



Suite 1210, 715 – 5 Avenue S.W.  
 Calgary, Alberta, Canada T2P 2X6

Press Line: (403) 750-9305  
 TSX Symbol: MXG

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## Maxim Power Corp. Announces 2016 First Quarter Financial and Operating Results

**CALGARY, Alberta (May 12, 2016)** – Maxim Power Corp. ("MAXIM" or the "Corporation") announced today the release of financial and operating results for the first quarter ended March 31, 2016. The unaudited condensed consolidated interim financial statements, accompanying notes and Management Discussion and Analysis will be available on SEDAR and on MAXIM's website on May 12, 2016. All figures reported herein are Canadian dollars unless otherwise stated.

### FINANCIAL HIGHLIGHTS

	Three Months Ended March 31	
	2016	2015
<i>(\$ in thousands except per share amounts)</i>		
<b>Revenue</b>	<b>\$ 38,218</b>	<b>\$ 47,521</b>
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>5,546</b>	<b>6,596</b>
<b>Adjusted net loss <sup>(1)</sup></b>	<b>(8,009)</b>	<b>(7,023)</b>
<b>Per share – basic and diluted</b>	<b>\$ (0.15)</b>	<b>\$ (0.13)</b>
<b>Net loss attributable to shareholders</b>	<b>(8,009)</b>	<b>(5,927)</b>
<b>Per share – basic and diluted</b>	<b>\$ (0.15)</b>	<b>\$ (0.11)</b>
<b>FFO <sup>(2)</sup></b>	<b>5,349</b>	<b>4,985</b>
<b>Per share - basic and diluted</b>	<b>\$ 0.10</b>	<b>\$ 0.09</b>
<b>Electricity Deliveries (MWh)</b>	<b>224,048</b>	<b>238,049</b>
<b>Net Generation Capacity (MW) <sup>(3)</sup></b>	<b>778</b>	<b>778</b>
<b>Average Alberta market power price (\$ per MWh)</b>	<b>\$ 18.12</b>	<b>\$ 29.02</b>
<b>Average Milner realized power price (\$ per MWh)</b>	<b>\$ 20.95</b>	<b>\$ 42.38</b>
<b>Average Northeast U.S. realized power price (US\$ per MWh)</b>	<b>\$ 49.74</b>	<b>\$ 157.89</b>

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

(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.

(3) Generation capacity is manufacturer's nameplate capacity, net of minority ownership interests of third parties and uncontracted capacity on contracted generating facilities.

### OPERATING RESULTS

During the first quarter of 2016, revenue and adjusted EBITDA have decreased and adjusted net loss and net loss attributable to shareholders increased when compared to 2015. The changes in these financial measures are primarily due to lower realized Northeast U.S. power prices and lower Alberta power prices. Aside from revenues, these financial measures were partially offset by lower per unit fuel costs in the Northeast U.S. and Alberta. In addition,

adjusted net loss and net loss attributable to shareholders increased due to the write-off of inventories and higher depreciation.

During the first quarter of 2016, FFO increased when compared to 2015 due to a one-time contract termination cost incurred in 2015, partially offset by the factors impacting adjusted EBITDA noted in the prior paragraph.

### **MILNER ("M1") DIALING DOWN OF OPERATIONS**

As previously reported, 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 holders, 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.

### **ALBERTA UTILITIES COMMISSION ("AUC") LOSS FACTOR DECISION**

As previously reported, on November 26, 2015, the AUC rendered its decision on Module B of Phase 2 of the line loss rule and has directed the Alberta Electric System Operator ("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 March 31, 2016 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 quantified in Module C. As at the date of this press release, the implementation date of the new rule under Module B and timing of compensation under Module C cannot be concluded.

### **FEDERAL ENERGY REGULATORY COMMISSION ("FERC") INQUIRY**

The Corporation, as previously reported, has been responding to the 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 million 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 a motion to dismiss FERC's petition. The court's decision on this motion is anticipated later in the second quarter of 2016. MAXIM intends to vigorously defend itself and is confident it can demonstrate that the conduct set forth in FERC's preliminary findings and Show Cause Order did not violate FERC's anti-manipulation rule or any other rule.

## **GOVERNMENT OF ALBERTA'S CLIMATE LEADERSHIP PLAN ("CLP")**

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

The Government of Alberta targets to have renewable sources comprising of 30% of Alberta's electricity production by 2030 under the CLP. On March 3, 2016, the AESO announced that it was tasked by the Government of Alberta to develop and implement a renewable electricity incentive program to add additional renewable generation capacity into Alberta's electricity system. The Government of Alberta has requested that the AESO provide draft recommendations on its plan in May 2016. Following Government of Alberta approval, the AESO expects to continue development of the program throughout 2016. The first competition for renewable power is expected to launch in the fourth quarter of 2016, with the first projects to be in service by 2019.

The Government of Alberta has also announced the intention to replace the existing SGER with the Carbon Competiveness Regulation ("CCR") commencing January 1, 2018 under the CLP. If enacted, the CCR will require coal-fired generators to pay \$30 per tonne of CO<sub>2</sub> 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.

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

## **GROWTH INITIATIVES**

### **Milner Expansion ("M3")**

M3 is a coal-to-gas expansion project for the existing M1 facility, comprised of an 86 MW natural gas-fired cogeneration power plant to be located adjacent to M1. M3 will increase generating capacity at the Milner site while reducing the 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 the Milner Expansion ("M2"), M3 will increase the nameplate capacity at the Milner site from 150 MW to 236 MW. Total emissions of carbon dioxide, nitrogen oxides, sulfur oxides and particulates at the M1 site will decrease compared to running the existing M1. MAXIM has received regulatory approvals to construct and operate M3.

### **Deerland Peaking Station ("D1")**

MAXIM has received regulatory approvals to construct and operate D1, a 190 MW natural gas-fired peaking facility. MAXIM has received further regulatory approval to construct and operate the Skaro substation for D1. MAXIM has entered into agreements to secure firm natural gas transportation service for D1 and expects that full-scale construction of the facility would commence pending improved prices in the Alberta power market and satisfactory commercial arrangements.

## **M2**

MAXIM has received regulatory approval to construct and operate M2, a 520 MW natural gas-fired combined cycle generation facility. The M2 facility is to be located adjacent to the existing 150 MW M1. Synergies with the existing infrastructure at the M1 site, such as electrical interconnection, fuel delivery, water licenses, and a skilled operations team, allow the M2 project to achieve a competitive advantage as compared to a greenfield development.

## **Buffalo Atlee ("B1")**

MAXIM acquired the B1 Power Project, situated near Brooks, Alberta, through an amalgamation with EarthFirst Canada Inc. This project has the potential for development of up to 200 MW of wind generation capacity in multiple phases. The first phase consists of 33 MW and MAXIM anticipates this capacity will participate in the Government of Alberta's renewable generation competition launching in the fourth quarter of 2016. The addition of wind generation to MAXIM's existing portfolio of assets would diversify further potential changes to MAXIM's generation fuel types and provide the potential to offset the impact of potential provincial emissions legislation, once enacted.

## **Forked River**

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.

## **Summit Coal Limited Partnership ("SUMMIT")**

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

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

## **CONFERENCE CALL FOR Q1 2016 RESULTS**

MAXIM will host a conference call for analysts and investors on Friday, May 13, 2016 at 11:00 am MDT. The call will be hosted by John Bobenic, MAXIM's President and Chief Executive Officer, Mike Mayder, Senior Vice President, Finance and Chief Financial Officer and Tim Workman, Vice President and Controller. To participate in this conference call, please dial (877) 291-4570 or (647) 788-4919 in the Toronto area and refer to MAXIM's Q1 Results call. It is recommended that participants call at least ten minutes prior to start time.

A recording of the conference call will be available from May 13, 2016 to May 20, 2016. To access the replay, dial (800) 585-8367 or (416) 621-4642 followed by conference ID 7837444. In addition, the recording will be available commencing May 16, 2016 in the Investor Relations section of MAXIM's website at [www.maximpowercorp.com](http://www.maximpowercorp.com).

## **About MAXIM**

Based in Calgary, Alberta, MAXIM is an independent power producer, which acquires or develops, owns and operates innovative and environmentally responsible power and power related projects. MAXIM currently owns and operates 39 power plants in Alberta, the United States and France, having 778 MW of electric generating capacity. MAXIM trades on the TSX under the symbol "MXG". For more information about MAXIM, visit our website at [www.maximpowercorp.com](http://www.maximpowercorp.com).

For further information please contact:

John R. Bobenic, President and CEO, (403) 750-9300

Michael R. Mayder, Senior Vice President, Finance and CFO, (403) 750-9311

Statements in this release which describe MAXIM's intentions, expectations or predictions, or which relate to matters that are not historical facts are forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties which may cause the actual results, performances or achievements of MAXIM to be materially different from any future results, performances or achievements expressed in or implied by such forward-looking statements. MAXIM may update or revise any forward-looking statements, whether as a result of new information, future events or changing market and business conditions and will update such forward-looking statements as required pursuant to applicable securities laws.