provided in prior years	(231)	(362)
Total tax expense (benefit)	26,015	(4,564)

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

25. Income taxes (continued)

(d) Unrecognized deferred tax assets

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2015, there are non-capital loss carry-forwards of $137,163 (December 31, 2014 - $107,602) in Canada. As at December 31, 2015, $118,274 (December 31, 2014 - $nil) of these losses are unrecognized. At December 31, 2015, the Corporation derecognized the deferred tax assets related to these non-capital loss carry-forwards primarily due to losses in recent periods in Canada and low Alberta power prices in the near term resulting in further expected losses in 2016.

As at December 31, 2015 there are net-capital loss carry-forwards of $15,122 (December 31, 2014 - $9,953) in Canada. These net-capital loss carry-forwards are unrecognized for both fiscal year ends. While these net capital losses do not expire they are only realizable against future net capital gains in Canada. At the current time the Corporation does not anticipate capital gains in excess of these unrecognized net-capital losses.

(e) Unrecognized deferred tax liabilities

As at December 31, 2015, there are taxable temporary differences of $61,788 (December 31, 2014 - $34,901) related to investments in certain subsidiaries for which no deferred tax liability has been recognized. No deferred tax liability has been recognized because the Corporation controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

(f) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
December 31,	2015	2014	2015	2014	2015	2014
Non-capital loss carry forwards	10,497	30,080	-	-	10,497	30,080
Capital assets	9,326	11,264	(25,138)	(20,880)	(15,812)	(9,616)
Inventory	-	-	(1,583)	(1,325)	(1,583)	(1,325)
Other	1,066	1,964	(4,234)	(4,471)	(3,168)	(2,507)
	20,889	43,308	(30,955)	(26,676)	(10,066)	16,632
Set off of tax	(15,789)	(11,902)	15,789	11,902	-	-
Net tax assets (liabilities)	5,100	31,406	(15,166)	(14,774)	(10,066)	16,632

As at December 31, 2015, there is a deferred tax asset (net of tax liabilities) of $5,100 related to a Canadian legal entity. This deferred tax asset is dependent on future taxable profits within the legal entity and the legal entity suffered losses in both 2014 and 2015. This deferred tax asset is primarily triggered by deductible temporary differences related to non-capital losses.

The Corporation anticipates that these recognized losses will be utilized in the years to come via taxable profits within this legal entity. The recognized and unrecognized losses start to expire in 2027. Current estimates support the assertion that these recognized losses will be fully utilized by the time they expire. The utilization of these losses is dependent on monetization of certain assets and collections of contingent assets.

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

25. Income taxes (continued)

(g) Movement in deferred tax assets (liabilities) during the year:

	Net Operating	Capital Assets	Inventory	Other	Total
At December 31, 2013	28,871	(13,073)	(1,208)	(1,982)	12,608
Credited (charged) to income	330	4,106	(20)	(537)	3,879
Credited (charged) to other comprehensive income	578	(436)	(97)	12	57
Other	301	(213)	-	-	88
At December 31, 2014	30,080	(9,616)	(1,325)	(2,507)	16,632
Credited (charged) to income	(23,158)	(1,789)	148	(743)	(25,542)
Credited (charged) to other comprehensive income	3,575	(4,407)	(406)	82	(1,156)
At December 31, 2015	10,497	(15,812)	(1,583)	(3,168)	(10,066)

26. Related party transactions

(a) Compensation of key management personnel:

	December 31, 2015	December 31, 2014
Short-term employee benefits, including wages and benefits	2,263	1,981
Share-based payments	597	420
Total	2,860	2,401

Key management personnel include the Corporation's Directors and Named Executive Officers.

There were no other related party transactions during 2015 or 2014.

(b) Corporate entities:

	Country of Incorporation	Ownership Interest % 2015	Ownership Interest % 2014
Milner Power Limited Partnership	Canada	100	100
Maxim Power (USA), Inc.	USA	100	100
Comax France S.A.S.	France	100	100
Deerland Power Limited Partnership	Canada	100	100
Summit Coal Limited Partnership	Canada	100	100

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

27. Employee benefits

Benefits are based on plan contributions under the defined contribution pension plan. During 2015, the pension expense for this plan was $288 (2014 - $325). There has been no change in the contribution rate during 2015.

28. Change in non-cash working capital

	December 31, 2015	December 31, 2014
Operations		
Trade receivables	997	7,832
Prepaid expenses and deposits	(1,355)	4,562
Inventories	674	2,221
Trade payables and other current liabilities	(2,209)	(4,852)
	(1,893)	9,763

	December 31, 2015	December 31, 2014
Investing		
Trade and other payables	1,857	3,953
	1,857	3,953

29. Segmented information

MAXIM is an independent power producer engaged in the development, ownership and operation of power generation facilities and the sale of electricity and heat. The Corporation operates in three reportable segments with power generation facilities located in Canada, the United States and France. The Corporation has chosen to organize the entity around geographic areas. For each of the segments, results are reviewed regularly by the Corporation's CEO to make decisions about resources to be allocated to the segment and to assess its performance. Canada – Other ceased to be a strategic segment in the third quarter of 2014 as a result of the sale of MAXIM BC. The Corporation has modified the composition of the reportable segments.

Information regarding results of each reportable segment is included below. Performance is measured on income from operations, as included in the internal management reports that are reviewed by the Corporation's CEO. Income from operations is used to measure performance as management believes that such information is the most relevant in evaluating the results of the reportable segments.

December 31, 2015	Canada	United States	France	Total	Corporate Amounts	Total Consolidated
Revenues from external customers	19,556	63,787	39,702	123,045	-	123,045
Finance expense, net	218	1,993	1,566	3,777	6,783	10,560
Depreciation and amortization	6,787	8,792	9,273	24,852	25	24,877
Operating expense	32,900	49,829	28,382	111,111	-	111,111
Operating income (loss)	(44,648)	6,509	1,159	(36,980)	(3,754)	(40,734)
Other material non-cash items						
Unrealized (gain) on derivative coal contracts	(3,719)	-	-	(3,719)	-	(3,719)
Capital expenditures	8,157	9,522	15,580	33,259	-	33,259

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

29. Segmented information (continued)

December 31, 2014	Canada	United States	France	Total	Corporate Amounts	Total Consolidated
Revenues from external customers	44,708	55,692	42,515	142,915	-	142,915
Finance expense, net	204	1,749	1,299	3,252	1,489	4,741
Depreciation and amortization	6,603	6,650	9,053	22,306	42	22,348
Operating expense	47,939	45,669	30,215	123,823	-	123,823
Operating income (loss)	(9,037)	2,773	1,756	(4,508)	(4,296)	(8,804)
Other material non-cash items						
Unrealized loss on derivative coal contracts	79	-	-	79	-	79
Capital expenditures	11,146	6,104	12,225	29,475	-	29,475

The Corporation's revenues are predominantly from entities formed by governments for the purpose of facilitating commerce in the power and utility sector in each of the reportable segments. During 2015, $17,347 (2014 – $42,547) of the Corporation's revenue was attributable to one of these entities in Canada. In France, $39,702 (2014 – $42,515) of the Corporation's revenue in 2015 was attributable to one of these entities and in the United States, $42,942 (2014 – $36,477) of the Corporation's revenue in 2015 was attributable to one of these entities.

30. Financial risk management

The Corporation has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- foreign currency exchange risk
- interest rate risk
- commodity price risk

This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, polices and processes for measuring and managing risk, and the Corporation's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of MAXIM's risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring MAXIM's compliance with risk management policies and procedures. The committee reports regularly to the Board of Directors on its activities.

MAXIM's risk management policies are established to identify and analyze the risks faced by MAXIM, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and MAXIM's activities. MAXIM, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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

30. Financial risk management (continued)

(a) Credit risk

Credit risk arises from the possibility that a counterparty to which the Corporation provides goods or services is unable or unwilling to fulfill their obligations. The extent of the risk depends on the credit quality of the counterparty to which the Corporation provides goods or services.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	December 31, 2015	December 31, 2014
Trade and other receivables	20,871	20,269
Deposits	2,156	245
Cash and cash equivalents	5,884	17,142
Total	28,911	37,656

Trade receivables are predominantly with entities formed by governments for the purpose of facilitating commerce in the power and utility sector (note 29). For trade receivables from customers and deposits to vendors who are not government sponsored entities, the Corporation obtains letters of credit or other security such as guarantees where appropriate. The Corporation utilizes regular credit monitoring processes to mitigate credit risk.

The aging of trade and other receivables at the reporting date was:

	2015			2014		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	18,671	-	18,671	18,900	-	18,900
Past due 1-30 days	783	-	783	413	-	413
Past due 31-120 days	637	-	637	596	-	596
Past due more than 120 days	780	-	780	360	-	360
Total	20,871	-	20,871	20,269	-	20,269

Cash and cash equivalents are held with bank counterparties, which are rated A- to A+, based on rating agency Standard & Poor's.

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

30. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they fall due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses.

At December 31, 2015, the Corporation had cash of $5,884 and a working capital surplus of $12,873. However, in the event that the Corporation is unable to monetize certain inventories in the next 12 months as a result of the dial-down of Milner (note 34), the Corporation would have working capital deficiency of $1,676. Despite near-term liquidity constraints and the determination that the Corporation will breach two financial covenants, management believes the going concern assumption is still appropriate but is contingent upon the successful raising of sufficient capital or sale of assets in the future, as required (note 2 and 13(a)).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

December 31, 2015	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2 to 3 years	4 to 5 years	Thereafter
Non-derivative financial instruments							
Secured bank loans	66,974	83,778	5,034	4,892	18,889	17,641	37,322
Finance lease payments	1,754	1,866	438	418	1,010	-	-
Trade and other payables	28,906	28,906	28,906	-	-	-	-
	97,634	114,550	34,378	5,310	19,899	17,641	37,322

December 31, 2014	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2 to 3 years	4 to 5 years	Thereafter
Non-derivative financial instruments							
Secured bank loans	53,913	70,232	4,051	3,997	15,277	13,891	33,016
Finance lease payments	2,443	2,650	454	454	1,463	279	-
Trade and other payables	26,437	26,437	26,437	-	-	-	-
	82,793	99,319	30,942	4,451	16,740	14,170	33,016

30. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and commodity price risks will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures, while optimizing cash flows to the Corporation.

(i) Foreign currency exchange risk

The Corporation is exposed to currency risk to the extent that revenue, expenses and monetary assets and liabilities are denominated in currencies that differ from the functional currency of the respective entity within the consolidated group. The Corporation has not hedged this exposure.

At December 31, 2015, the Corporation has an intercompany liability of US$23,677 thousand (December 31, 2014 - US$23,464 thousand) and monetary liabilities of US$1,204 thousand (December 31, 2014 - US$602 thousand). A strengthening (weakening) of the Canadian dollar by 10% against the United States dollar for the year ended December 31, 2015 would have increased (decreased) income before tax by $3,444 (2014 - $2,652) as a result of these exposures. At December 31, 2015, the Corporation has intercompany liabilities totaling EUR 12,309 thousand (December 31, 2014 – EUR 11,421 thousand). A strengthening (weakening) of the Canadian dollar by 10% against the European Euro for the year ended December 31, 2015 would have increased (decreased) income before tax by $1,850 (2014 - $1,603) as a result of these exposures. There is no impact to shareholders equity from the strengthening (weakening) of the Canadian dollar against the United States dollar and European Euro for the intercompany assets and liabilities, as the impacts in income before tax are offset in other comprehensive income.

Principal and interest payments on long-term debt, capital leases and long-term contracts are denominated in currencies that match the cash flows generated by the underlying operations. This provides an economic hedge for these obligations and no derivatives have been entered into.

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

30. Financial risk management (continued)

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Corporation. MAXIM partially mitigates its interest rate risk by maintaining fixed rate loans and borrowings and periodically entering into interest rate swap agreements to change floating rate debt to fixed rate debt. Project financing for Basin Creek, as well as twenty-four term loans and four capital lease obligations in France are at a fixed rate. The remaining debt and capital leases are at variable rates of interest. The carrying amounts of the Corporation's interest-bearing financial liabilities were as follows:

	December 31, 2015	December 31, 2014
Fixed rate instruments		
Financial liabilities	65,165	52,562
Total	65,165	52,562
Variable rate instruments		
Financial liabilities	3,563	3,794
Total	3,563	3,794

An increase of interest rates of 100 basis points, would have decreased pre-tax profit or loss by the amounts shown below. A decrease of interest rates by this amount would have the opposite effect on pre-tax profit or loss.

	Interest rates increase	Interest rates decrease
December 31, 2015		
Variable rate instruments	(37)	37
Cash flow sensitivity	(37)	37
December 31, 2014		
Variable rate instruments	(43)	43
Cash flow sensitivity	(43)	43

This analysis assumes that all other variables, in particular foreign currency rates and commodity prices, remain constant.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity and natural gas. Under certain contracts, the selling price of electricity varies according to changes in natural gas price providing an operating hedge against changes in natural gas price. The Corporation periodically reduces its exposure to commodity price risk by entering into fixed for floating swaps for the selling price of the electricity in Alberta and the United States.

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

30. Financial risk management (continued)

For the year ended December 31, 2015, an appreciation in electricity prices in the Alberta power market by $1 per MWh would have increased net income by $222 (2014 - $504). A weakening of electricity prices by this amount would have the opposite effect on other comprehensive income and net income. This analysis assumes that all other variables, in particular natural gas prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2014.

For the year ended December 31, 2015, an appreciation in realized prices in the ISO-NE power market by US$1 per MWh would have increased net income by $161 (2014 - $93). A weakening of electricity prices by this amount would have the opposite effect on other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices and interest rates remain constant. The analysis is performed on the same basis for 2014.

31. Derivative coal contracts

During 2015, the Corporation terminated its long-term coal supply agreement (note 19). The following table indicates the carrying value and the fair value of derivative coal contracts:

December 31, 2015	Carrying amount	Fair value
Derivative coal contracts - liabilities	-	-

December 31, 2014	Carrying amount	Fair value
Derivative coal contracts - liabilities	3,719	3,719

For the year ended December 31, 2015, the unrealized gains on the coal contracts were $3,719 (2014 – losses of $79). There were no realized amounts in the current and comparative period.

32. Fair value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

December 31, 2015	Designated at fair value	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	-	5,884	-	5,884	5,884
Trade and other receivables	-	20,871	-	20,871	20,871
Restricted cash	-	1,405	-	1,405	1,405
Long-term deposits	1,352	-	-	1,352	1,352
Other intangible assets - SO2 Credits	8,822	-	-	8,822	8,822
Milner decommissioning reimbursement	8,624	-	-	8,624	8,624
Total assets	18,798	28,160	-	46,958	46,958
Trade and other payables	-	-	28,906	28,906	28,906
Loans and borrow ings	-	-	68,728	68,728	78,277
Total liabilities	-	-	97,634	97,634	107,183

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

32. Fair value (continued)

December 31, 2014	Designated at fair value	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	-	17,142	-	17,142	17,142
Trade and other receivables	-	20,269	-	20,269	20,269
Restricted cash	-	1,221	-	1,221	1,221
Long-term deposits	245	-	-	245	245
Milner decommissioning reimbursement	11,240	-	-	11,240	11,240
Total assets	11,485	38,632	-	50,117	50,117
Trade and other payables	-	-	26,437	26,437	26,437
Loans and borrow ings	-	-	56,356	56,356	66,110
Coal contracts	3,719	-	-	3,719	3,719
Total liabilities	3,719	-	82,793	86,512	96,266

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 derivatives 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 carrying value of floating rate debt approximates fair value.

The fair value for SO2 Credits and coal contracts are classified as Level III under the fair value hierarchy as they are determined using inputs for the asset or liability that are not readily observable. Level III fair values for SO2 Credits have been determined using valuation techniques with inputs that are unobservable such as bilateral quotes obtained from counterparties, previous actual sales prices transacted by the Corporation, or an internally calculated price based on estimated aggregate market supply and demand curves, whichever is deemed by the Corporation as most reliable. Level III fair values for coal contracts have been determined using valuation techniques with inputs that are observable such as Newcastle coal futures prices and Canadian to United States dollar foreign exchange forward prices, as well as unobservable inputs such as historical margins on previous coal remarketing contracts.

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

32. Fair value (continued)

The fair value of the Corporation's risk management assets (liabilities) and derivative coal contracts are as follows:

As at December 31, 2015 there were no risk management assets / liabilities and derivative coal contracts.

As at December 31, 2014

	Level I	Level II	Level III	Total
Coal purchase contract	-	-	(3,719)	(3,719)
Total	-	-	(3,719)	(3,719)

The following tables summarize the key factors impacting the Corporation's assets (liabilities) measured using Level III fair values during the year ended December 31:

	Derivative coal contracts	SO2 credits
At December 31, 2013	(3,640)	-
Changes attributable to:		
Market price changes on contract during 2014 - unrealized	(1,538)	-
Purchase volume commitments fulfilled - unrealized	1,459	-
At December 31, 2014	(3,719)	-
Changes attributable to:		
Recognition of environmental credits	-	8,822
Market price changes on contract during 2015 - unrealized	(154)	-
Purchase volume commitments fulfilled - unrealized	404	-
Contract termination - unrealized (a)	3,469	-
At December 31, 2015	-	8,822

	December 31, 2015	December 31, 2014
Additional Level III information:		
Unrealized loss included in earnings before income taxes	(3,719)	79

(a) During 2015, the Corporation terminated its long-term coal supply agreement.

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

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

33. Capital management

MAXIM manages its capital in a manner consistent with the risk characteristics of the assets it holds. All transactions, including equity, debt, and capital leases, are analyzed by management and approved by the Board of Directors.

The Corporation's objectives when managing capital are:

(a) to safeguard the Corporation's ability to continue as a going concern and provide returns for shareholders;

(b) to facilitate the acquisition or development of power projects in Canada, the United States and France.

The Corporation is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential expenditures, preparing short-term and long-term cash flow analyses to ensure an adequate amount of liquidity and monthly review of financial results.

The Corporation considers the following items capital of the Corporation:

(a) long-term debt and capital lease obligation, net of cash; and

(b) shareholders' equity

The following table represents the net capital of the Corporation:

	December 31, 2015	December 31, 2014
Long-term debt	66,974	53,913
Capital lease obligation	1,754	2,443
Less: Unrestricted cash, net of bank indebtedness	(5,884)	(17,142)
Net debt	62,844	39,214
Equity attributable to shareholders	216,082	266,977
	278,926	306,191

The Corporation has the following restrictions on its capital as a result of its credit facilities:

(a) net funded debt to net earnings before interest, taxes, amortization and depreciation from certain assets shall not be greater than 3.00 to 1 for the quarter ended December 31, 2015 and decreases to 2.00 to 1 for the quarter ended March 31, 2016 and thereafter;

(b) Interest coverage ratio shall not be less than 8.0 times;

(c) debt service coverage ratio shall not be less than 1.00 to 1 for the quarter ended December 31, 2015 and increases to 1.25 to 1 for the quarter ended March 31, 2016 and thereafter;

(d) the Corporation's equity balance (defined by the credit facility agreement as the sum of share capital, retained earnings and contributed surplus) shall not be less than $175,000 for the quarter ended December 31, 2015, increasing (decreasing) from the inception of the credit facility each year by 80% of annual net income (loss); as at December 31, 2015, the minimum equity balance required was $175,000; and

(e) the funded debt to capital ratio shall not be greater than 0.60 to 1.

33. Capital management (continued)

As at December 31, 2015, MAXIM determined it will breach its DSCR and minimum equity financial covenants in relation to its Canadian bank facilities. On March 24, 2016, management obtained a waiver for the DSCR covenant breach from the bank. As a condition of the waiver, if the Corporation cannot satisfy the DSCR through confirmation of anticipated insurance proceeds by April 29, 2016, which is the date MAXIM is required to file its compliance certificate for the year ended December 31, 2015, then the Corporation has agreed to forego the $15,000 second tranche of its revolving credit facility indefinitely. On March 24, 2016, the minimum equity financial covenant was amended to reduce the required equity balance of $192,000 to $175,000 effective December 31, 2015 (notes 2 and 13).

There have been no changes in the Corporation's objectives when managing capital from previous years. However, due to current liquidity constraints as disclosed in note 3, a greater focus has been placed in the near term on the objective of safeguarding the Corporation's ability to continue as a going concern and provide returns for shareholders and a reduced focus has been placed in the near term on the objective of facilitating the acquisition or development of power projects. The Corporation has recently completed or is currently in the process of pursuing the following: cost reductions, smaller asset sales, financing options and compensation from government.

34. Subsequent event

On March 23, 2016, the Corporation temporarily suspended the generation of electricity at Milner. The decision to dial down the operations at Milner is primarily due to record low Alberta power prices and higher environmental compliance costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated March 28, 2016 and should be read in conjunction with the audited consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the year ended December 31, 2015. MAXIM prepares its audited consolidated financial statements in accordance with 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 25 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:

- 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.

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

  As at December 31, 2015, MAXIM determined it will breach its debt service coverage ratio ("DSCR") and minimum equity financial covenants in relation to its Canadian bank facilities. On March 24, 2016, management obtained a waiver for the DSCR covenant breach from the bank. As a condition of the waiver, if the Corporation cannot satisfy the DSCR through confirmation of anticipated insurance proceeds by April 29, 2016, which is the date MAXIM is required to file its compliance certificate for the year ended December 31, 2015, then the Corporation has agreed to forego the $15.0 million second tranche of its revolving credit facility indefinitely. On March 24, 2016, the minimum equity financial covenant was amended to reduce the required equity balance of $192.0 million to $175.0 million effective December 31, 2015.

  This quarter is the fourth 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. However, current Alberta power forward price curves suggest low Alberta power prices in the near term and under these low prices, the Corporation will likely continue to breach the DSCR covenant and, commencing in the first quarter of 2016, also breach the net funded debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio covenant. Commencing in the second quarter of 2016, the Corporation will likely breach the interest coverage ratio covenant. There is no assurance that the Corporation will continue to receive waivers in future quarters. The current facility expires on August 31, 2016.

  At December 31, 2015, the Corporation had cash of $5.9 million and a working capital surplus of $12.9 million. However, in the event that the Corporation is unable to monetize certain inventories in the next twelve months as a result of the dial-down of M1, the Corporation would have working capital deficiency of $1.7 million.

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

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

- MAXIM's approved capital budget is based on engineering estimates to maintain facility equipment, which are set by the equipment manufacturer. In France, MAXIM's capital expenditures are based on the capital required in order to obtain renewal of contracts with the French electrical utility company.
- Development projects, including Summit Coal ("SUMMIT"), Milner 2 ("M2"), Milner expansion project ("M3"), Forked River Expansion, Deerland Peaking Station ("Deerland"), and Buffalo Atlee, are based upon current estimates of capital cost, projected returns on investment, the duration of the regulatory approval process, and the ability to obtain the necessary financing.
- Management estimates that cash flows for scheduled maintenance programs will be funded by its cash flow from operations, existing cash on hand, revolving Bank of Montreal ("BMO") credit facility and potentially asset sale proceeds. This estimate is based upon current budgets and forecasts. Interruptions to production, higher than anticipated operating costs, lower realized power prices, unfavourable moves in interest rates and foreign exchange rates, failure of counterparties to meet their obligations, and various other factors may inhibit the Corporation from meeting its obligations.
- MAXIM estimates total capital expenditures of $7.6 million to be incurred in 2016. These costs are based upon estimates and may differ from the actual costs to complete or revisions in the program scope.
- As noted in MAXIM's 2015 third quarter MD&A, the net capital cost to the Corporation of the new cooling tower, after insurance proceeds, was expected to be $0.5 million. Management is currently in discussions with its insurance providers to receive the insurance proceeds from its claim. At December 31, 2015, $6.8 million has been recorded in PP&E related to this project. At this same date, no amounts have been recorded in receivables for the insurance proceeds. The Corporation expects resolution of the insurance claim to occur in the second quarter of 2016.
- 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 continue to maintain a working capital surplus over the next twelve months. This expectation is based on current Alberta and ISO New England ("ISO-NE") forecasted power prices, which have 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 decrease in Alberta and the ISO-NE forward power prices or unplanned plant maintenance could have an adverse effect on MAXIM's working capital surplus over the next twelve months.

BUSINESS OF MAXIM

MAXIM is an Independent Power Producer ("IPP") engaged in the acquisition and development, ownership and operation of power generation facilities and the resultant sale of generating capacity, electricity and thermal energy. At December 31, 2015 and as at the date of this MD&A, MAXIM had thirty nine power plants with 778 megawatts ("MW") of electric and 96 MW of thermal net generating capacity operating in Canada, the United States and France. The Corporation operates in three reportable business segments based on geographic locations. As at the date of this MD&A, the three reportable business segments are as follows:

Canada

The Canada segment consists of H.R. Milner generating facility ("M1") and Gold Creek facility ("Gold Creek") which has a combined net generating capacity of 156 MW. These facilities, combined with MAXIM's corporate activities and Canadian development projects comprise the Canada reporting segment.

M1 is a 150 MW coal-fired power station located near the town of Grande Cache, Alberta, which has been in continuous operation since 1972. M1 operates as a merchant power facility by selling electricity to the Alberta Electric Systems Operator ("AESO") at spot market prices. Management at times will use strategic hedging, to varying degrees, to reduce price risk during periods in which extreme price volatility is expected to persist. In the first quarter of 2016, this facility has temporarily suspended generation of electricity until market conditions and/or cost reductions will justify resuming operations.

Gold Creek is a 6 MW waste heat generation facility located in close proximity to Grande Prairie, Alberta and utilizes waste heat from a TransCanada Pipelines mainline compressor to generate power. This facility is currently not running, pending an increase in power prices that support investment to connect the facility to a new compressor at the current site or another MAXIM site.

SUMMIT is MAXIM's development initiative located north of Grande Cache, Alberta that owns metallurgical coal leases for Mine 14 ("M14") and Mine 16 ("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. MAXIM has received the requisite regulatory approvals, licenses and permits to construct and operate M14. A NI 43-101 Technical Report has not been prepared for M16S.

MAXIM has received regulatory approvals from the Alberta Utilities Commission ("AUC") and Alberta Environment and Parks ("AEP") to construct and operate M3 and M2. M3 is an 86 MW natural gas-fired cogeneration power plant to be located adjacent to MAXIM's existing Milner facility. M3, before giving effect to the development of M2, will increase M1 capacity from 150 MW to 236 MW. M2 is a natural gas-fired generation facility with a further generating capacity of 520 MW. In addition, MAXIM has received regulatory approvals to construct and operate the 190 MW natural gas-fired Deerland peaking station located near Bruderheim, Alberta.

United States

MAXIM owns five natural gas-fired facilities with a combined net generating capacity of 446 MW in its United States segment.

The Capitol District Energy Centre Cogeneration Associates ("CDECCA"), Pittsfield and Pawtucket facilities are each located in the North East United States in the ISO-NE market. All three of these facilities currently receive monthly capacity payments along with electrical generation revenue at the spot price from the ISO-NE. The CDECCA facility also provides steam and chilled water under a long-term contract with the State of Connecticut until 2019.

The Forked River and Basin Creek facilities are located in New Jersey and Montana, respectively. The facilities operate under long-term tolling agreements for which they receive monthly capacity payments until 2018 and 2026, respectively. Should the Corporation not enter into a new tolling agreement for Forked River, it will receive monthly capacity payments and revenue for electricity generation in the PJM market.

France

The France segment consists of thirty-two natural gas-fired facilities with a combined 176 MW of electrical and 96 MW of thermal net generating capacity.

MAXIM's wholly-owned subsidiary COMAX France S.A.S. ("COMAX") operates cogeneration facilities operating under twelve year contracts with Electricité de France ("EdF") and various thermal clients. Under these contracts, electricity is sold to EdF and thermal energy is sold to local businesses such as greenhouses. COMAX has an annual option to choose the method of operation, either dispatch, in which EdF calls upon the facility for production as needed, or continuous cogeneration, in which the facility produces electricity and thermal energy for the full season. The operating season under these contracts runs from November 1 to March 31. At the end of an EdF contract, COMAX can renew the cogeneration contract for an additional twelve years upon obtaining a thermal energy contract and renovating the facility in accordance with current government mandated tariffs. All cogeneration facilities have agreements to supply thermal energy to various third parties for the same term as the EdF contract.

COMAX also provides electrical peaking services to EdF. Under the peaking contracts, which have eight-year terms, peaking operations are provided during the entire year rather than restricted to a five-month operating season. There were eleven plants providing peaking services during 2015.

In 2015, the France government passed a decree to establish a termination of the existing form of cogeneration contract certificates, which is expected to be made effective prior to March 31, 2016. The decree does not have an impact on COMAX's existing cogeneration contracts or certificates, but would impact the renewal and/or extension of its existing contracts expiring in 2018 and onwards.

COMAX is also expecting a second decree that will provide for the certification of capacity of generators and annual auctions by which load serving entities will procure capacity from generators. The decree would have an impact on COMAX's peaking fleet, but the impact on COMAX's cogeneration fleet is not yet determinable. Full details of market design are still forthcoming as at the date of the MD&A. The Corporation anticipates that the decree will be finalized in the first half of 2016.

OVERALL PERFORMANCE

Highlights and Notable Events

On March 23, 2016, MAXIM temporarily suspended the generation of electricity at M1. The decision to dial down the operations at M1 was due to record low Alberta power prices, which have undermined profitability for a prolonged period. Dialing down the operations at M1 resulted in a temporary layoff of 75% of the plant staff for an undetermined period. MAXIM intends to maintain a smaller operating team to undertake maintenance and plant modifications for an expected resumption of generation as power market conditions improve. A significant improvement in Alberta power prices, and/or cost reductions will be required to justify resuming operations. MAXIM will also consider:

- The estimated impact of the recent notices of intent to return several Power Purchase Arrangements ("PPA"s) to the Balancing Pool by the PPA buyers, and the uncertain outcome of the Balancing Pool's examination of its options, and;
- The phasing in of higher levies associated with the Specified Gas Emitters Regulation ("SGER") which began on January 1, 2016.

MAXIM will actively monitor the Alberta power market to determine the appropriate time to economically resume generation activities at M1 while continuing to advance its initiatives to convert M1 from coal to natural gas.

On February 10, 2016, the ISO-NE announced the conclusion of the Forward Capacity Market auction. The amount paid to existing power system resources commencing in June 2019 will be US$7.03/kW-month, which represents an increase of 105% from the current rate of US$3.434/kW-month. Based on MAXIM's forecasted capacity, the Corporation anticipates that the locked-in capacity revenue earned in the ISO-NE market will increase to US$22.1 million for the twelve months ending May 31, 2020 from US$10.9 million for the twelve months ending May 31, 2016. This preceding statement represents FLI and users are cautioned that actual results may vary.

On November 26, 2015, the AUC rendered its decision on Module B of Phase 2 of the line loss rule and has directed the AESO to make changes to the current non-compliant rule that has been in effect since January 1, 2006. Further, on February 1, 2016 the AESO filed a plan to revise the rule and incorporate the AUC's findings in the decision on a go forward basis. MAXIM has determined the resulting new rule will align with the loss factor methodology advocated by M1 in its original 2005 Complaint.

Through its decision, the AUC expressly asserted its parallel authority to adjust line loss charges from January 1, 2006 and determine final line loss charges in Module C, which will determine the ultimate financial remedy to M1. MAXIM estimates the compensation that it will be afforded to be approximately $38 million for the period January 1, 2006 to December 31, 2015 based on information currently available on the public record. This amount excludes compensation for M1's cost of capital and legal costs, which will also be determined in Module C. As at the date of this MD&A, the implementation date of the new rule under Module B and timing of compensation under Module C cannot be determined.

On November 22, 2015, the Government of Alberta proposed the 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. By 2030, the Province targets to have renewable sources such as wind and solar account for up to 30% of Alberta's wholesale power market and has indicated that it will, through an agency such as the AESO, request proposals by the end of 2016 for the construction and operation of an estimated 300 MW of renewables to be in service by 2019.

Under the CLP, the Government of Alberta has also announced the intention to replace the existing SGER with the Carbon Competiveness Regulation (or "CCR") commencing January 1, 2018. If enacted, the CCR will require coal-fired generators to pay $30 per tonne of CO2 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.

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. MAXIM had anticipated that it would be permitted to run M1 at full capacity to December 31, 2019 and at stand-by capacity thereafter until December 31, 2029, consistent with the current Federal regulations. Based on the current forward prices, and assuming the implementation of the CCR, MAXIM has determined it would be uneconomic to operate as a coal-fired facility post 2017 without a material improvement in Alberta wholesale power prices.

On June 25, 2015, the Government of Alberta amended the SGER. The price for emission fund credits increased from $15 per tonne of CO_2 to $20 per tonne on January 1, 2016 and will increase to $30 per tonne on January 1, 2017. Over that same period, intensity reduction stringencies, which require lowering production of CO_2 relative to a baseline, will now be 15% below baseline as of January 1, 2016, increasing to 20% on January 1, 2017.

MAXIM believes it is well positioned for this shift in the composition of generation capacity, having permits to own and operate 946 MW of natural gas-fired generation projects in Alberta. M2 and M3 would increase the installed generation capacity at the existing M1 site by 606 MW to 756 MW. M3 adds 86 MW through the integration of natural gas-fired generation operating in combined cycle mode at this site, and provides for an orderly transition from coal to natural gas. M2 is permitted as a 520 MW combined cycle natural gas-fired facility. The Deerland Peaking Station ("D1"), MAXIM's project to develop a natural gas-fired peaking facility, represents a further 190 MW and is fully permitted. MAXIM also has a wind development project, Buffalo Atlee ("B1") that has the potential for up to 200 MW of wind generation capacity.

On November 12, 2015, the Corporation received regulatory approval to construct and operate M3 from AEP. M3 is an 86 MW natural gas-fired cogeneration power plant to be located adjacent to MAXIM's existing M1 facility.

On October 30, 2015, the Corporation entered into an agreement to sell emissions credits used to offset the production of sulphur dioxide (“SO2 Credits”) for $5.5 million. The agreement subsequently closed on November 3, 2015. The SO2 Credits had a carrying value of $nil and as such, the proceeds of $5.5 million were recognized as a gain in the fourth quarter of 2015.

The Corporation, as previously reported, has been responding to the Federal Energy Regulatory Commission ("FERC") inquiry since the latter part of 2013. On July 1, 2015, FERC filed a petition seeking a court order to affirm civil penalties of US$5.0 million against the Corporation related to certain offers to supply electricity during July and August of 2010. FERC has not advanced matters in its preliminary findings relating to 2013. On September 4, 2015, MAXIM filed its motion to dismiss FERC's petition. On September 25, 2015, FERC filed its opposition to MAXIM’s motion to dismiss. On December 17, 2015 MAXIM and FERC appeared before the court for oral argument on the motion to dismiss. MAXIM intends to vigorously defend itself and is confident it can demonstrate that the conduct set forth in the Order to Show Cause did not violate FERC’s anti-manipulation rule or any other rule.

On June 18, 2015, MAXIM entered into a termination and mutual release agreement that cancels the terminal services agreement ("TSA") between Ridley Terminals Inc.'s and MAXIM's wholly owned subsidiary, SUMMIT Coal Inc. The TSA was entered into on December 9, 2011 and provided SUMMIT with capacity at Ridley Terminals to ship coal through this port for a period of ten years. Pursuant to the termination agreement, MAXIM forgoes certain benefits under the TSA, including a deposit, while eliminating future commitments of $63.2 million.

In May 2015, the Corporation implemented measures to reduce costs at M1. The Corporation reduced its fuel costs by terminating a coal supply agreement that was set to expire in December 2015 and by entering into a new short-term agreement with another coal supplier for lower-priced thermal coal.

On May 8, 2015, the Corporation received regulatory approval to construct and operate the Skaro substation for the Deerland peaking station. The project is fully approved to commence construction.

On May 5, 2015, MAXIM entered into an amended and restated credit agreement with BMO that provides a $40.0 million revolving credit facility in two tranches. Under the first tranche, MAXIM can borrow up to $25.0 million subject to the book value of the Corporation's Canadian accounts receivable balance and Property, Plant and Equipment ("PP&E"). Under the second tranche, MAXIM can borrow up to $15.0 million, under the same terms of the first tranche, and subject to twelve month trailing EBITDA being equal to or greater than $15.0 million and MAXIM being in compliance with all financial covenants for a minimum of two consecutive quarters. This facility matures on August 31, 2016. MAXIM will continue to use, as necessary, the revolving credit facility to support existing operations and growth initiatives.

On April 16, 2015, MAXIM closed the sale of its 2012 and 2013 emission performance credits pertaining to Alberta’s Greenhouse Gas Reduction Program ("Emission Performance Credits"), for a total cash consideration of $3.4 million, resulting in a nominal gain on sale.

MAXIM's France operating segment secured debt financing of $9.5 million (6.4 million Euro) and subsequently completed two 2015 renovation projects. The terms of the loans are favorable with leverage ranging from 80% to 83% of the project investment and fixed interest rates ranging from 2.8% to 3.5%. Total 2015 capital expenditures related to the two projects in the renovation program in France was $11.6 million (8.0 million Euro), MAXIM has deferred one additional renovation project, originally included in the scope of the 2015 renovation program, to 2016.

Key Performance Indicators

(000's unless otherwise noted)	2015	2014	2013
Revenue	123,045	142,915	173,740
Adjusted EBITDA(1)	19,501	14,998	39,599
Adjusted net income (loss) (1)	(18,227)	(8,121)	10,583
Net income (loss) attributable to shareholders	(77,418)	(9,113)	9,590
Basic and diluted net income (loss) per share attributable to shareholders ($ per share)	(1.43)	(0.17)	0.18
FFO(2)	10,263	13,600	37,266
Total assets	346,898	391,679	394,450
Loans and borrowings	68,728	56,356	59,122
Total generation (MWh)	788,092	1,010,811	1,091,053
Average Alberta market power price ($ per MWh)	33.34	49.42	80.19
Average Milner realized power price ($ per MWh)	64.33	64.10	106.92
Average Northeast U.S. realized power price (US$ per MWh)	61.85	139.51	136.30

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

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

Financial Results

Revenue, adjusted net income (loss), net income (loss) attributable to shareholders and FFO have decreased in 2015 when compared to the prior years of 2014 and 2013. The changes in these financial measures are primarily due to lower Alberta power prices and lower realized Northeast U.S. power prices. In addition, revenue was further decreased as a result of the M1 cooling tower outage in the second half of 2015, however this was offset by lower fuel and variable operating costs in the same period. Adjusted net income (loss) and net income (loss) attributable to shareholders also decreased from 2014 to 2015 due to the costs incurred in the restructuring of Alberta operations in 2015. In addition, net income (loss) attributable to shareholders decreased due to goodwill and assets under construction impairment charges and the reversal of previously recognized deferred tax assets in Canada, partially offset by gains on the recognition of SO2 credits.

Adjusted EBITDA increased from 2014 to 2015 primarily due to a gain on sale of SO2 credits in 2015, partially offset by lower power prices and generation in Alberta, and lower realized Northeast U.S. power prices. Adjusted EBITDA decreased from 2013 to 2015 primarily due to the same factors impacting revenues noted above.

RESULTS OF OPERATIONS

Summary of generation by segment:

	2015		2014	
Segment	MWh	% of Total	MWh	% of Total
Canada	303,481	39	701,564	70
United States	355,495	45	175,644	17
France	129,116	16	133,603	13
Total MWh generation	788,092	100	1,010,811	100

The above table includes the operating results of Vancouver Landfill Project until it was sold by MAXIM with a closing date of July 17, 2014. Forked River and Basin Creek are excluded as these facilities provide capacity in exchange for monthly capacity payments.

Revenue

Summary of revenue by segment:

Segment ($000's)	2015	2014
Canada	19,556	44,708
United States	63,787	55,692
France	39,702	42,515
Revenue	123,045	142,915

Revenue earned by MAXIM decreased from $142.9 million in 2014 to $123.0 million in 2015, which is a decrease of $19.9 million or 14%. The decrease was primarily due to lower Alberta power prices throughout the entire year and a cooling tower outage at M1 in the second half of 2015. In addition to this, revenues decreased as there were fewer dispatches of some of France's generation facilities, which were operating in dispatch mode in 2015 and lower realized power prices in Northeast U.S. from lower weather-based demand in the first and fourth quarter. This was partially offset by an increase in generation volumes throughout the entire year in the Northeast U.S. as a result of longer run times and higher volume of dispatches during non-peak periods.

Canada:

Revenue in 2015 decreased $25.1 million or 56% to $19.6 million as compared to $44.7 million in 2014. This decrease was largely due to lower Alberta power prices and a cooling tower outage at M1 which resulted in lower generation hours. The lower Alberta power prices were a function of reduced price volatility caused by fewer reliability issues across Alberta, lower weather-based demand, excess supply from a new large scale generation facility commissioned in the first quarter of 2015 and lower natural gas prices.

United States:

Revenue in 2015 increased from $55.7 million in 2014 to $63.8 million in 2015, which is an increase of $8.1 million or 15%. This increase was primarily due to higher generation volumes as a result of longer run times and a higher volume of dispatches during non-peak periods throughout the entire year. In addition, revenue increased further as a result of higher capacity revenues due to Pawtucket taking on additional capacity supply obligations at higher capacity prices through reconfiguration auctions commencing in June. Finally, the increase was due to the appreciation of the value of the U.S. dollar relative to the Canadian dollar during 2015 as compared to 2014. These factors were partially offset by lower realized prices as a result of reduced weather-based demand during the first and fourth quarter of 2015.

France:

Revenue in 2015 decreased from $42.5 million in 2014 to $39.7 million in 2015, which was a decrease of $2.8 million or 7%. The decrease in operating results was due to lower generation as a result of fewer dispatches of some generation facilities, which were operating in dispatch mode and the depreciation of the annual average value of the Euro relative to the Canadian dollar in 2015 as compared to 2014.

Summary of revenue by fixed versus spot price:

($000's)	2015	2014
Electricity and capacity sales at fixed prices	75,365	72,733
Electricity sales at spot prices	47,680	70,182
Revenue	123,045	142,915

Fixed price revenue in 2015, increased from $72.7 million in 2014 to $75.4 million in 2015, which is an increase of $2.7 million or 4%. 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 commencing in June and the appreciation of the value of the U.S. dollar relative to the Canadian dollar during 2015 as compared to 2014. This increase was partially offset by lower generation in France in 2015 as a result of fewer dispatches of some generation facilities, which were operating in dispatch mode, less revenues as a result of the sale of MAXIM Power (B.C.) Inc. ("MAXIM BC") in the third quarter of 2014 and the depreciation of the annual average value of the Euro relative to the Canadian dollar in 2015 as compared to 2014.

Electricity sales at spot prices decreased from $70.2 million in 2014 to $47.7 million in 2015, which is a decrease of $22.5 million or 32%. The decrease was primarily due to lower generation at M1 as a result of lower power prices in Alberta and a cooling tower outage, as well as lower realized power prices in Northeast U.S. from lower weather-based demand. This unfavourable variance was partially offset by increased generation in the Northeast U.S. and the appreciation of the value of the U.S. dollar relative to the Canadian dollar during 2015 as compared to 2014.

Plant Operations

Summary of plant operations expense by type and segment:

	2015			2014		
($000's)	Fuel	O&M	Total	Fuel	O&M	Total
Canada	13,363	19,537	32,900	24,424	23,515	47,939
United States	19,673	30,156	49,829	20,658	25,011	45,669
France	13,868	14,514	28,382	17,635	12,580	30,215
Total	46,904	64,207	111,111	62,717	61,106	123,823
Percent	42%	58%	100%	51%	49%	100%

Total plant operating expenses during the year decreased from $123.8 million in 2014 to $111.1 million in 2015, which is a decrease of $12.7 million or 10%. The decrease in plant operating expenses was primarily driven by lower fuel costs in all segments due to lower generation volumes in Canada and France, as well as lower per unit fuel costs in all segments. This decrease was partially offset by the appreciation of the value of the U.S. dollar relative to the Canadian dollar during 2015 as compared to the same period in 2014 and a $4.2 million write-down of the coal inventory to its net realizable value in the Canada segment.

Canada:

Canada’s operations and maintenance ("O&M") costs decreased $4.0 million or 17%, from $23.5 million in 2014 to $19.5 million in 2015, primarily due to lower variable O&M costs incurred which are directly linked to lower generation volumes and lower personnel costs as a result of cost cutting initiatives. These decreases were partially offset by higher legal fees related to the line loss rule proceedings.

Fuel expenses in 2015 decreased from $24.4 million in 2014 to $13.4 million in 2015, which is a decrease of $11.0 million or 45%. Excluding the non-cash inventory write-down of $4.2 million, fuel costs decreased $15.2 million or 62% due primarily to lower coal consumption as a result of a 57% decrease in generation.

M1’s previous coal supplier temporarily suspended operations at the end of December 2015. There is no impact to M1 as a result of this decision. All fuel to be delivered under this contract was received in 2015. Current coal on hand as at the date of this MD&A provides M1 with sufficient fuel to run at full capacity for approximately six months. In addition to this, M1 has the ability to use natural-gas blended with coal to extend its production beyond this six month period. Finally, due to the depressed thermal coal markets, there is ample supply of thermal coal in Alberta from other suppliers to further lengthen M1’s coal position should Alberta power prices improve.

United States:

O&M expenses in 2015 increased $5.2 million or 21% to $30.2 million in 2015 from $25.0 million in 2014. The increase is primarily due to higher contractor costs, increased property taxes, higher legal costs related to FERC, net of recoveries, and the appreciation of the value of the U.S. dollar relative to the Canadian dollar during the same period in 2014.

Fuel costs in the United States in 2015 decreased $1.0 million or 5%, to $19.7 million in 2015 from $20.7 million in 2014. The decrease is primarily due to lower per unit fuel costs in 2015 as a result of consuming more diesel fuel than natural gas in 2014 and lower natural gas prices in 2015. This was partially offset by higher generation volumes and the appreciation of the value of the U.S. dollar relative to the Canadian dollar during 2015 as compared to the same period in 2014.

France:

O&M costs in France increased $1.9 million or 15% to $14.5 million in 2015 from $12.6 million in 2014. This increase is primarily due to engine repairs required at one cogeneration facility, engineering and site maintenance expenses, partially offset by the depreciation of the annual average value of the Euro relative to the Canadian dollar in 2015 as compared to same period of 2014. The repair costs associated with the engine are fully offset by insurance proceeds recognized in other income.

France fuel costs in 2015 were $13.9 million, which was a decrease of $3.7 million or 21%, from the $17.6 million incurred in 2014. The decrease in fuel costs was due to lower generation volumes, lower per unit costs and the depreciation of the annual average value of the Euro relative to the Canadian dollar in 2015 as compared to the same period in 2014.

General and Administrative Expense

($000's)	2015	2014
Total general and administrative expense	4,622	6,167

General and administration expense incurred in 2015 were $4.6 million, which was a decrease of $1.6 million or 26%, from the $6.2 million in 2014. This decrease is primarily due to expenses incurred in 2014 related to MAXIM's review of strategic alternatives for U.S. and France operating segments and cost cutting initiatives at corporate offices in 2015.

Depreciation and Amortization Expense

($000's)	2015	2014
Total depreciation and amortization	24,877	22,348

Depreciation expense in 2015 increased from $22.3 million in 2014 to $24.9 million in 2015, which is an increase of $2.6 million or 12%. The increase is primarily due to a change in useful life of M1, higher asset bases in all segments resulting from capital expenditures in the trailing twelve months, and the appreciation of the value of the U.S. dollar relative to the Canadian dollar.

Asset Impairment Charges, net

($000's)	2015	2014
Total asset impairment charges, net	35,729	1,366

In 2015, MAXIM recognized a net asset impairment charge related to PP&E and goodwill totaling $35.7million. Due to significant adverse changes in market conditions in Alberta and the metallurgical coal market, the Corporation recognized three impairments in Alberta totaling $37.2 million. Of this amount, $15.6 million related to goodwill at the Milner generating facility and adjacent lands, which includes the Corporation's coal development project ("Milner CGU") and $20.7 million related to SUMMIT's assets under construction, which both had carrying amounts greater than the recoverable amounts. As well, $0.9 million of impairment related to the coal-fired components at M1. These coal-fired components now have a carrying value equal to their salvage value. These charges were partially offset by the recognition of an impairment reversal of $1.5 million with respect to a generating facility in the United States operating segment due to a significant change in fixed capacity rates in future periods in the ISO-NE market.

In 2014, MAXIM incurred impairment charges related to PP&E totaling $1.4 million. Due to significant changes in the market conditions in Alberta, the Corporation tested the generating facilities in the Canada operating segment for impairment and recognized an asset impairment charge of $0.3 million with respect to the Gold Creek generation facility. The Corporation also recognized an impairment charge of $0.6 million in the United States operating segment related to obsolete capital spares. Finally, an impairment charge of $0.5 million was recognized as the carrying amount of the assets net of liabilities was greater than the anticipated net proceeds under the terms of the purchase and sales agreement for MAXIM BC.

Unrealized Loss (gain) on Derivative Coal Contract

($000's)	2015	2014
Total unrealized loss (gain) on derivative coal contract	(3,719)	79

In 2015, MAXIM had a $3.7 million unrealized gain as compared to a $0.1 million unrealized loss in 2014. The unrealized gain recognized in 2015 is due primarily to the reversal of previously recognized unrealized losses on the coal supply agreement.

Other Income, Net

($000's)	2015	2014
Other income, net	8,841	2,064

Net other income in 2015 increased from income of $2.1 million in 2014 to $8.8 million in 2015, which is an increase of $6.7 million. The increase is primarily due to the gain on recognition and sale of SO2 Credits, partially offset by costs incurred to terminate agreements in order to restructure the Corporation's Alberta operations.

Finance Expense, Net

($000's)	2015	2014
Interest expense	3,680	3,186
Amortization of deferred financing costs	204	249
Accretion of provisions	294	253
Foreign exchange loss	6,431	1,138
Finance expense	10,609	4,826
Interest income	(49)	(85)
Total finance expense, net	10,560	4,741

Net finance expense incurred in 2015 increased from $4.7 million in 2014 to $10.6 million in 2015. The increase is primarily due to an increase in foreign exchange losses from $1.1 million in 2014 to $6.4 million in 2015, 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 losses are offset by gains in other comprehensive income. In addition, interest expense increased from $3.2 million in 2014 to $3.7 million in 2015 primarily as a result of the cumulative impact of the financing required for the France renovation program which began in 2014.

Income Tax Expense (Benefit)

($000's)	2015	2014
Current tax expense (benefit)	473	(685)
Deferred tax expense (benefit)	25,542	(3,879)
Total income tax expense (benefit)	26,015	(4,564)

Income tax expense in 2015 increased from a benefit of $4.6 million in 2014 to an expense of $26.0 million in 2015. The increase is primarily due to the reversal of previously recognized deferred tax assets as a result of record lower power prices in Alberta which has resulted in losses in recent periods and expected losses in 2016 that may inhibit the Corporation from utilizing these assets against future income.

Financial Position

The following highlights changes in the consolidated Statements of Financial Position from December 31, 2014 to December 31, 2015.

As at ($000's)	December 31, 2015	December 31, 2014	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	5,884	17,142	(11,258)	Investing cash outflows exceed operating and financing inflows
Trade and other receivables	20,871	20,269	602	Foreign exchange rates on foreign denominated receivables
Inventories	19,331	22,947	(3,616)	Write-down of coal inventory
Property, plant and equipment, net	257,117	246,904	10,213	Capital expenditures (see page 16) and foreign exchange translation of U.S. assets, partially offset by depreciation and net impairment charges (see page 11)
Net other assets	38,265	52,707	(14,442)	Impairment of goodwill and forfeiture of long-term deposit, partially offset by the recognition of SO2 Credits
Liabilities & Equity				
Trade and other payables	28,906	26,437	2,469	Increase in capital related accounts payable
Derivative coal contract	-	3,719	(3,719)	Termination of coal supply agreement
Loans and borrowings	68,728	56,356	12,372	Debt issuance in France and foreign exchange translation on foreign debt, partially offset by scheduled debt and lease payments
Provisions for decommissioning	16,981	22,506	(5,525)	Change in reclamation costs and expected useful life at M1, partially offset by a decrease in discount rates
Net deferred tax liability (asset)	10,066	(16,632)	26,698	Reversal of previously recognized deferred tax assets in Canada
Equity	216,787	267,583	(50,796)	Net loss for the period, partially offset by foreign exchange rates on self-sustaining operations

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

MAXIM utilizes existing cash, cash flows from operations, revolving credit facilities and, if eligible, government grants to provide liquidity to the Corporation's operations in order to finance maintenance-of-business capital expenditures and to finance development initiatives. MAXIM plans for major maintenance initiatives and preserves cash and credit through its revolving credit facilities to finance these initiatives. In certain years, it is possible that capital requirements will exceed these sources of financing. In these situations, MAXIM will arrange for debt financing.

As at December 31, 2015, the Corporation has a $40.0 million revolving credit facility that is divided into two tranches. Total borrowings under this facility are not to exceed the sum of 90% of the book value of the Corporation's Canadian accounts receivable balance and 50% of the book value of the Corporation's Canadian PP&E. The first tranche provides for borrowing up to $25.0 million. The second tranche provides for borrowing of up to an additional $15.0 million subject to twelve month trailing EBITDA being equal to or greater than $15.0 million and MAXIM being in compliance with all financial covenants for a minimum of two consecutive quarters. This facility matures on August 31, 2016. The borrowing limit at December 31, 2015 was $25.0 million. As of that date, $nil was drawn in borrowings and $11.4 million was drawn as letters of credit on the facility.

As at December 31, 2015, MAXIM determined it will breach its DSCR and minimum equity financial covenants in relation to its Canadian bank facilities. On March 24, 2016, management obtained a waiver for the DSCR covenant breach from the bank. As a condition of the waiver, if the Corporation cannot satisfy the DSCR through confirmation of anticipated insurance proceeds by April 29, 2016, which is the date MAXIM is required to file its compliance certificate for the year ended December 31, 2015, then the Corporation has agreed to forego the $15.0 million second tranche of its revolving credit facility indefinitely. On March 24, 2016, the minimum equity financial covenant was amended to reduce the required equity balance of $192.0 million to $175.0 million effective December 31, 2015.

This quarter is the fourth 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. However, current Alberta power forward price curves suggest low Alberta power prices in the near term and under these low prices, the Corporation will likely continue to breach the DSCR covenant and, commencing in the first quarter of 2016, also breach the net funded debt to EBITDA ratio covenant. Commencing in the second quarter of 2016, the Corporation will likely breach the interest coverage ratio covenant. There is no assurance that the Corporation will continue to receive waivers in future quarters. The current facility expires on August 31, 2016.

At December 31, 2015, the Corporation had cash of $5.9 million and a working capital surplus of $12.9 million. However, in the event that the Corporation is unable to monetize certain inventories in the next twelve months as a result of the dial-down of M1, the Corporation would have working capital deficiency of $1.7 million.

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

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

MAXIM is currently in the process of pursuing various asset sales. The proceeds from these may in part be used to cash collateralize existing letters of credit under the Canadian credit facility and repay any draws on the revolving credit facility occurring in 2016, 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 various smaller asset sales with counterparties and financing options with current and prospective lenders which both would, in management's view, enable the Corporation to achieve its business plans. No agreements have been reached as of the date of these financial statements and there can be no assurance that such agreements will be reached.

In 2016, the Corporation is also pursuing only necessary sustaining capital or development projects with the highest return on investment. It is also continuing the cost cutting initiatives implemented in 2015 into 2016. Management's decision to dial down operations at M1 was made in an effort to maintain positive working capital and sufficient levels of liquidity. MAXIM will actively monitor the Alberta power market to determine the appropriate time to economically resume generation activities.

Cash flow summary:

Year ended December 31 ($000's)	2015	2014
Cash on hand, unrestricted, January 1	17,142	21,362
Cash flow from operations:		
• FFO	10,263	13,600
• Changes in working capital	(1,893)	9,763
Cash flow generated from (used in) financing	2,199	(7,053)
Available for investments	27,711	37,672
Cash flow used in investing	(23,261)	(21,035)
Effect of foreign exchange rates on cash	1,434	505
Cash on hand, unrestricted, December 31	5,884	17,142
Undrawn revolving credit facility	13,622	22,639
Net liquidity available, December 31	19,506	39,781

FFO decreased from $13.6 million in 2014 to $10.3 million in 2015, which is a decrease of $3.3 million or 24%. The decrease is primarily due to lower generation in Alberta as a result of weaker Alberta pool prices and a cooling tower outage at M1, lower realized Northeast U.S. power prices and cash costs incurred in the restructuring of Alberta operations. Partially offsetting this was an increase in generation in the Northeast U.S. and the appreciation of the value of the U.S. dollar relative to the Canadian dollar during 2015 as compared to the same period in 2014.

Fluctuations in working capital in 2015 represented a cash outflow of $1.9 million in 2015 compared to a cash inflow of $9.8 million in 2014. See page 16 for further discussion of working capital.

During 2015, MAXIM's debt issuances exceeded financing outflows, resulting in a net financing inflow of $2.2 million during the year. MAXIM's financing inflows included issuances of debt for $15.8 million, primarily for France renovation programs (see page 7). Partially offsetting this inflow were debt and capital repayments and lease repayments of $9.1 million and $0.8 million, respectively and $3.7 million in interest payments.

During 2014, MAXIM's debt and capital lease repayments exceeded financing cash inflows, resulting in a net financing outflow of $7.1 million during the year. MAXIM's financing outflows included net payments on the revolving BMO credit facility of $6.1 million, debt and capital lease repayments of $5.4 million and $0.9 million respectively, and $3.3 million in interest payments. Partially offsetting these outflows were the issuances of long-term debt for $8.6 million.

MAXIM's 2015 investing activities represented a cash outflow of $23.3 million, which primarily consisted of $33.3 million in PP&E purchases, $0.9 million decrease in non-current deposits, partially offset by proceeds on sale of SO2 Credits for $8.8 million, proceeds from sale of spare engines of $0.2 million and a change in non-cash working capital of $1.9 million. The $33.3 million in PP&E expenditures is comprised of $15.6 million on facility renovations and other improvements in France, $4.3 million on improvements at Forked River, $7.1 million on improvements at M1, including a new cooling tower, $3.3 million on improvements at Pittsfield, $1.0 million on improvements at CDECCA, $0.4 million on improvements at Pawtucket and $1.6 million on development initiatives as well as improvements to other North American facilities.

As noted in MAXIM's 2015 third quarter MD&A, the net capital cost to the Corporation of the new cooling tower, after insurance proceeds, was expected to be $0.5 million. Management is currently in discussions with its insurance providers to receive the insurance proceeds from its claim. At December 31, 2015, $6.8 million has been recorded in PP&E related to this project. At this same date, no amounts have been recorded in receivables for the insurance proceeds. The Corporation expects resolution of the insurance claim to occur in the second quarter of 2016. This preceding statement represents FLI and users are cautioned that actual results may vary.

MAXIM's 2014 investing activities represented a cash outflow of $21.0 million, which primarily consisted of $29.5 million in PP&E purchases and an increase in non-current deposits and restricted cash of $0.3 million. These outflows were partially offset by net proceeds from the sale of MAXIM BC for $4.8 million and a $4.0 million increase in accounts payable related to capital. The $29.5 million in PP&E expenditures is comprised of $2.2 million on improvements at Forked River, $1.6 million on improvements to M1, $1.5 million on improvements at Pittsfield, $1.4 million on improvements at CDECCA, $1.0 million on improvements to Pawtucket, $12.2 million on facility renovations in France, of which $8.6 million is financed with debt, $7.2 million on the development of M14, $0.9 million on the development of Deerland, and $1.5 million on other development initiatives as well as improvements to North American facilities.

The following table represents the net capital of the Corporation:

As at ($000's)	December 31, 2015	December 31, 2014
Long-term debt	66,974	53,913
Capital lease obligation	1,754	2,443
Less: Unrestricted cash	(5,884)	(17,142)
Net debt	62,844	39,214
Shareholders' equity	216,082	266,977
Capital	278,926	306,191
Net debt to capital	22.5%	12.8%

The Corporation uses the percent of net debt to capital to monitor leverage. The increase in net debt to capital from December 31, 2014 to December 31, 2015 is primarily due to new debt in the France segment, a decrease in cash as a result of capital spending in North America, a decrease in shareholders equity as a result of asset impairments and operating losses in 2015 and a declining working capital surplus as a result of lower earnings. Partially offsetting the decrease to shareholder's equity is an increase in accumulated other comprehensive income as a result of foreign exchange rate changes. The Corporation anticipates that net debt to capital will remain relatively constant through the remainder of 2016 as minimal debt is to be issued in France. This preceding statement represents FLI and users are cautioned that actual results may vary.

Working Capital

The Corporation's working capital surplus of $12.9 million at December 31, 2015 represents a $14.0 million decrease from the working capital surplus of $26.9 million at December 31, 2014. The total decrease was due to a $13.7 million decrease in current assets and a $0.3 million increase in current liabilities.

The decrease in current assets is due to a $11.2 million decrease in unrestricted cash, a $3.6 million decrease in inventory primarily due to a coal inventory write-down and a $0.9 million decrease in income taxes recoverable due to lower comparable earnings. This was partially offset by a $1.4 million increase to prepaid expenses and deposits due to the purchase of greenhouse gas ("GHG") credits related to the Northeast U.S. and a $0.6 million increase to accounts receivable due to an increase in rates in the translation of foreign denominated receivables, partially offset by lower revenues in North America in December 2015.

The increase in current liabilities is due to a $2.5 million increase in trade and other payables primarily due to an increase in capital related accounts payable and a $1.5 million increase to the current portion of loans and borrowings. This was partially offset by a $3.7 million decrease to the derivative coal contract due to the termination of a coal supply contract.

MAXIM anticipates that it will continue to maintain a working capital surplus over the next twelve months. This preceding statement represents FLI and users are cautioned that actual results may vary.

Financial covenants

MAXIM’s BMO credit facility agreement is subject to a number of financial covenants measured by the following ratios and amount: net funded debt to EBITDA, interest coverage, debt service coverage, equity, and funded debt to capital.

Net Funded Debt to EBITDA Ratio

Net funded debt includes all obligations related to MAXIM’s revolving credit agreement with BMO, and capital lease obligations in Canada, net of unencumbered cash held by the Canadian subsidiaries and select U.S. subsidiaries divided by EBITDA. EBITDA includes all of MAXIM’s Canadian generating facilities as well as certain U.S. subsidiaries.

Interest Coverage Ratio

Interest coverage is calculated as the ratio of EBITDA, as described above, divided by the sum of interest expense incurred on MAXIM’s revolving credit facility with BMO and the capital lease in Canada.

Debt Service Coverage Ratio

Debt service coverage is calculated as the ratio of Traditional EBITDA, which is the Corporation’s consolidated EBITDA, less unfunded capital expenditures and cash taxes divided by the sum of all debt and capital lease principal and interest payments of the Corporation including all U.S. subsidiaries and France as well as interest expense.

Equity

MAXIM`s equity balance, which is calculated as the sum of share capital, retained earnings and contributed surplus, shall not be less than $195.6 million at December 31, 2014, increasing each year by 80% of annual net income to a minimum of $192.0 million, which was amended on March 24, 2016 to $175.0 million effective December 31, 2015. As at December 31, 2015, the minimum equity balance required was $175.0 million, compared to an actual balance of $181.9 million.

Funded Debt to Capital Ratio

Funded debt includes all interest bearing liabilities. Funded debt to capital is calculated as the ratio of funded debt divided by the sum of funded debt, share capital, retained earnings and contributed surplus.

As at December 31, 2015, the Corporation complied with all credit agreement financial covenants except for the DSCR and minimum equity financial covenant, as follows:

Ratio	Covenant	2015
Net Funded Debt to EBITDA	Maximum 3.00:1	2.12:1
Interest Coverage	Minimum 8.00:1	133.96:1
Debt Service Coverage	Minimum 1.00:1	0.41:1
Equity ($000's)	Minimum $175,000	$181,900
Funded Debt to Capital	Maximum 0.60:1	0.31:1

All financial covenants, except for equity and funded debt to capital, are calculated quarterly based on the latest rolling four quarter period completed. Equity and funded debt to capital are calculated as at the end of each fiscal quarter. As at March 31, 2016, the Net Funded Debt to EBITDA and Debt Service Coverage financial covenants will change to a maximum of 2.00:1 and minimum of 1.25:1, respectively.

Contractual Obligations

In the normal course of operations, MAXIM assumes various contractual obligations and commitments. MAXIM considers these obligations and commitments in its assessment of liquidity.

As at December 31, 2015 ($000's)	Total	2016	2017-2018	2019-2020	Thereafter
Long-term debt(1)	83,778	9,926	18,889	17,641	37,322
Finance leases(2)	1,866	856	1,010	-	-
Purchase obligations(3)	29,788	5,368	6,425	6,282	11,713
Operating leases(4)	2,267	1,141	676	346	104
Total	117,699	17,291	27,000	24,269	49,139

(1) Long-term debt obligations are comprised of the principal and interest payments.

(2) Finance leases consist of leases on various production facilities. These amounts are comprised of both the interest and principal payments.

(3) Purchase obligations include commitments with suppliers to provide operating and maintenance services to the majority of MAXIM.

(4) Operating leases include the Pawtucket land lease, electricity interconnection lease for France facilities as well as office space and equipment.

Contingencies

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

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

MAXIM has filed an election with FERC that requires FERC to initiate a judicial proceeding in which a federal district court will review the facts and the law de novo. On December 17, 2015, MAXIM and FERC appeared before the district court for oral argument on the motion to dismiss. MAXIM intends to vigorously defend itself and is confident it can demonstrate that the conduct set forth in the Show Cause Order did not violate FERC's anti-manipulation rule or any other rule. MAXIM and its external legal counsel strongly disagree with the findings of the OE on the other inquiry matters for which Show Cause Order have not been issued.

In addition to the regulatory inquiry described in the preceding paragraph, 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.

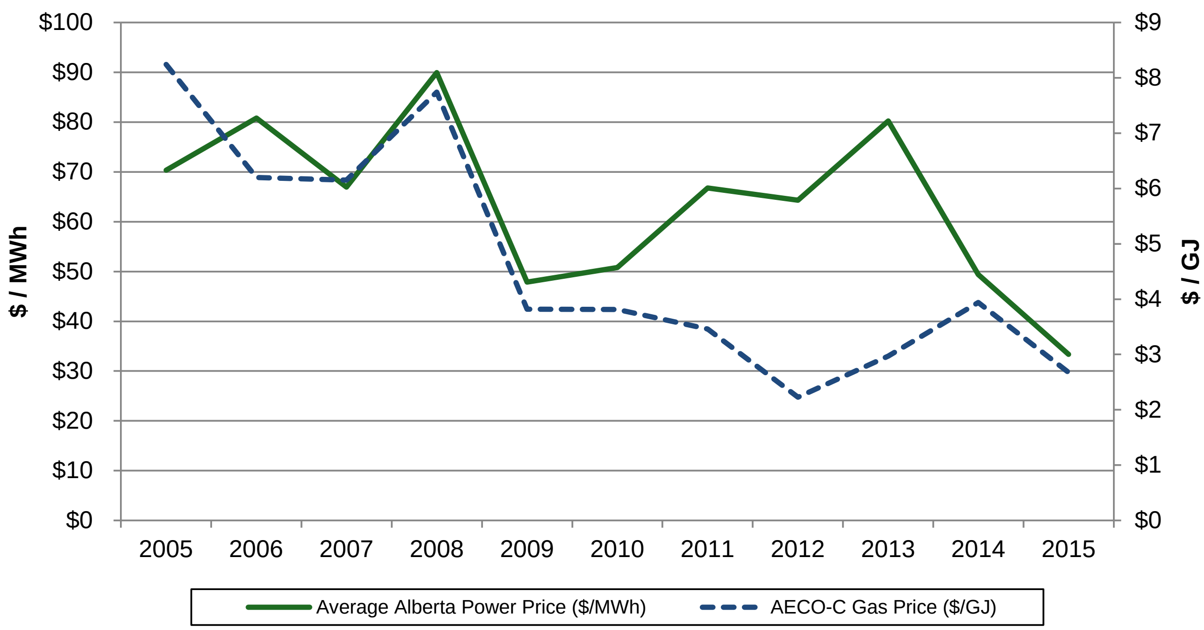
Capital Resources

The following represents FLI and users are cautioned that actual results may vary. The Corporation is currently estimating capital and development expenditures of approximately $7.6 million for 2016. These expenditures include $4.5 million on plant improvements at generating facilities in Northeast U.S., $1.3 million on required facility renovations in order to obtain renewal of contracts with the French electrical utility company and $0.5 million on other sustaining capital in France and $1.3 million on other development projects in North America. Management intends to fund the France renovations with approximately 80% debt financing. Remaining expenditures will be financed through cash flows from operations and existing cash balances.

OUTLOOK

The Corporation's outlook is significantly impacted by Alberta electricity and fuel prices. Alberta electricity prices are a key revenue determinant for MAXIM's M1. As a result of record low Alberta power prices, which have undermined profitability for a prolonged period, the Corporation has made the decision to dial down operations at M1 and temporarily suspend generation on March 23, 2016. A significant improvement in Alberta power prices and/or cost reductions will be required to justify resuming operations. MAXIM will actively monitor the Alberta power market to determine the appropriate time to economically resume generation activities while continuing to advance its initiatives to convert M1 from coal to natural gas.

Alberta power prices fluctuate based on the supply of and demand for electricity within Alberta, the cost of key inputs such as natural gas, and other market factors. The following chart compares the average annual Alberta power price to Alberta natural gas price since deregulation of the electric industry in Alberta. The break in correlation is the result of tighter generation capacity relative to demand since 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. This volatility 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. Natural gas price volatility is expected to persist until natural gas supply constraints in the region are addressed. It is also expected that capacity revenue will increase 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 which time capacity rates increase to the level that new capacity becomes economically viable to construct.

ACQUISITION AND DEVELOPMENT INITIATIVES

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

M3

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

In 2015, MAXIM received approval from the AUC and AEP to construct and operate M3.

M2

The AUC and AEP have approved MAXIM's application to convert the fuel source for its proposed M2 project from coal to natural gas and to increase the generating capacity of the proposed expansion to 520 MW. The M2 facility is to be located adjacent to the existing 150 MW M1. The existing infrastructure at the M1 site allows MAXIM to leverage benefits including electrical connection fuel delivery, water licenses, and a skilled operations team.

SUMMIT

SUMMIT is MAXIM's development initiative located north of Grande Cache, Alberta that owns metallurgical coal leases for M14 and 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.

In November 2014, MAXIM received delivery of five pieces of mine equipment including two continuous miners and three shuttle cars. The units are in storage awaiting development of M14.

Deerland

MAXIM has received regulatory approvals to construct and operate the Deerland peaking station, a 190 MW natural gas-fired peaking facility. In May 2015, MAXIM received further regulatory approval to construct and operate the Skaro substation for the Deerland peaking station. MAXIM has entered into agreements to secure firm natural gas transportation service for the Deerland peaking station. MAXIM expects that full-scale construction of the facility would commence pending improved prices in the Alberta power market and satisfactory commercial arrangements.

Forked River Expansion

MAXIM continues to advance expansion initiatives at its Forked River site in New Jersey. MAXIM owns approximately 32 acres of land adjacent to the existing facility that can accommodate an additional greenfield expansion. This site is being evaluated for supporting natural gas, water and electrical interconnection infrastructure. The initial feasibility analysis of this greenfield expansion for up to 500 MW has commenced.

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

On December 12, 2015, the United Nations Framework Convention on Climate Change adopted the Paris Agreement. The Paris Agreement mandates that all participating countries must work together to limit global temperature rise resulting from GHG emissions to a goal of less than 2° Celsius and to pursue efforts to limit below 1.5° Celsius. The impact to MAXIM is currently not yet determinable as technical details have not been released.

M1 was commissioned in 1972, and accordingly, is allowed to operate to its full capacity to December 31, 2019 under Canadian GHG regulations. After December 31, 2019, M1 is allowed to operate at an annual capacity factor of up to 9% (using coal as a fuel supply), which is approximately 113,500 MWh per annum, until December 31, 2029.

On November 22, 2015, the Government of Alberta announced its CLP. The CLP recommends that Alberta move forward on phasing out coal-fired electricity generation by 2030 and encourages more renewable energy.

By 2030, the Province targets to have renewable sources such as wind and solar account for up to 30% of Alberta's wholesale power market and has indicated that it will, through an agency such as the AESO, request proposals by the end of 2016 for the construction and operation of an estimated 300 MW of renewables to be in service by 2019.

Under the CLP, the Government of Alberta has also announced the intention to replace the existing SGER with the CCR commencing January 1, 2018. If enacted, the CCR will require coal-fired generators to pay $30 per tonne of CO2 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.

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.

MAXIM had anticipated that it would be permitted to run M1 at full capacity to December 31, 2019 and at stand-by capacity thereafter until December 31, 2029, consistent with the current Federal regulations.

MAXIM anticipates that it will be permitted to run M1 at full capacity to December 31, 2019 and at stand-by capacity thereafter until December 31, 2029, consistent with the current Federal regulations. Based on the current forward prices, MAXIM has determined it would be uneconomic to operate as a stand-by facility from 2020 to 2029.

Nevertheless, MAXIM believes it is well positioned for this shift in the composition of generation capacity, having permits to own and operate 946 MW of natural gas-fired generation projects in Alberta. The M2 and M3 would increase the installed generation capacity at the existing M1 site by 606 MW to 756 MW. M3 adds 86 MW through the integration of natural gas-fired generation operating in combined cycle mode at this site, and provides for an orderly transition from coal to natural gas. M2 is permitted as a 520 MW combined cycle natural gas-fired facility. D1, MAXIM's project to develop a natural gas-fired peaking facility, represents a further 190 MW and is fully permitted. MAXIM also has a wind development project, B1 that has the potential for up to 200 MW of wind generation capacity.

On June 25, 2015, the Government of Alberta amended the SGER. The price for emission fund credits increased from $15 per tonne of CO_2 to $20 per tonne on January 1, 2016 and will increase to $30 per tonne on January 1, 2017. Over that same period, intensity reduction stringencies, which require lowering production of CO_2 relative to a baseline, will now be 15% below baseline as of January 1, 2016, increasing to 20% on January 1, 2017.

In addition to the GHG regulations, Canadian federal and Alberta provincial environmental regulations are also being developed and/or revised for air pollutants such as 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 2013, 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 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.

The U.S. EPA also issued the first national GHG emissions guidelines for existing power plants. These guidelines will be implemented by the states and the limitations for individual emissions sources are not yet determinable. States are scheduled to submit implementation plans regulating existing power plants' GHG emissions by September 6, 2016, a deadline that may be extended based on a state's request. The recently-issued EPA regulations are currently facing legal challenges, and on February 9, 2015 the United States Supreme Court stayed the implementation of the guidelines governing existing power plants' GHG emissions pending the resolution of those proceedings.

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) ($000's unless otherwise noted)	31-Dec 2015	30-Sep 2015	30-Jun 2015	31-Mar 2015
Revenue	32,792	19,705	23,027	47,521
Adjusted EBITDA[1]	8,219	(2,339)	7,025	6,596
Adjusted net income (loss)[1]	(2,305)	(8,917)	18	(7,023)
Net income (loss) attributable to shareholders	(65,155)	(8,917)	2,581	(5,927)
Basic and diluted income (loss) per share attributable to shareholders	(1.20)	(0.16)	0.05	(0.11)
FFO[2]	4,444	(2,621)	3,455	4,985
Total assets	346,898	406,610	386,767	407,548
Average Alberta electricity price ($ per MWh)	21	26	57	29
Average Milner realized electricity price ($ per MWh)	23	40	143	42
Average Northeast U.S. realized electricity price (US$ per MWh)	42	44	50	158

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Dec 2014	30-Sep 2014	30-Jun 2014	31-Mar 2014
Revenue	30,437	24,208	19,138	69,132
Adjusted EBITDA[1]	(1,401)	3,430	(3,604)	16,573
Adjusted net income (loss)[1]	(6,588)	(1,186)	(4,162)	3,815
Net income (loss) attributable to shareholders	(6,860)	(1,415)	(4,325)	3,487
Basic and diluted income (loss) per share attributable to shareholders	(0.13)	(0.03)	(0.08)	0.06
FFO[2]	(90)	2,611	(3,922)	15,001
Total assets	391,679	380,132	382,427	410,741
Average Alberta electricity price ($ per MWh)	30	64	42	61
Average Milner realized electricity price ($ per MWh)	36	92	52	79
Average Northeast U.S. realized electricity price (US$ per MWh)	82	66	57	282

(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 fourth quarter of 2015 had a reversal of $32.1 million of deferred tax assets in Canada, asset impairment charges totaling $37.2 million relating to the Milner CGU 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 first quarter of 2014 had a $0.4 million unrealized loss on the derivative coal contract, and a $1.7 million gain on the approval of Emission Performance Credits. The second quarter of 2014 had a $0.3 million unrealized gain on the derivative coal contract and $0.5 million loss related to asset impairment charges related to the sale of MAXIM BC. The third quarter of 2014 had a $0.3 million unrealized loss on the derivative coal contract. The fourth quarter of 2014 included the recognition of impairments of $0.3 million at Gold Creek and $0.5 million for capital spares at the Northeast U.S. facilities and a $0.3 million unrealized gain on the derivative coal contract.

2015 FOURTH QUARTER

Selected fourth quarter financial information:

($000's, unless otherwise noted)	2015	2014
Revenue	32,792	30,437
Adjusted EBITDA[(1)]	8,219	(1,401)
Adjusted net loss[(1)]	(2,305)	(6,588)
Net loss attributable to shareholders	(65,155)	(6,860)
Basic and diluted net loss per share attributable to shareholders ($ per share)	(1.20)	(0.13)
FFO[(2)]	4,444	(90)
Total generation (MWh)	252,595	249,252
Average Alberta market power price ($ per MWh)	21.19	30.47
Average Milner realized power price ($ per MWh)	22.52	36.49
Average Northeast U.S. realized power price (US$ per MWh)	41.83	81.78

(1) Adjusted EBITDA and adjusted net loss are not measures under 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 by 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.

Revenue earned in the fourth quarter of 2015 increased by $2.4 million or 8% when compared to the same period in 2014. The variance is due to a $3.4 million increase in the United States, a $2.6 million increase in France, partially offset by a $3.6 million decrease at M1. The increase in the United States is primarily due to higher generation as a result of longer dispatch times. Revenue earned in France increased as a result of higher generation due to more plants in cogeneration mode, as well as improved availability during the quarter. In addition, revenues in the both the United States and France increased due to the appreciation of the value of the U.S. dollar and Euro relative to the Canadian dollar during the fourth quarter of 2015 as compared to the same quarter in 2014. This was partially offset by the decline at M1 which is primarily due to a decline in the Alberta pool price and lower generation as a result of the cooling tower outage.

Adjusted EBITDA and FFO in the fourth quarter increased by $9.6 million and $4.5 million, respectively, from 2014 to 2015. The increase in these measures is primarily due to the factors described in the paragraph above. Adjusted EBITDA also increased from the sale of SO2 credits and both measures increased from cost cutting initiatives at M1 and in the corporate offices.

Net loss attributable to shareholders in the fourth quarter of 2015 has increased by $58.3million when compared to the same period in 2014. The increase is primarily due to the reversal of previously recognized deferred tax assets in Canada, an impairment of the Milner CGU and higher depreciation in the fourth quarter of 2015 due to a change in the useful life at M1, partially offset by the factors described in the paragraphs above and the recognition of the remaining SO2 credits.

NON-GAAP MEASURES

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

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

Adjusted EBITDA

($000's)	2015	2014
GAAP Measures from Consolidated Statements of Loss		
Net loss	(77,309)	(8,981)
Income tax expense (benefit)	26,015	(4,564)
Finance expense, net	10,560	4,741
Depreciation and amortization	24,877	22,348
EBITDA	(15,857)	13,544
Adjustments:		
Restructuring of Alberta operations	6,968	-
Inventory write-down	4,234	-
Share-based compensation	778	397
Loss on sale of assets	631	23
Recognition of SO2 Credits	(8,822)	-
Unrealized (gain) loss on derivative coal contract	(3,719)	79
Asset impairment charges	35,729	1,366
EBITDA from non-controlling interests	(441)	(411)
Adjusted EBITDA	19,501	14,998

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 year ended December 31, 2015 management excluded certain non-cash and non-recurring transactions. In 2015, adjusted EBITDA excluded expenses relating to the restructuring of Alberta operations, a coal inventory write-down at M1, an unrealized gain relating to the termination of a coal supply agreement, the recognition of unsold SO2 Credits, the reversal of impairment charge relating to a US generating facility, the recognition of impairment charges relating to Milner CGU, non-cash expenses related to share-based compensation, a loss on sale of spare engines in France and EBITDA from non-controlling interests. In 2014, adjusted EBITDA excluded an unrealized loss on the derivative coal contract, an asset impairment change from the sale of MAXIM BC, non-cash expenses related to share based compensation, a loss on sale of MAXIM BC and EBITDA from non-controlling interest.

Adjusted Net Loss

($000's)	2015	2014
Net loss	(77,309)	(8,981)
Reversal of deferred tax asset	32,149	-
Asset impairment charges, net of tax	36,359	933
Recognition of SO2 Credits, net of tax	(6,528)	-
Unrealized loss (gain), net of tax	(2,789)	59
Non-controlling interest income	(109)	(132)
Adjusted net loss	(18,227)	(8,121)

Adjusted net loss provides management and investors with information on net loss excluding unrealized non-cash items and non-controlling interests. In 2015, adjusted net loss excluded a $2.8 million unrealized gain, net of tax, on the derivative coal contract, $36.4 million of asset impairment charges, net of tax, a reversal of $32.1 million of deferred tax assets in Canada, $6.5 million net of tax gain from SO2 Credits recognized during the year and $0.1 million non-controlling interest income. In 2014, adjusted net income excluded a $0.1 million unrealized loss, net of tax, on the derivative coal contract, $0.9 million of asset impairment charges, net of tax and $0.1 million non-controlling interest income.

Non-GAAP measures – 2015 Fourth Quarter

Adjusted EBITDA

($000's)	2015	2014
GAAP Measures from Consolidated Statements of Loss		
Net loss	(65,153)	(6,839)
Income tax expense (benefit)	33,526	(3,722)
Finance expense, net	2,418	1,570
Depreciation and amortization	8,885	7,078
EBITDA	(20,324)	(1,913)
Adjustments:		
Recognition of SO2 Credits	(8,822)	-
Asset impairment charges	37,229	828
Share-based compensation	219	119
EBITDA from non-controlling interests	(83)	(92)
Unrealized gain on derivative coal contracts	-	(343)
Adjusted EBITDA	8,219	(1,401)

Adjusted Net Loss

($000's)	2015	2014
Net loss	(65,153)	(6,839)
Reversal of deferred tax asset	32,149	-
Asset impairment charges, net of tax	37,229	529
Recognition of SO2 Credits, net of tax	(6,528)	-
Unrealized gain, net of tax	-	(257)
Non-controlling interest income	(2)	(21)
Adjusted net loss	(2,305)	(6,588)

ADDITIONAL GAAP MEASURES

Loss from operations

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

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

Funds from operating activities before changes in working capital

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

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

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, assumptions and judgments, based on its experience, that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The following outlines the accounting policies and practices involving the use of estimates that are critical in determining the financial results of the Corporation.

Decommissioning costs

Decommissioning costs are expected to be incurred at the end of the operating life of many of the facilities. A provision is recognized when there is a present obligation to restore the site, it is probable the expenditure will be required, and a reliable estimate of the costs can be determined. The ultimate cost to settle these obligations is uncertain due to timing and cost estimates that may vary in response to many different factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other facilities. As a result, there could be significant adjustments to the provisions established which could affect future financial results. Management bases these estimates on its best knowledge, experience in similar circumstances and in some cases reports from independent experts.

The ultimate cost to settle these obligations is uncertain due to timing and cost estimates that may vary in response to many different factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other facilities. As a result, adjustments to the provisions established may be required, which could affect future financial results. Adjustments to provisions would be offset by an equivalent change in PP&E and net income would be impacted by changes to depreciation and amortization expense and finance expense, as it includes accretion of provisions. All reporting segments are impacted by decommissioning cost estimates, with the exception of France, where COMAX is not legally required to decommission its facilities.

Useful life and residual value of PP&E

Each major component of PP&E is depreciated over its estimated useful life net of residual value. The estimated useful life of the assets are based upon current conditions and management's experience, which take into consideration specific contracts, agreements, condition of the asset, technology, production and use of the asset, and regular maintenance programs. The facilities are operated within manufacturers' specifications to realize the expected useful life of each asset. Notwithstanding these measures, the useful life of equipment may vary from that which is estimated by management. Residual value is estimated by management to be the amount that MAXIM would receive from disposal of the asset after deducting the estimated costs of disposal if the asset was already of the age and in the condition expected at the end of its useful life. Actual amounts received may differ from estimated amounts.

Changes in estimated useful lives and residual values can affect the PP&E balance and depreciation and amortization expense for each of MAXIM's reporting segments. With the exception to the Changes in Accounting Estimates noted in the section below, given the long-term nature of the majority of MAXIM's assets, changes to PP&E resulting from revising estimated useful lives would not normally be significant as a percentage of total PP&E.

Impairment of non-financial assets

At the end of each reporting period, management determines whether there are any indications of impairment of its PP&E and intangible assets. If indications of impairment are present, MAXIM performs an impairment test on the cash generating unit ("CGU") or asset level. Goodwill and intangible assets not subject to amortization are tested for impairment annually regardless of indications of impairment.

The impairment test compares the recoverable amount of the asset to its carrying amount. For the purpose of the test, the recoverable amount is assumed to be the higher of the asset's value in use (present value of the estimated future cash flows) and its estimated fair value less costs of disposal.

In order to calculate the present value of estimated future cash flows, management is required to make assumptions about factors affecting future cash flows, including production, fuel costs, operating expenses, power prices, capital programs and discount rates. Future cash flow assumptions may change. This may affect the estimated fair value of the associated asset and may require material adjustment to the carrying value of the asset and an equivalent impairment charge to earnings. Each of MAXIM's reporting segments could be subject to material adjustments if its CGUs' estimated future cash flows change.

The Corporation evaluates impairment losses, other than goodwill impairment for potential reversals when management has made the judgment that events or circumstances warrant such consideration.

Goodwill is assessed for impairment together with the assets and liabilities of the related CGU annually.

The Corporation has allocated goodwill to the Milner CGU. Goodwill related to the Milner CGU was tested for impairment as at December 31, 2015. The carrying amount of the Milner CGU was found to be higher than the recoverable amount and therefore, resulted in an impairment of $15.6 million to goodwill. As of December 31, 2015, no goodwill remains on the Consolidated Statement of Financial Position.

In conjunction with the goodwill impairment test described in the paragraph above, the Corporation determined that the carrying amount of SUMMIT was higher than the recoverable amount due to significant adverse changes in the market conditions for metallurgical coal and therefore, an impairment charge of $20.7 million was recognized.

During 2015, the Corporation identified an indicator of impairment due to significant adverse changes in the market conditions in Alberta. The Corporation performed an impairment test on M1 with respect to the coal-fired components and determined that the carrying amount of these components were higher than the recoverable amount and therefore, an impairment charge of $0.9 million was recognized.

During 2015, due to a significant change in the fixed capacity rates in future periods in the ISO-NE for Pawtucket the Corporation identified an indicator to reverse a previously recognized impairment charge. The Corporation tested Pawtucket and determined that the carrying amount was lower than the recoverable amount, net of the previously recognized impairment charge, and therefore, a prior period impairment charge of $1.5 million was reversed.

Income taxes

The Corporation recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Corporation to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are dependent on capital investment and subsequent future income from development projects in Canada in addition to monetization of development projects not constructed. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the statements of financial position date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Corporation operates could limit the ability of the Corporation to obtain estimated tax deductions in future periods.

SO2 Credits

The fair value for SO2 Credits have been determined using valuation techniques with inputs that are unobservable such as bilateral quotes obtained from counterparties, previous actual sales prices transacted by the Corporation, or an internally calculated price based on estimated aggregate market supply and demand curves, whichever is deemed by the Corporation as most reliable. Management bases these estimates on its experience and knowledge of long and short positions of SO2 credits of industry participants.

Changes in Accounting Estimates

The use of judgments and estimates used in the preparation of the consolidated 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, 2014, with exception to the following:

Change in useful life

During 2015, the Corporation revised its business plan for M1. This facility is now expected to remain a coal-fired facility until no later than the end of 2019, with more precise timing pending clarification of the regulatory uncertainty that exists as a result of the Government of Alberta's Climate Leadership Plan. The facility is then expected to be converted to a natural gas-fired facility and have a 40 year life-extension. As a result, the expected useful life of M1 as a coal-fired facility has decreased. The effect of these changes on current and future period depreciation expense is not significant. This preceding statement represents FLI and users are cautioned that actual results may vary. However there was an increase in PP&E and provisions of $2.7 million, with no impact to shareholders equity, due to a change in the timing of the decommissioning reimbursement for the planned conversion to a natural gas-fired generating facility at the conclusion of its useful life as a coal-fired generation facility.

Change in decommissioning costs

Due to changes in market conditions in the Alberta economy, the Corporation engaged third parties to update the estimated cost to decommission M1. The updated cost estimates resulted in a decrease of $6.6 million to PP&E and provisions, with no impact to shareholders equity.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Standards Issued Not Yet Effective

The International Accounting Standards Board ("IASB") has issued the following new standards to March 28, 2016. These standards have not been applied in preparing MAXIM's annual 2015 consolidated 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.

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 March 28, 2016. These amendments have not been applied in preparing MAXIM's annual 2015 consolidated financial statements as the effective dates fall in a subsequent period.

Standard amended	Issued Date	Effective Date [1]	Impact on MAXIM
IFRS 10 Consolidated Financial Statements	December 2014	*January 1, 2016*	*Not applicable to MAXIM*
IFRS 11 Joint Arrangements	*May 2014*	*January 1, 2016*	*No impact to MAXIM*
IFRS 12 Disclosure of Interests in Other Entities	*December 2014*	*January 1, 2016*	*Not applicable to MAXIM*
IAS 1 Presentation of Financial Statements	*December 2014*	*January 1, 2016*	*No impact to 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*
IAS 16 Property, Plant and Equipment	*May 2014*	*January 1, 2016*	*No impact to MAXIM*
IAS 16 Property, Plant and Equipment	*June 2014*	*January 1, 2016*	*Not applicable to MAXIM*
IAS 27 Separate Financial Statements	*August 2014*	*January 1, 2016*	*Not applicable to MAXIM*
IAS 28 Investments in Associates and Joint Ventures	*December 2014*	*January 1, 2016*	*Not applicable to MAXIM*
IAS 38 Intangible Assets	*May 2014*	*January 1, 2016*	*No impact to MAXIM*
IAS 41 Agriculture	*June 2014*	*January 1, 2016*	*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.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk is inherent in all business activities and cannot be entirely eliminated. However, shareholder value can be maintained and enhanced by identifying, mitigating, and where possible, insuring against these risks. The following section addresses some, but not all, risk factors that could affect MAXIM's future results, as well as activities used to mitigate such risks. These risks do not occur in isolation, but must be considered in conjunction with each other.

The Board of Directors has overall responsibility for the establishment and oversight of MAXIM's risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring MAXIM's compliance with risk management policies and procedures. The Audit and Risk Management Committee reports regularly to the Board of Directors on its activities.

MAXIM's risk management policies are established to identify and analyze the risks faced by MAXIM, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and MAXIM's activities. MAXIM, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Financial risks and financial instruments

The Corporation's financial instruments consist primarily of cash and cash equivalents, restricted cash, trade and other receivables, deposits, trade and other payables, loans and borrowings, and derivatives.

The fair value of a financial instrument is a point in time estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. MAXIM faces the risk that fair values of financial instruments will fluctuate or that estimates used regarding fair values will be inaccurate.

The carrying amount of cash and cash equivalents, restricted cash, trade and other receivables, deposits, and trade and other payables included in MAXIM's statements of financial position approximate their fair values because of the short-term nature of the instruments.

MAXIM may utilize derivative financial instruments to manage market risk arising from volatile commodity prices, floating interest rates and changes in foreign currency rates. At the current time, MAXIM does not utilize any of these derivative financial instruments.

The Corporation has exposure to the following financial risks arising from financial instruments:

(a) Credit risk

Credit risk arises from the possibility that a counterparty to which the Corporation provides goods or services is unable or unwilling to fulfill their obligations. The extent of the risk depends on the credit quality of the counterparty to which the Corporation provides goods or service. At December 31, 2015, MAXIM's credit exposure consisted primarily of the carrying amounts of cash and cash equivalents, trade and other receivables, income taxes recoverable and deposits.

Trade receivables are predominantly with entities formed by governments for the purpose of facilitating commerce in the power and utility sector. For trade receivables from customers and deposits to vendors who are not government-sponsored entities, the Corporation obtains letters of credit or other security such as guarantees where appropriate. MAXIM utilizes regular credit monitoring processes to mitigate credit risk.

When appropriate, MAXIM uses commodity and interest rate swaps to mitigate the impact of changes in commodity prices and interest rates. A risk associated with using swaps includes credit risk of the counterparty, as they are transacted with a specific counterparty as opposed to a broker, dealer or clearing exchange. The credit risk from commodity swaps is managed in the same respect as trade accounts receivable would be as swap counterparties are assessed for credit-worthiness in the same process as customers.

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they come due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. MAXIM utilizes a revolving credit facility with $25.0 million of availability to manage short-term working capital requirements as well as the timing of development capital. There are no assurances that MAXIM will be able to comply at all times with the covenants applicable under these borrowings and there are no assurances that the revolving credit facility will be extended beyond its August 31, 2016 expiry date on the same or similar terms. Refer to the Liquidity and Capital Resources section on page 14 and Forward Looking Information section on page 2 for further details.

The Corporation's annual consolidated financial statements have been prepared on a going concern basis, which presumes that MAXIM will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The ability of the Corporation to continue as a going concern is dependent upon the successful completion of planned actions, including assets sales, new financing, or alternatively, an improvement in forward market prices for power. Management believes the realization of any of these scenarios will mitigate the conditions and events described on page 2, which raise doubt about the validity of the going concern assumption used in preparing the Corporation's annual consolidated financial statements.

(c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and commodity prices will affect the Corporation's income and cash flows or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures, while optimizing cash flows to the Corporation.

(i) Foreign currency exchange risk:

MAXIM is exposed to the risk of foreign currency fluctuations as a major portion of its sales, purchases, and borrowings are denominated in U.S. dollars and Euros. The carrying values of the assets and liabilities fluctuate with changes in foreign currency exchange rates. The Corporation does not hedge this exposure other than as described below.

Cash outflows for principal and interest payments on long-term debt and financing leases are denominated in currencies that match the cash flows generated by the underlying operations, thereby forming a "natural" economic hedge between cash flows from operations and obligations. No derivatives have been entered into during the year to further manage risks associated with cash flow fluctuations arising from foreign currency risk.

In respect of other monetary assets and liabilities denominated in foreign currencies, MAXIM ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. At December 31, 2015, the Corporation has an intercompany liability of US$23,677 thousand and monetary liabilities of US$1,204 thousand. A strengthening (weakening) of the Canadian dollar by 10% against the United States dollar for the year ended December 31, 2015 would have increased (decreased) income before tax by $3,444 thousand as a result of these exposures. At December 31, 2015, the Corporation has intercompany liabilities totaling EUR 12,309 thousand. A strengthening (weakening) of the Canadian dollar by 10% against the European Euro for the year ended December 31, 2015 would have increased (decreased) income before tax by $1,850 thousand as a result of these exposures. There is no impact to shareholders equity from the strengthening (weakening) of the Canadian dollar against the United States dollar and European Euro for the intercompany assets and liabilities, as the impacts in income before tax are offset in other comprehensive income.

A strengthening or weakening of the Corporation's subsidiaries functional currencies against other foreign currencies would have an insignificant impact on profit or loss.

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Corporation. MAXIM partially mitigates its interest rate risk by maintaining fixed rate debt on projects where revenue is generally fixed. Project financing for Basin Creek, twenty-four facilities in the France segment and four capital lease obligations are at a fixed rate. The remaining debt and capital leases are at variable rates of interest. The following table outlines the Corporation's loans and borrowings, by type of interest rate:

($000's)	Long-term debt[1]	Capital leases	Total financing
Fixed	64,665	1,754	66,419
Variable	3,563	-	3,563
Total financing	68,228	1,754	69,982

[1] Excludes deferred financing fees

An increase of interest rates of 100 basis points, as indicated below, would have decreased profit or loss by the amounts shown below. A decrease of interest rates by this amount would have the opposite effect on pre-tax profit or loss.

	Interest rate decrease	**Interest rate increase**
	Profit or loss	Profit or loss
December 31, 2015		
Variable rate instruments	(37)	37
Cash flow sensitivity	(37)	37
December 31, 2014		
Variable rate instruments	(43)	43
Cash flow sensitivity	(43)	43

This analysis assumes that all other variables, particularly foreign currency rates and commodity prices, remain constant. The analysis is performed on the same basis for 2014.

At December 31, 2015, the fair value of the Corporation's loans and borrowings was approximately $78.3 million (2014 – $66.1 million). The fair value of fixed-rate loans and borrowings is determined by discounting the future contractual cash flow under current financing arrangements at discount rates obtained from the lender, which represent borrowing rates presently available to MAXIM for loans with similar terms and remaining maturities. At December 31, 2015, rates used in determining the fair value ranged from 1.3% to 2.6% (2014 – 2.0% to 4.0%). MAXIM's fair value of loans and borrowings is greater than the carrying value as a result of lower current market rates for loans with similar terms and remaining maturities than terms for MAXIM's existing fixed-rate loans. MAXIM's fair value of loans and borrowings remained consistent with prior year as a result of new financing obtained in France and lower current market rates, offset by regularly scheduled principal repayments and repayments on the Canadian revolving credit facility. The fair value of MAXIM's variable-rate long-term debt approximates its carrying value, as it is at a floating market rate of interest.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity and natural gas. Under certain contracts, the selling price of electricity varies according to changes in natural gas price providing an operating hedge against changes in natural gas price. The Corporation periodically reduces its exposure to commodity price risk by entering into fixed for floating swaps for the selling price of the electricity in Alberta and the United States.

For the year ended December 31, 2015, an increase of electricity prices by $1 per MWh, in the domestic source currencies, would have increased net income by the amounts shown below for the Alberta and ISO-NE power market. A decrease of electricity prices by this amount would have the opposite effect on pre-tax profit or loss.

Alberta	**$1 per MWh increase in electricity price**	**$1 per MWh decrease in electricity price**
	Profit or loss	Profit or loss
December 31, 2015	222	(222)
December 31, 2014	504	(504)

ISO-NE	**US $1 per MWh increase in electricity price**	**US $1 per MWh decrease in electricity price**
	Profit or loss	Profit or loss
December 31, 2015	161	(161)
December 31, 2014	93	(93)

This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2014.

Industry risks

Electric and thermal energy projects involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Corporation is dependent upon the creditworthiness and delivery obligations of its counterparties. The failure of such parties to conduct their business in accordance with contract terms and conditions could have a material negative impact on MAXIM's financial results.

The Corporation's operations are subject to the risks normally incidental to a power project's operations, including equipment malfunctions, technical risks and operational upsets. These risks have been mitigated by performance, insurance and warranty conditions in place with MAXIM's current equipment suppliers for the term of the contracts. In accordance with customary industry practice, MAXIM is not, and will not be, fully insured against all of these risks, nor are all such risks insurable.

MAXIM has exposure to market fluctuations in the demand for and price of electricity, generating capacity and thermal energy, and is exposed to the risk of operational problems with facilities and extensive government regulation relating to price, taxes, royalties, exports and many other aspects of the electric and thermal energy business. The Corporation is also subject to a variety of waste disposal, pollution control and similar environmental laws. Most of these risks are managed by well-structured contracting provisions that require MAXIM's customers to guarantee minimum demand charge payments for capacity and by the project host undertaking to supply fuel and permitting requirements. MAXIM assumes price risk for sales to the AESO and ISO-NE.

Power generation operations are subject to the risk normally encountered by companies engaged in activity utilizing mechanical and thermal-fired electricity generation techniques, including unusual and unexpected power draws, mechanical difficulties and other conditions involved in the generation of energy using these methods. Although adequate precautions to minimize risk are routinely taken, power generation operations are subject to hazards such as equipment failure or failure of power distribution systems being served which may result in service interruption. Such interruption may adversely affect the ability of MAXIM to fulfill its duties under existing power generation contracts and regulated tariffs, and may affect its ability to attract new customers. In addition, the existing power distribution system in the areas served or to be served by MAXIM may not be capable of effectively utilizing all of the power supplied by MAXIM.

MAXIM has exposure to the risk that natural gas used to power certain U.S. facilities may not be available. The Corporation mitigates this risk by using turbines with dual fuel capability. All turbines used in Northeast U.S. facilities (CDECCA, Pawtucket, Forked River and Pittsfield) may be operated using natural gas or fuel oil. When the risk for restricted access to natural gas is high, the facilities offer their electricity based on fuel oil prices to compensate for the higher cost of the alternate fuel.

MAXIM purchases its power generation equipment from third party manufacturers. The cost of future equipment purchases may be higher than currently envisaged due to unforeseen circumstances including fluctuations in currency exchange rates. Such unforeseen circumstances and currency fluctuations may have an adverse impact on MAXIM's future earnings potential.

Regulation of industry

MAXIM's activities are subject to complex and stringent energy, environmental and other governmental laws and regulations. The construction and operation of power generation facilities require numerous permits, approvals and certificates from appropriate federal, provincial/state and local governmental agencies, as well as compliance with environmental protection legislation and other regulations. While management of MAXIM believes that it has obtained the requisite approvals for MAXIM's existing operations and that MAXIM's business is operated in accordance with applicable laws, MAXIM remains subject to a varied and complex body of laws and regulations that both public officials and private individuals may seek to enforce. Existing laws and regulations may be revised or new laws and regulations may become applicable to MAXIM that may have a negative effect on MAXIM's business and results of operations. MAXIM may be unable to obtain all necessary licenses, permits, approvals and certificates for proposed projects, and completed facilities may not comply with all applicable permit conditions, statutes or regulations. In addition, regulatory compliance for the construction of new facilities is a costly and time-consuming process. Intricate and changing environmental and other regulatory requirements may necessitate substantial expenditures to obtain permits. If a project is unable to function as planned due to changing requirements or local opposition, it may create expensive delays or loss of value in a project. Refer to the Environmental and Climate Change Legislation section of this MD&A for further detail.

Foreign operations

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

Project development

MAXIM's project development activities may not be successful. The development of power generation facilities and power related projects, is subject to substantial risks. In connection with the development of a power generation facility, MAXIM must generally obtain necessary power generation equipment, governmental permits and approvals, fuel supply and transportation agreements, sufficient equity capital and debt financing, electrical interconnection agreements, site agreements and construction contracts, and access to power grids. Failure to obtain any of the foregoing may result in increased costs or termination of projects, which may lead to a write down of the carrying amount of projects. MAXIM mitigates these risks by using skilled staff, hiring consultants, contracting certain activities on a turn-key basis, and following a disciplined model of managing capital at risk on a progressive basis.

Competition

The electricity production industry is competitive in all phases. MAXIM, as an independent participant in that industry, faces competition from other independent companies and major companies engaged in electricity production and sale. MAXIM holds no proprietary interests in the technology utilized by it in the power generation business and accordingly there are no barriers impeding new competitors from entering into the same business or utilizing the same technology as MAXIM or different power generation technologies. MAXIM mitigates this risk through strategic relations, optimizing its capital structure to lower its cost of capital and effective capital deployment and asset optimization.

Management

MAXIM strongly depends, and will continue to depend, on the business and technical expertise of its management. The unexpected loss of any of MAXIM's key management personnel may have a serious impact on MAXIM's business. At present, only John R. Bobenic, President and Chief Executive Officer of MAXIM, has a key-man insurance policy in place. All members of MAXIM's management have entered into non-competition and non-disclosure agreements with MAXIM.

Future financing and project financing

MAXIM may require additional financing to proceed with its business activities; however, there is no assurance that adequate financing will be available on acceptable terms, if at all. Should MAXIM be unable to obtain financing for its development initiatives, it may be necessary to write down the carrying value of certain development initiatives.

From time to time, MAXIM may enter into transactions to acquire assets or shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase MAXIM's debt levels above industry standards for companies of similar size. Depending upon future capital plans, MAXIM may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither MAXIM's articles nor its by-laws limit the amount of indebtedness that MAXIM may incur. The level of MAXIM's indebtedness from time to time could impair the ability of MAXIM to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

MAXIM endeavours to use debt to the extent possible on a no or limited recourse basis. It also endeavours to fix its energy input costs and lock in profits from long-term sales contracts. As MAXIM incurs the financing risk in this scenario, it will bear the risk that a third party would default on its obligations under such long term purchase or sales contracts, in which case MAXIM may be responsible for the outstanding debt.

Currently, MAXIM has generating capacity, which is secured by long-term contracts and has debt financing which has recourse to subsidiaries of MAXIM.

Power sales agreements

MAXIM depends largely on its electricity and thermal energy customers. Some of its power generation facilities currently rely on one or more power sales agreements with one or more utility or other customers for all or substantially all of such facility's revenue. Other facilities operate on a merchant basis, selling their energy into spot markets. The profitability of a merchant power plant is largely impacted by the price of electricity, the cost of fuel, and the efficiency with which the plant converts fuel into electricity, which is commonly referred to as plant heat rate. The loss of any one power sales agreement with any of its customers could have a negative effect on MAXIM's results of operations. In addition, any material failure by any customer to fulfill its obligations under a power sales agreement or any supplier under a fuel supply agreement could have a negative effect on the cash flow available to MAXIM and its results of operations.

Off-balance sheet arrangements

Excluding the purchase obligations and operating leases noted on page 18, MAXIM does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition, including the Corporation’s liquidity and capital resources.

TRANSACTIONS WITH RELATED PARTIES

($000's)	2015	2014
Short-term employee benefits, including wages and benefits	2,263	1,981
Share-based payments	597	420
Total	2,860	2,401

Key management personnel included the Corporation's Directors and Named Executive Officers. There were no other related party transactions during 2015 or 2014.

CONTROLS AND PROCEDURES

The President and 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 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 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. During the fourth quarter of 2014, MAXIM adopted the 2013 Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations ("COSO Framework") for the design of its internal control over financial reporting.

The CEO and CFO 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, 2015 and ended on December 31, 2015 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 December 31, 2015. 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 December 31, 2015	54,218,758
Outstanding share options at December 31, 2015	2,811,681
Total diluted common shares at December 31, 2015	57,030,439
Share options granted on January 18, 2016	10,000
Share options exercised on January 22, 2016	(8,333)
Issued common shares on January 22, 2016	8,333
Share options granted on January 23, 2016	8,333
Total diluted common shares at March 24, 2016	57,048,772

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:

AEP	Alberta Environment and Parks
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
Capacity	The rated continuous load-carrying ability, expressed in megawatts, of generation equipment (throughout the MD&A references to electric and thermal capacity are stated in nameplate capacity)
CASA	Clean Air Strategic Alliance
CCR	Carbon Competitiveness Regulation
CEO	Chief Executive Officer
CDECCA	Capital District Energy Center Cogeneration Associates power plant, a 62.1 MW generating facility located in Hartford, CT was acquired by MAXIM on October 1, 2006
CFO	Chief Financial Officer
CGU	Cash generating unit
CLP	Climate Leadership Plan
CO2	Carbon Dioxide
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)
COMAX	COMAX France S.A.S.
COSO Framework	2013 Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations
De novo	Starting from the beginning
Deerland	Deerland is a development project for a 190 MW natural gas-fired peaking station located near Bruderheim, Alberta
DSCR	Debt service coverage ratio
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EdF	Electricite de France
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
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
IPP	Independent Power Producer
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.
MAXIM BC	MAXIM Power (B.C.) Inc., was a wholly-owned subsidiary of MAXIM
MD&A	Management's Discussion and Analysis
Milner CGU	Milner generating facility and adjacent lands, which include coal leases
Milner realized power price	The average price paid to Milner for sale of electricity in $/MWh
MW	Megawatt, a measure of electrical generating capacity that is equivalent to one million watts
MWh	Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour
NOx	Nitrogen oxide
Notice	Notice of Alleged Violations issued by FERC
O&M	Operations and maintenance
OE	FERC's Office of Enforcement
PPA	Power purchase arrangements
Pawtucket	Pawtucket generating station, a 64 MW generating facility located in Pawtucket, Rhode Island was acquired by MAXIM on November 10, 2005
Penalties Order	Order Assessing Civil Penalties issued by FERC
Pittsfield	Pittsfield generating station, a 181 MW electric power plant in Pittsfield, Massachusetts, was acquired by MAXIM on August 6, 2008
PP&E	Property, plant and equipment
SGER	Specified Gas Emitters Regulation
Show Cause Order	Order to Show Cause issued by FERC
SO2	Sulphur dioxide
SO2 Credits	Emission credits used to offset the production of SO2
SUMMIT	Summit Coal is a wholly-owned MAXIM subsidiary, which owns the Mine 14 and Mine 16S development projects
TSA	Terminal Services Agreement
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.