Condensed Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the First Quarter Ended March 31, 2017

(Unaudited)

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	**March 31, 2017**	December 31, 2016
ASSETS			
Cash and cash equivalents		**12,741**	15,303
Trade and other receivables		**2,881**	1,856
Prepaid expenses and deposits		**242**	272
Inventories		**1,045**	1,029
Risk management assets	12	**242**	1,480
Assets held for sale	4	**121,745**	120,236
Total current assets		**138,896**	140,176
Property, plant and equipment, net		**54,387**	57,705
Intangible assets, net		**7,137**	7,538
Deferred tax assets		**4,114**	4,114
Other assets		**8,677**	8,650
Total non-current assets		**74,315**	78,007
TOTAL ASSETS		**213,211**	218,183
LIABILITIES			
Trade and other payables		**8,487**	9,428
Liabilities held for sale	4	**33,126**	32,364
Total current liabilities		**41,613**	41,792
Provisions for decommissioning		**12,107**	11,961
Other long-term liability		**3,546**	3,581
Deferred tax liabilities		**3,368**	3,368
Total non-current liabilities		**19,021**	18,910
TOTAL LIABILITIES		**60,634**	60,702
EQUITY			
Share capital		**156,552**	156,482
Contributed surplus		**11,504**	11,423
Accumulated other comprehensive income		**26,731**	28,172
Retained deficit		**(42,375)**	(38,790)
Equity attributable to shareholders		**152,412**	157,287
Non-controlling interest		**165**	194
TOTAL EQUITY		**152,577**	157,481
Subsequent event	13		
Commitments and Contingencies	8,9		
TOTAL LIABILITIES AND EQUITY		**213,211**	218,183

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Loss and Comprehensive Loss

For the three months ended March 31
(in thousands of Canadian dollars)

	Note	**2017**	2016
Revenue		**1,979**	1,883
Expenses			
Operating		**5,686**	12,123
General and administrative		**541**	880
Depreciation and amortization		**1,589**	1,295
Gain on commodity swaps	12	**(975)**	-
Other income, net		**(54)**	(340)
Operating loss		**(4,808)**	(12,075)
Finance income, net	6	**(303)**	(2,069)
Loss before income taxes		**(4,505)**	(10,006)
Income tax expense (benefit)			
Current		**6**	(12)
Net loss from continued operations		**(4,511)**	(9,994)
Discontinued operations			
Net income from discontinued operations (net of tax)	4	**930**	2,076
Net loss		**(3,581)**	(7,918)
Other comprehensive loss, net of tax:			
Items that are or may be reclassified to net income			
Unrealized losses on translation of discontinued foreign operations		**(1,443)**	(9,320)
Total comprehensive loss		**(5,024)**	(17,238)
Net income (loss) attributable to:			
Non-controlling interest		**4**	91
Shareholders		**(3,585)**	(8,009)
Net loss attributable to shareholders per share:			
Basic earnings	7	**(0.07)**	(0.15)
Diluted earnings		**(0.07)**	(0.15)
Net loss attributable to shareholders per share continued operations:			
Basic earnings	7	**(0.08)**	(0.19)
Diluted earnings		**(0.08)**	(0.19)
Comprehensive income (loss) attributable to:			
Non-controlling interest		**2**	70
Shareholders		**(5,026)**	(17,308)

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Changes in Equity

For the three months ended March 31
(in thousands of Canadian dollars, except common share data)

	Common shares (thousands)	Share capital	Contributed surplus	Accumulated other comprehensive gain (loss)	Retained earnings (deficit)	Equity attributable to shareholders	Non-controlling interest	Total
Equity at December 31, 2016	54,301	156,482	11,423	28,172	(38,790)	157,287	194	157,481
Net income (loss)	-	-	-	-	(3,585)	(3,585)	4	(3,581)
Stock options exercised	24	70	(10)	-	-	60	-	60
Share-based compensation	-	-	91	-	-	91	-	91
Translation of foreign operations	-	-	-	(1,441)	-	(1,441)	(2)	(1,443)
Distributions to non-controlling interest	-	-	-	-	-	-	(31)	(31)
Equity at March 31, 2017	**54,325**	**156,552**	**11,504**	**26,731**	**(42,375)**	**152,412**	**165**	**152,577**
Equity at December 31, 2015	54,219	156,248	10,686	34,138	15,010	216,082	705	216,787
Net income (loss)	-	-	-	-	(8,009)	(8,009)	91	(7,918)
Stock options exercised	8	28	(12)	-	-	16	-	16
Share-based compensation	-	-	217	-	-	217	-	217
Translation of foreign operations	-	-	-	(9,299)	-	(9,299)	(21)	(9,320)
Distributions to non-controlling interest	-	-	-	-	-	-	(30)	(30)
Equity at March 31, 2016	54,227	156,276	10,891	24,839	7,001	199,007	745	199,752

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Cash Flows

For the three months ended March 31
(in thousands of Canadian dollars)

	Note	2017	2016
Cash flows from operating activities:			
Net loss from continued operations		**(4,511)**	(9,994)
Adjustments for items not involving cash or operations:			
Depreciation and amortization		**1,589**	1,295
Inventories write-down		**-**	4,761
Share-based compensation		**91**	217
Income tax expense (benefit)		**6**	(12)
Finance income	6	**(303)**	(2,068)
Commodity price call option expired out of the money	12	**378**	-
Approved emission performance credits		**(36)**	(340)
Funds used in continued operating activities before changes in working capital		**(2,786)**	(6,141)
Change in non-cash working capital from continued operations	10	**248**	(219)
Net cash used in operating activities from continued operations		**(2,538)**	(6,360)
Cash flows from financing activities:			
Issuance of loans and borrowings		**-**	4,289
Proceeds from exercise of stock options		**60**	-
Interest paid		**(152)**	(125)
Net cash generated from (used in) financing activities from continued operations		**(92)**	4,164
Cash flows from investing activities:			
Proceeds from insurance recoveries, net of (property, plant and equipment additions)		**1,993**	(278)
Change in non-cash working capital	10	**(1,925)**	(819)
Net cash generated from (used) in investing activities from continued operations		**68**	(1,097)
Decrease in cash and cash equivalents from continued operations		**(2,562)**	(3,293)
Cash and cash equivalents held at discontinued operations, beginning of period		**3,535**	
Net increase (decrease) in cash and cash equivalents from discontinued operations	4	**(1,092)**	7,412
Less: Cash and cash equivalents held at discontinued operations, end of period	4	**(2,443)**	-
Cash and cash equivalents, beginning of period		**15,303**	5,884
Cash and cash equivalents, end of period		**12,741**	10,003

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

1. Reporting entity

Maxim Power Corp. is incorporated in the province of Alberta, Canada. Maxim Power Corp. and its subsidiaries (together "MAXIM" or the "Corporation") is an independent power producer, which acquires or develops, owns and operates power and power related projects. The Corporation has power generation facilities in Alberta and the United States of America ("United States") as at March 31, 2017. The Corporation has presented the result of its operations in the United States as assets and liabilities held for sale and discontinued operations (note 4) and closed the sale of its United States operating segment on April 3, 2017 (note 13). 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

These unaudited condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The unaudited condensed consolidated interim financial statements do not include all the information required for annual financial statements. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Corporation's December 31, 2016 annual audited financial statements, available at www.sedar.com.

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on May 11, 2017.

3. Significant accounting policies

The significant accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements have been applied consistently for all periods presented and are unchanged from the policies disclosed in the notes to the consolidated financial statements for the year ended December 31, 2016.

The use of judgments and estimates in the preparation of these unaudited condensed consolidated interim financial statements has been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2016.

On January 1, 2017, the Corporation adopted the amendments to Statement of Cash Flows ("IAS 7"), Income Taxes ("IAS 12") and Disclosure of Interests in Other Entities ("IFRS 12"). The adoption of these amendments had no impact to the amounts recorded in the Corporation's consolidated financial statements as of January 1, 2017 or comparative periods.

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

4. Assets and liabilities held for sale and discontinued operations

(a) Assets and liabilities held for sale – United States

On April 3, 2017, the Corporation closed the sale of the United States operating segment (note 13).

At March 31, 2017, the United States operating segment comprised the following assets and liabilities:

(i) Assets classified as held for sale

	March 31, 2017	December 31, 2016
Cash and cash equivalents	2,443	3,535
Restricted cash	1,242	1,259
Trade and other receivables	6,151	3,465
Prepaid expenses and deposits	815	1,205
Inventories	7,349	7,295
Income taxes recoverable	201	154
Property, plant and equipment, net	102,450	102,118
Intangible assets, net	951	961
Future income tax asset	72	140
Other assets	71	104
Total held for sale	121,745	120,236

(ii) Liabilities classified as held for sale

	March 31, 2017	December 31, 2016
Trade and other payables	7,151	5,783
Loans and borrowings, net of deferred financing costs	21,724	22,349
Provisions for decommissioning	4,251	4,232
Total held for sale	33,126	32,364

(i) 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 March 31, 2017, Basin Creek had an outstanding balance of US$16,844 thousand (December 31, 2016 – US$17,175 thousand).

This loan is secured by the PP&E of the Basin Creek facility and has no financial covenants or cross default provisions with the Canadian bank facilities (note 5).

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

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

(b) Discontinued operations – United States and France

The following tables represent the discontinued net income for the United States and France operating segments:

Total Discontinued Operations

	March 31, 2017	March 31, 2016
Revenue	14,246	36,335
Expenses	12,859	32,854
Operating income	1,387	3,481
Finance expense, net	460	948
Income before income taxes	927	2,533
Income tax expense (benefit)		
Current	25	928
Deferred	(28)	(471)
	(3)	457
Net income from discontinued operations	930	2,076
Attributable to:		
Non-controlling interest	4	91
Shareholders	926	1,985
Net income from discontinued operations attributable to shareholders per share:		
Basic earnings	0.01	0.04
Diluted earnings	0.01	0.04

	March 31, 2017	March 31, 2016
Cash flows from (used in) discontinued operations		
Net cash generated from operating activities	100	13,419
Net cash used in financing activities	(843)	(2,869)
Net cash used in investing activities	(310)	(2,740)
Unrealized foreign exchange gain (loss) on cash	(39)	(398)
Net cash flows for the period	(1,092)	7,412

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

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

United States Segment

	March 31, 2017	March 31, 2016
Revenue	14,246	13,169
Expenses	12,859	13,378
Operating income (loss)	1,387	(209)
Finance expense, net	460	511
Income (loss) before income taxes	927	(720)
Income tax expense (benefit)		
Current	25	184
Deferred	(28)	(947)
	(3)	(763)
Net income from discontinued operations	930	43
Attributable to:		
Non-controlling interest	4	22
Shareholders	926	21

France Segment

	March 31, 2017	March 31, 2016
Revenue	-	23,166
Expenses	-	19,476
Operating income	-	3,690
Finance expense, net	-	437
Income before income taxes	-	3,253
Income tax expense		
Current	-	744
Deferred	-	476
	-	1,220
Net income from discontinued operations	-	2,033
Attributable to:		
Non-controlling interest	-	69
Shareholders	-	1,964

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

5. Loans and borrowings

Canadian bank facilities

As at March 31, 2017, Facility A is a $13,500 revolving credit facility ($13,500 – December 31, 2016). Total borrowings under this facility are not to exceed the sum of 90% of the book value of the Corporation’s Canadian accounts receivable balance and 50% of the book value of the Corporation’s North American PP&E. As at March 31, 2017, the carrying amount of the loan was $nil (December 31, 2016 - $nil) and MAXIM has issued letters of credit of $12,559 (December 31, 2016 - $12,534) on the facility. The amount available to draw against Facility A at March 31, 2017 was $941 (December 31, 2016 - $966). On April 3, 2017, after closing the sale of the United States operating segment, the amount available to draw against the facility was $nil and effective May 1, 2017, the Corporation amended and restated its credit agreement (note 13).

As at March 31, 2017, MAXIM breached the following financial covenants in relation to its Canadian bank facilities: DSCR, minimum equity and interest coverage.

On January 3, 2017, management obtained a waiver for the March 31, 2017 covenant breaches from the bank. Accordingly, the issued letters of credit of $12,559 and the $nil drawn against Facility A are unaffected by these covenant breaches as at March 31, 2017.

6. Finance income, net

	March 31, 2017	March 31, 2016
Interest expense	152	105
Accretion of provisions	20	21
Foreign exchange gain	(475)	(2,194)
Finance income	(303)	(2,068)
Interest income	-	(1)
Total finance income, net	(303)	(2,069)

7. Earnings per share

The calculation of basic and diluted earnings per share for the three months ended March 31, 2017 was based on the net loss attributable to common shareholders and net loss attributable to common shareholders from continued operations of $3,585 and $4,511, respectively (March 31, 2016 – $8,009 and $9,994, respectively) and weighted average number of common shares outstanding for the period of 54,319,075 (March 31, 2016 – 54,225,168).

The effects of exercisable stock options on diluted earnings per share were nil for the three months ended March 31, 2017 (March 31, 2016 – nil) as they were antidilutive.

8. Commitments

(a) Continuing operations

(i) Milner Power Limited Partnership ("MPLP") is responsible for the decommissioning and reclamation of the power station lands at the Milner generating facility and the present value of these amounts have been recorded in provisions. The Balancing Pool has agreed to reimburse MPLP for the first $15,000 in decommissioning expense, the present value of which has been recorded in other assets. Should there be a material breach of environmental laws by MPLP during the period of ownership, then MPLP is required to contribute fully to the incremental costs caused by such material breach.

(ii) The Corporation has entered into a natural gas transportation service agreement from January 1, 2018 to December 31, 2026 for the Deerland peaking station development project 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 March 31, 2017. The Corporation has an additional commitment of $798 regarding the service portion of the contract.

(b) Discontinued operations

The Corporation, through its US subsidiaries, has entered into various operating and maintenance contracts for fixed monthly fees which escalate by the amount of inflation on an annual basis. These contracts expire between 2017 and 2026 with commitments totaling US$9,672 thousand.

9. 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 Corporation has closed the sale of the France operating segment. Under the agreement, the Corporation continues to be subject to the claims received for €1,700 thousand in 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.

Further under the agreement, the Corporation is subject to performance criteria of certain generating units in the France operating segment until October 31, 2017. The Corporation is responsible to reimburse the buyer of the France operating segment for penalties incurred until that time up to a maximum of €1,500 thousand. In addition, the Corporation is subject to customary closing indemnities until December 2, 2019 to a maximum claim of €3,500 thousand.

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

9. Contingencies (continued)

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 no liability currently exists.

The actual outcome of these claims and potential claims, including the timing and amount of any cash outflow or the possibility of reimbursements, is not yet determinable.

(b) Contingent assets

Through its Decision 790-D04-2016 ("Decision"), released September 28, 2016, the Alberta Utilities Commission ("AUC") asserted its position on several preliminary matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the Alberta Electric System Operator (“AESO”) Line Loss Rule. The Decision confirms the Corporation's view that the AUC's proceedings will establish compensation to Milner Power Inc. that will include an accounting for the time value of money. The Corporation estimates that overpayments of approximately $42,000 were made by Milner Power Inc. to the AESO for the period January 1, 2006 to March 31, 2017, based on calculations established by information currently available on the public record. As at March 31, 2017, the implementation date of the new rule under Module B and the amount and timing of compensation under Module C cannot be determined.

Under the agreement for the sale of the France operating segment, the Corporation is eligible for compensation up to €6.0 million, contingent upon a change in law in France which benefits the Corporation’s cogeneration units. The change in law must occur no later than June 1, 2018. As at March 31, 2017, the timing and amount of compensation cannot be determined.

10. Change in non-cash working capital

	March 31, 2017	March 31, 2016
Operations		
Trade receivables	900	755
Prepaid expenses and deposits	82	62
Inventories	(16)	1,044
Trade payables and other current liabilities	(718)	(2,080)
	248	(219)

	March 31, 2017	March 31, 2016
Investing		
Trade and other payables	(1,925)	(819)
	(1,925)	(819)

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

11. 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. During the three months ended March 31, 2017, the Corporation operated in two reportable segments with power generation facilities located in Canada and the United States. For each of the segments, results are reviewed regularly by the Corporation's CEO to make decisions about resources to be allocated to the segments and to assess their performance. The France operating segment ceased to be strategic segment in 2016 as a result of the closed sale of this business segment. The Corporation has modified the composition of the reportable segments.

March 31, 2017	Canada	Corporate amounts	Subtotal	Discontinued operations from United States	Total consolidated
Revenues from external customers	1,979	-	1,979	14,246	16,225
Operating income (loss)	(4,372)	(436)	(4,808)	1,387	(3,421)

March 31, 2016	Canada	Corporate amounts	Subtotal	Discontinued operations from United States	Discontinued operations from France	Total consolidated
Revenues from external customers	1,883	-	1,883	13,169	23,166	38,218
Operating income (loss)	(11,240)	(835)	(12,075)	(209)	3,690	(8,594)

12. Fair value and financial instruments

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

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

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

(a) Commodity risk management swaps and option

	March 31, 2017	March 31, 2016
Realized gain on commodity swaps	1,295	-
Realized loss on commodity option	(378)	-
Net realized gain on commodity swaps and option	917	
Unrealized gain on commodity swaps	58	-
Total gain on commodity swaps and option	975	-

12. Fair value and financial instruments (continued)

The fair value of the commodity swaps are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. MAXIM determined the fair value of the swaps by applying the market approach using market settled forward prices as reported by the Natural Gas Exchange for forward contracts of comparable term at the reporting date. For the three months ended March 31, 2017, the unrealized gain on commodity price swaps was $58 (March 31, 2016 - nil). For the three months ended March 31, 2017, the realized gain on commodity risk management swaps and option was $917 (March 31, 2016 - nil). At March 31, 2017, the Corporation had no commodity swaps or options outstanding.

(b) Foreign exchange risk management swap and options

The Corporation, in the discontinued United States operating segment, is exposed to foreign currency exchange risk from the divestment of the operating segment where proceeds are denominated in currencies other than the functional currency of the Corporation. The Corporation manages this exposure by entering into a foreign currency swap or purchasing put options, for a portion of the proceeds. The fair value of the foreign currency swap and put options are classified as Level II under the fair value hierarchy as the fair values are based on observable market data.

At March 31, 2017, the Corporation has a US$78,000 thousand swap to lock-in a portion of the sales proceeds at an exchange rate at $1.3330 in the Corporation's functional currency. For the three months ended March 31, 2017, the unrealized gain, recognized in discontinued operations, on the foreign currency swap was $242 (March 31, 2016 - $nil).

At March 31, 2017, the Corporation had no put options with expiry dates in the future. For the three months ended March 31, 2017, the Corporation realized a net loss of $1,092 (March 31, 2016 - $nil) upon the expiry of two put options expiring March 24, 2017, consisting of the amortization of premiums paid of $1,378, partially offset by proceeds on exercise of $286. These amounts have been recognized in discontinued operations.

13. Subsequent event

On April 3, 2017, the Corporation closed its previously announced agreement with Hull Street Energy, LLC for the sale of the Corporation's United States operating segment for net proceeds of approximately US$84.0 million. Upon close, the Corporation was required, under its Canadian bank facilities, to fully cash collaterize all outstanding letters of credit (note 5). The amount available to draw against this facility at April 3, 2017 was reduced to $nil. In addition, the Corporation is subject to customary closing indemnities until April 3, 2018 to a maximum claim of US$8.8 million. 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 no liability currently exists.

Effective May 1, 2017, the Corporation amended and restated its credit agreement with the Bank of Montreal to a demand facility that will fully cash collaterize up to $8.0 million of letters of credit. The Corporation currently has $8.0 million of outstanding letters of credit outstanding and this amount was deposited into a restricted bank account maintained by the bank.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated May 11, 2017 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the three month period ended March 31, 2017. The MD&A should also be read in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2016. MAXIM prepares its unaudited condensed consolidated interim financial statements in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting, under International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("GAAP"). In this MD&A, MAXIM also reports certain non-GAAP measures. See page 17 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.

TABLE OF CONTENTS

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, power 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 as at the date of this MD&A:

- Management forecasts that cash flows for operating and administrative expenses will be funded by its existing cash on hand. Management forecasts that cash flows for development capital will be funded by both its existing cash on hand and future anticipated financing based upon current budgets and forecasts.
- Management has determined that it is no longer economically feasible to continue operating the H.R. Milner generating facility ("M1") as a coal-fired facility for the foreseeable future until Alberta power prices increase. Management continues to evaluate its options in regards to operating the facility solely on natural gas in its current state or the expansion of M1 into a 236 MW natural gas-fired facility under the Milner expansion project ("M3").
- Development projects, including Deerland Peaking Station ("Deerland"), Buffalo Atlee, M3, Milner 2 ("M2") and Summit Coal ("SUMMIT") are based upon current estimates of capital cost, projected returns on investment, the duration of the regulatory approval process, and the ability to obtain the necessary financing.
- MAXIM estimates total development capital expenditures from continuing operations of $0.6 million to be incurred in 2017. These costs are based upon estimates and may differ from the actual costs to complete or revisions in the program scope.
- In determining potential development sites, management estimates future power prices in Alberta. The actual future power prices in these areas may be different from expected.
- MAXIM anticipates all necessary provincial 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.
- As previously disclosed in the MD&A for the year ended December 31, 2016, the Corporation expected resolution of the entire cooling tower insurance claim by the end of 2017. During the first quarter of 2017, MAXIM concluded negotiations with its insurance providers related to the cooling tower at M1.
- MAXIM anticipates that it will maintain a working capital surplus over the next twelve months.

OVERALL PERFORMANCE

Highlights and Notable Events

On April 3, 2017, the Corporation closed its previously announced sale of the United States operating segment to Hull Street Energy, LLC for net proceeds of approximately US$84.0 million. Upon close, the Corporation was required, under its Canadian bank facilities, to fully cash collaterize all outstanding letters of credit for approximately $12.6 million. As of the date of this MD&A, this amount was reduced to $8.0 million upon cancellation of an outstanding letter relating to the sale of the France operating segment. The amount available to draw against this facility at April 3, 2017 was $nil. In addition, the Corporation will utilize US$5.3 million to fulfill obligations under the Federal Energy Regulatory Commission ("FERC") Stipulation and Consent Agreement ("Settlement Agreement") previously disclosed on September 26, 2016. The remainder of the proceeds will be held by MAXIM for strategic corporate purposes.

MAXIM is currently evaluating the electricity market transition being undertaken by the Government of Alberta ("GoA"). This includes a shift from the current "energy only market" to a "capacity market" to attract investment needed to support this transition. The government estimates $25.0 billion of new investment in electricity generation is required to meet the electricity needs of a growing province and to support the transition toward cleaner sources of energy mandated by the federal and provincial governments.

During April 2017, MAXIM reduced the headcount at its corporate head office by 21%, primarily as a result of the sale of the U.S. operating segments.

On May 1, 2017, MAXIM provided notice to the Alberta Electric System Operator ("AESO") to temporarily suspend the generation of electricity at M1 effective July 28, 2017. The decision to temporarily suspend the operations at M1 was due to continued record low Alberta power prices, which have undermined profitability for a prolonged period. Laying-up M1 operations will result in a 75% reduction of plant staff through a combination of layoffs and severances for an undetermined period. Prior to suspension, M1 will remain available to the AESO as a long lead time asset and it is unlikely that the unit will be dispatched. MAXIM is currently maintaining a smaller operating team to undertake maintenance and repairs for a possible resumption of generation as power market conditions improve. A significant improvement in Alberta power prices will be required to justify resuming operations.

Key Performance Indicators ("KPI")

Three months ended March 31 ($000's, unless otherwise noted)	2017	2016
Revenue		
Continuing operations	1,979	1,883
Discontinued operations	14,246	36,335
Total	16,225	38,218
Adjusted EBITDA(1)		
Continuing operations	(3,186)	(5,802)
Discontinued operations	1,145	11,348
Total	(2,041)	5,546
Net (income) loss attributable to shareholders		
Continuing operations	(4,511)	(9,994)
Discontinued operations	926	1,985
Total	(3,585)	(8,009)
Basic and diluted net income (loss) per share attributable to shareholders ($ per share)		
Continuing operations	(0.08)	(0.19)
Discontinued operations	0.01	0.04
Total	(0.07)	(0.15)
FFO(1)		
Continuing operations	(2,786)	(6,141)
Discontinued operations	2,164	11,490
Total	(622)	5,349
Total assets	213,211	327,875
Loans and borrowings		
Continuing operations	-	-
Discontinued operations	21,724	68,881
Total	21,724	68,881
Total generation (MWh) (2)	84,460	89,668
Average Alberta market power price ($ per MWh)	22.40	18.12
Average Milner realized power price ($ per MWh) (3)	29.01	20.95
Average Northeast U.S. realized	68.96	37.25

(1) Select financial information was derived from the unaudited condensed consolidated interim financial statements and is prepared in accordance with GAAP, except adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") and funds from operating activities before changes in working capital ("FFO"). Adjusted EBITDA is provided to assist management and investors in determining the Corporation's operating performance. Adjusted EBITDA and FFO does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. FFO is 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 Non-GAAP Measures section of this MD&A for reconciliations between non-GAAP financial measures and comparable measures calculated in accordance with GAAP.

(2) Total generation represents generation from continuing operations.

(3) Includes proportionate share of $0.9 million of realized gains from commodity risk management swaps and option from January 1, 2017 to March 31, 2017. As the plant ran at a weighted average of 39 MWh from January 1, 2017 to March 31 only 26% or $0.5 million of the gain is incorporated into the realized price in addition to physical electricity revenues.

Financial Results

The Corporation's KPI's are significantly impacted by the sale of the United States and France operating segments and notice provided to temporarily suspend operations at M1. As a result of this, beginning in the second quarter of 2017, the Corporation will no longer report on Adjusted EBITDA, FFO and other KPI's that it no longer uses to measure operating performance. For comparative purposes, the Corporation will continue to separately illustrate the impact of discontinued operations of the United States and France from continuing operations on remaining KPI's.

The financial results of the Canada segment are presented as continuing operations and the financial results of the U.S. and France operating segment are presented as assets and liabilities held for sale and discontinued operations to illustrate the impact to the Corporation of the sale of the non-Canada segments. Refer to the Assets and Liabilities Held for Sale and Discontinued Operations section on page 7 for a discussion on the financial results of discontinued operations.

Adjusted EBITDA and FFO have increased and net loss attributable to shareholders decreased in the first quarter of 2017 when compared to 2016. The changes in these financial measures are primarily due to realized gains on Alberta commodity swaps and lower fuel costs as the coal being consumed at M1 has no carrying value.

RESULTS OF CONTINUING OPERATIONS – CANADA SEGMENT

Production

Summary of generation:

Three months ended March 31	2017	2016
	MWh	MWh
Total MWh generation	84,460	89,668

Revenue

Summary of revenue by segment:

Three months ended March 31 ($000's)	2017	2016
Revenue [1]	1,979	1,883

[1] All revenues from continuing operations are electricity sales at spot prices.

Revenue in first quarter of 2017 was $2.0 million, which is comparable to the same period in 2016.

Plant Operations

Summary of plant operations expense by type:

Three months ended March 31 ($000's)	2017			2016			
	Fuel	O&M	Total	Inventories write-down	Fuel	O&M	Total
Total	1,382	4,304	5,686	4,761	2,111	5,251	12,123
Percent	24%	76%	100%	39%	17%	43%	100%

First quarter operations and maintenance ("O&M") expenses decreased $1.0 million or 19%, from $5.3 million in 2016 to $4.3 million in 2017, primarily as a result of fixed operating cost savings from cost cutting initiatives.

Fuel expenses in the first quarter of 2017 decreased from $2.1 million in 2016 to $1.4 million in 2017, which is a decrease of $0.7 million or 33% primarily due to lower per unit fuel costs of coal as the inventory value was written down to $nil as at December 31, 2016. This was partially offset by a higher consumption and per unit fuel cost of natural gas.

During the first quarter of 2016, inventories of coal and spare parts related to coal-fired generation were written down by $4.2 million and $0.6 million, respectively, to net realizable value.

General and Administrative Expense

Three months ended March 31 ($000's)	2017	2016
Total general and administrative expense	541	880

First quarter general and administration expense decreased $0.4 million or 44%, from $0.9 million in 2016 to $0.5 million in 2017, primarily due to lower personnel costs at the corporate office.

Depreciation and Amortization Expense

Three months ended March 31 ($000's)	2017	2016
Total depreciation and amortization expense	1,589	1,295

Depreciation expense in the first quarter of 2017 was $1.6 million, which is comparable to the same period in 2016.

Gain on Commodity Risk Management Swaps and Option

Three months ended March 31 ($000's)	2017	2016
Realized gain on commodity swaps	1,295	-
Realized loss on commodity option	(378)	-
Unrealized gain on commodity swaps	58	-
Total gain on commodity swaps	975	-

In the first quarter of 2017, MAXIM recorded a net $1.0 million gain on commodity swaps on fixed for floating firm financial swap agreements and a call option agreement at M1. The swap agreements were for the period of January 2017 to March 2017. These swaps required MAXIM to pay the counterparties a floating price based on the Alberta Power Pool price and in turn MAXIM received a fixed price per MWh for 75 MW of power. Since inception of the swaps, Alberta spot prices have settled lower than the fixed swap price and the Corporation has a realized gain of $1.3 million in 2017.

The call option agreement was for the period of January 2017 to March 2017. This agreement was for a 50 MW commodity price call option at $50 per MW on an average daily basis in order to reduce variable Alberta power price exposure. As a result of low Alberta price's the call option expired out of the money on March 31, 2017 and the cost of the option was realized. At March 31, 2017, the Corporation had no commodity swaps or options outstanding.

Other Income, Net

Three months ended March 31 ($000's)	2017	2016
Other income, net	54	340

Net other income in the first quarter of 2017 decreased from $0.3 million in 2016 to $0.1 million in 2017. The decrease is primarily due to Emission Performance Credits pertaining to Alberta's greenhouse gas reduction program ("Emission Performance Credits") for 1,445 tonnes in 2015 and 17,005 tonnes in 2014, approved and recognized in the first quarter of 2017 and 2016, respectively.

Finance Income, Net

Three months ended March 31 ($000's)	2017	2016
Interest expense	152	105
Accretion of provisions	20	21
Foreign exchange gain	(475)	(2,194)
Finance income	(303)	(2,068)
Interest income	-	(1)
Total finance income, net	(303)	(2,069)

Net finance income in the first quarter of 2017 decreased from $2.1 million in 2016 to $0.3 million in 2017. The decrease is primarily due to a decrease of foreign exchange gains from $2.2 million in 2016 to $0.5 million in 2017, which is caused primarily by the net impact of foreign exchange rate movement for US dollars and Euros (2016 only) on foreign intercompany liabilities held in Canada. These foreign exchange gains and losses are offset in other comprehensive income.

Income Tax Expense (Benefit)

Three months ended March 31 ($000's)	2017	2016
Current tax expense (benefit)	6	(12)
Total income tax expense (benefit)	6	(12)

Income tax expense in the first quarter of 2017 was $nil, which is comparable to the same period in 2016.

Financial Position

The Corporation's Statements of Financial Position at March 31, 2017 and a pro-forma after closing the sale of the U.S. operating segment have been provided in the Outlook section of the MD&A on page 12.

ASSETS AND LIABILTIIES HELD FOR SALE AND DISCONTINUED OPERATIONS

During 2016, the Corporation entered into and closed a purchase and sale agreement to sell the France operating segment. In addition, the Corporation entered into a purchase and sale agreement to sell the United States operating segment. On April 3, 2017, the Corporation closed the sale of the U.S. operating segment. As such, the assets and liabilities of the United States operating segment remained reclassified to assets and liabilities held for sale on the statement of financial position at March 31, 2017 and the France and United States operations are classified as discontinued operations on the statement of income for the three month period ended March 31, 2017.

Discontinued Operations

The following table represents the discontinued net income for the United States and France operating segment combined in Canadian dollars:

Three months ended March 31 ($thousands)	2017	2016
Revenue	14,246	36,335
Expense	12,859	32,854
Operating income	1,387	3,481
Finance expense, net	460	948
Income before income taxes	927	2,533
Income tax benefit	(3)	457
Net income from discontinued operations	930	2,076

The following tables represent the discontinued net income for the United States and France operating segments in their functional currencies:

United States

Three months ended March 31 (US $thousands)	2017	2016
Revenue	10,768	9,583
Expense	9,720	9,736
Operating income (loss)	1,048	(153)
Finance expense, net	348	372
Income (loss) before income taxes	700	(525)
Income tax benefit	(2)	(555)
Net income from discontinued operations	702	30

- Revenue increased US$1.2 million or 13% to US$10.8 in the first quarter of 2017 as compared to US$9.6 million in 2016. This increase was primarily due to higher realized power prices as a result of favourable weather-based demand.
- Expense in the first quarter of 2017 was US$9.7 million, which is comparable to the same period 2016.
- Finance expense in the first quarter of 2017 was US$0.3, which is comparable to the same period in 2016.
- Income tax benefit in the first quarter of 2017 decreased US$0.6 million to US$nil in 2017 from US$0.6 million in 2016. The decrease is due to certain transactions in 2017 which are not taxable.

France

Three months ended March 31 (Euro €thousands)	2017	2016
Revenue	-	15,286
Expense	-	12,851
Operating income	-	2,435
Finance expense, net	-	288
Income before income taxes	-	2,147
Income tax expense	-	805
Net income from discontinued operations	-	1,342

The change in cash flows from (used in) discontinued operations for the three months ended March 31, 2017 and 2016 are as follows:

Three months ended March 31 ($millions)	2017	2016
Cash flows from (used in) discontinued operations		
FFO	2,164	11,490
Net change in non-cash working capital from (used in) operating activities	(2,064)	1,929
Net cash used in financing activities	(843)	(2,869)
Net cash used in investing activities	(310)	(2,740)
Unrealized foreign exchange loss on cash	(39)	(398)
Net cash flows for the period	(1,092)	7,412

- FFO in the first quarter of 2017 decreased to $2.2 million from $11.5 million in 2016. The decrease is primarily due to $nil funds from operations in the France operating segment as the sale closed at end of 2016.
- Fluctuations in non-cash working capital represented a cash outflow of $2.1 million in the first quarter of 2017 as compared to a $1.9 million inflow in 2016. See page 10 for further discussion of working capital.
- Cash used in financing activities in the first quarter of 2017 decreased from $2.9 million in 2016 to $0.8 million in 2017. This decrease is primarily due to a decrease in debt repayments as a result of the sale of the France operating segment in 2016.
- Cash used in investing activities in the first quarter of 2017 decreased to $0.3 million from $2.7 million in 2016, which is primarily due to lower capital expenditures in the U.S. operating segment and decrease in capital additions in the France operating segment as it was sold in 2016.

Refer to the Liquidity and Capital Resources section (page 9) for further discussion on financing and investing activities.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Management determined that cash flows for operating and administrative expenses will be funded by MAXIM's existing cash on hand. Cash flows for development capital will be funded by both its existing cash on hand and future anticipated financing based upon current budgets and forecasts.

As at March 31, 2017, the carrying amount of the Canadian bank loan was $nil and MAXIM has issued letters of credit of $12.6 million on the facility. The amount available to draw against Facility A at March 31, 2017 was $0.9 million. Upon closing the sale of the U.S. operating segment on April 3, 2017, the Corporation was required to fully cash collaterize all outstanding letters of credit and the amount available to draw on the facility was $nil. As at May 11, 2017, the Corporation was able to cancel $4.6 million of issued letters of credit in relation to the 2016 sale of the France operating segment and now has $8.0 million of letters of credit outstanding secured by cash deposited in a restricted bank account.

At March 31, 2017, the Corporation had cash of $12.7 million and working capital related to continuing operations of $8.7 million. Upon closing the sale of the U.S. operating segment, the Corporation has ample working capital of approximately $114.9 million to support development projects, maintain liquidity and support current operations. This preceding statement and table represents FLI and users are cautioned that actual results may vary.

As at March 31, 2017, MAXIM determined it has breached its debt service coverage ratio, minimum equity and interest coverage financial covenants in relation to its Canadian credit facility. On January 3, 2017, management obtained a waiver for these covenant breaches from the bank.

Cash flow summary:

Three months ended March 31 ($000's)	2017	2016
Cash on hand, unrestricted, January 1	15,303	5,884
Cash flow from operations:		
• FFO	(2,786)	(6,141)
• Changes in working capital	248	(219)
Cash flow generated from (used in) financing	(92)	4,164
Available for investments	12,673	3,688
Cash flow generated from (used in) investing	68	(1,097)
	12,741	2,591
Cash and cash equivalents held at discontinued operations beginning of period	3,535	
Net increase (decrease) in cash from discontinued operation	(1,092)	7,412
Less: Cash and cash equivalents held at discontinued operation, end of period	(2,443)	-
Undrawn revolving credit facility	941	8,340
Net liquidity available, March 31	13,682	18,343
Cash received from closing the the sale of the U.S. operating segment	119,913	-
Reduction in credit facility availability upon sale	(941)	-
Deposit into restricted bank account, net of cancellation of letter of credit	(7,992)	-
Net liquidity available, April 3, 2017	124,662	-

FFO in the first quarter of 2017 decreased from an outflow of $6.1 million in 2016 to $2.8 million in 2017, which is a decrease of $3.3 million. The decrease in outflow is primarily due to realized gains on Alberta commodity swaps and lower fuel costs in 2017 as the coal being consumed was valued at $nil.

Fluctuations in working capital in the first quarter of 2017 represented a cash inflow of $0.2 compared to an outflow of $0.2 million in 2016. See page 10 for further discussion of working capital.

During the first quarter of 2017, MAXIM’s cash flow used in financing decreased $4.3 million from an inflow of $4.2 million in 2016 to an outflow of $0.1 million in 2017. This decrease is due to drawings on the Canadian bank facility in the first quarter of 2016 for $4.3 million.

MAXIM's investing activities in the first quarter of 2017 represented a cash inflow of $0.1 million, which primarily consisted of proceeds from insurance recoveries, net of sustaining M1 and development initiatives capital in Canada.

MAXIM's investing activities in the first quarter of 2016 represented a cash outflow of $1.1 million, which primarily consisted of $0.3 million of sustaining M1 and development initiatives capital in Canada and a change in non-cash working capital of $0.8 million.

The Corporation has no debt and as such has discontinued using the percent of net debt to capital to monitor leverage.

Working Capital

At March 31, 2017, the Corporation has recognized all assets and liabilities related to the United States operating segment as current assets and liabilities held for sale on the Statement of Financial Position. As a result, the Corporation has a working capital surplus of $97.3 million at March 31, 2017, which represents a $1.1 million decrease from the working capital surplus of $98.4 million at December 31, 2016. The total decrease was due to a $1.3 million decrease in current assets and a $0.2 million decrease in current liabilities.

The decrease in current assets was due to a $2.6 million decrease to unrestricted cash and a $1.2 million decrease to risk management assets from the settlement of commodity options. This was partially offset by a $1.5 million increase in assets held for sale primarily due to an increase in accounts receivable in the U.S. operating segment and a $1.0 million increase in accounts receivable from continuing operations.

The decrease in current liabilities was due to a $1.0 million decrease in trade and other payables from continuing operations. This was partially offset by a $0.8 million increase to liabilities held for sale primarily due to an increase in accounts payable in the U.S. operating segment.

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

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.

Contingencies

Contingent liability

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 Corporation has closed the sale of the France operating segment. Under the agreement, the Corporation continues to be subject to the claims received for €1.7 million in 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.

Further under the agreement, the Corporation is subject to performance criteria of certain generating units in the France operating segment until October 31, 2017. The Corporation is responsible to reimburse the buyer of the France operating segment for penalties incurred until that time up to a maximum of €1.5 million. In addition, the Corporation is subject to customary closing indemnities until December 2, 2019 to a maximum claim of €3.5 million. 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 no liability currently exists.

The actual outcome of these claims and potential claims, including the timing and amount of any cash outflow or the possibility of reimbursements, is not yet determinable.

Contingent assets

Through its Decision 790-D04-2016 ("Decision"), released September 28, 2016, the Alberta Utilities Commission ("AUC") asserted its position on several preliminary matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the AESO Line Loss Rule. The Decision confirms the Corporation's view that the AUC's proceedings will establish compensation to Milner Power Inc. that will include an accounting for the time value of money. The Corporation estimates that overpayments of approximately $42.0 million were made by Milner Power Inc. to the AESO for the period January 1, 2006 to March 31, 2017, based on calculations established by information currently available on the public record. As at March 31, 2017, the implementation date of the new rule under Module B and the amount and timing of compensation under Module C cannot be determined.

Under the agreement for the sale of the France operating segment, the Corporation is eligible for compensation up to €6.0 million, contingent upon a change in law in France which benefits the Corporation's cogeneration units. The change in law must occur no later than June 1, 2018. As at March 31, 2017, the timing and amount of compensation cannot be determined.

Capital Resources

The following represents FLI and users are cautioned that actual results may vary. The Corporation is currently estimating development expenditures from continuing operations of approximately $0.6 million for 2017. In addition, the Corporation has incurred $1.1 million of 2017 required sustaining capital projects at generating facilities in the U.S. operating segment up to April 3, 2017. Management intends to fund these expenditures with cash flows from operations and existing cash balances.

OUTLOOK

The following table compares the Corporation's as at March 31, 2017 unaudited condensed consolidated Statement of Financial Position to a pro-forma Statement of Financial Position after closing of the sale of the U.S. operating segment on April 3, 2017. As a result of the sale, MAXIM will have a significant amount of cash on hand, which it is holding for strategic purposes. This preceding statement and table represents FLI and users are cautioned that actual results may vary.

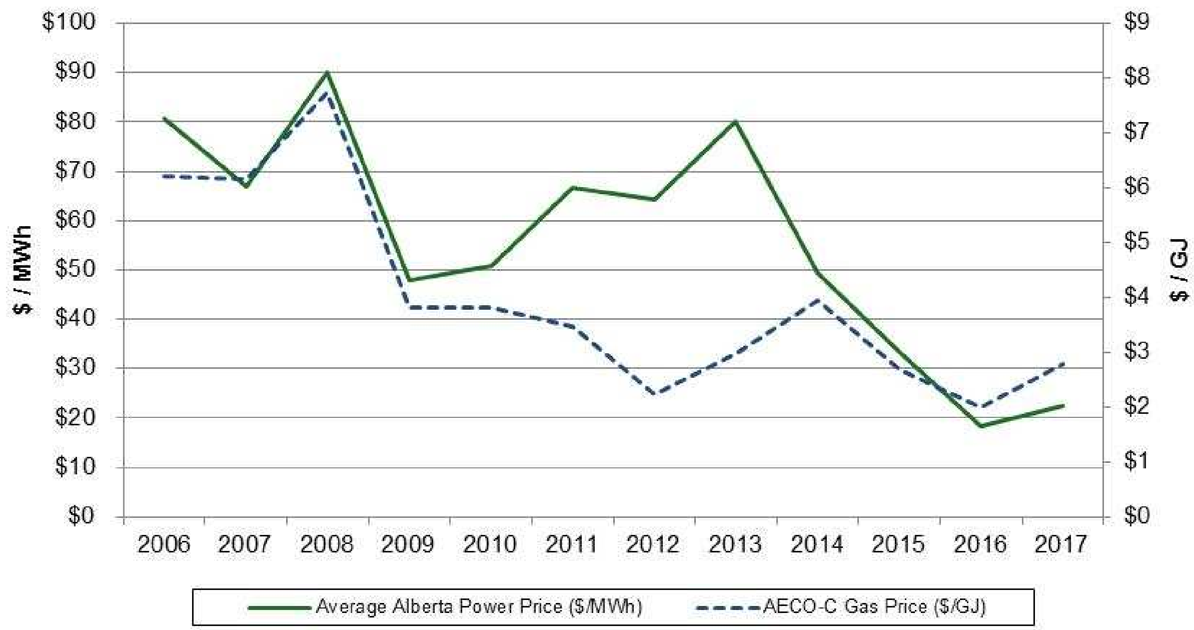
	March 31, 2017	Impact of sale of U.S. Operating Segment	April 3, 2017 (pro-forma)
ASSETS			
Cash and cash equivalents [(1)]	12,741	111,921	124,662
Trade and other receivables	2,881	-	2,881
Prepaid expenses and deposits	242	-	242
Inventories	1,045	-	1,045
Risk management assets [(1)]	242	(242)	-
Assets held for sale	121,745	(121,745)	-
Total current assets	138,896	(10,066)	128,830
Property, plant and equipment, net	54,387	-	54,387
Restricted cash [(2)]	-	7,992	7,992
Intangible assets, net	7,137	-	7,137
Deferred tax assets	4,114	(2,203)	1,911
Other assets	8,677	-	8,677
Total non-current assets	74,315	5,789	80,104
TOTAL ASSETS	213,211	(4,277)	208,934
LIABILITIES			
Trade and other payables	8,487	5,462	13,949
Liabilities held for sale	33,126	(33,126)	-
Total current liabilities	41,613	(27,664)	13,949
Provisions for decommissioning	12,107	-	12,107
Other long-term liability	3,546	-	3,546
Deferred tax liabilities	3,368	-	3,368
Total non-current liabilities	19,021	-	19,021
TOTAL LIABILITIES	60,634	(27,664)	32,970
EQUITY			
Share capital	156,552	-	156,552
Contributed surplus	11,504	-	11,504
Accumulated other comprehensive income	26,731	(26,731)	-
Retained earnings (deficit)	(42,375)	50,283	7,908
Equity attributable to shareholders	152,412	23,552	175,964
Non-controlling interest	165	(165)	-
TOTAL EQUITY	152,577	23,387	175,964
TOTAL LIABILITIES AND EQUITY	213,211	(4,277)	208,934

[(1)] Following closing of the sale of the U.S. operating segment, the Corporation will realize the impact of US$78.0 million foreign currency swap into cash and cash equivalents.

[(2)] Following closing of the sale of the U.S. operating segment, letters of credit issued in relation to the 2016 sale of the France operating segment were cancelled on April 24, 2017. The impact of this cancellation has also been included in the above table.

The Corporation’s outlook is 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 provided notice to temporarily suspend operations at M1 for the second time in two years on July 28, 2017.

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



ACQUISITION AND DEVELOPMENT INITIATIVES

MAXIM is continuing its independent power producer strategy through the advancement of its development initiatives as described herein. The Corporation maintains optionality for all of the development initiatives in order to maximize shareholder value including outright sale, joint venture, build and operate or pace development process to hold as future opportunity. MAXIM has not made any definitive commitments to the timing or certainty of advancing development of these projects. MAXIM intends to evaluate its plans for these projects as clarity develops for the Alberta market.

Buffalo Atlee

MAXIM acquired the Buffalo Atlee Power Project, situated near Brooks, Alberta, through an amalgamation with EarthFirst Canada Inc. on March 2, 2010. This project has the potential for development of up to 200 MW of wind generation capacity in multiple phases. The first phase consists of 35 MW which has been submitted in the Alberta Renewable Energy Program Request for Expressions of Interest stage. There is no commitment to participate in further stages and MAXIM is currently evaluating participation in additional stages. The addition of wind generation to MAXIM's existing portfolio of assets would diversify further potential changes to MAXIM's generation fuel types.

M3

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

M2

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

SUMMIT

SUMMIT is MAXIM’s metallurgical coal 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. 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 Milner 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.

Deerland

MAXIM has received regulatory approvals to construct and operate the Deerland peaking station, a 190 MW natural gas-fired peaking facility. MAXIM has entered into agreements to secure firm natural gas transportation service for the Deerland peaking station.

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 property, plant and equipment. Capitalization of costs associated with these projects commences once technical and economic feasibility is established. If a project no longer meets these criteria, any capitalized costs for the project are expensed in the period.

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

In 2015, the GoA announced its Climate Leadership Plan ("CLP"). The CLP recommends that Alberta move forward on phasing out coal-fired electricity generation by 2030 and encourages more renewable energy. The GoA targets to have renewable sources comprising of 33% of Alberta's coal-fired generating capacity by 2030. Under the CLP, the GoA has also announced the intention to replace the existing Specified Gas Emitters Regulation with the Carbon Competitiveness Regulation ("CCR") commencing January 1, 2018. If enacted, the CCR will require coal-fired generators to pay $30 per tonne of carbon dioxide on emissions above what Alberta's cleanest natural gas-fired plant would emit to generate the same amount of electricity. This has been estimated at $18 per MWh for Alberta's coal-fired generation fleet.

On November 3, 2016 the GoA announced its plan to hold its first auction for renewable power contracts early in 2017 as the government moves on its strategy of having thirty percent of the province's electrical supply coming from renewable sources such as wind, solar and hydro by 2030. The province commenced its first competition in the first quarter of 2017, which will see investors bidding to provide up to 400 MW of renewable electricity for 20 years. The winning bidders will be announced by the end of 2017 and projects commissioned in 2019.

On November 23, 2016 the GoA announced its plan to transition Alberta's energy-only market to a capacity market structure. The capacity market will help to ensure that there is sufficient supply adequacy as over 6,000 MW of coal generation retires by 2030. The new market structure is expected to reduce price volatility while compensating power plant owners with monthly capacity payments for making their capacity available in the energy and ancillary services market. The AESO is engaging stakeholders in determining the design and implementation of the capacity market is expected to conduct the first auction in 2019 with a contract delivery year targeted for 2021. The AESO has suggested they will need new capacity in 2021.

In October 2016, the Government of Canada announced a pan-Canadian carbon pricing system that would put a minimum of $10 per tonne of greenhouse gas ("GHG") emissions in 2018, rising by $10 each year to $50 per tonne by 2022. It is expected that this would not impact Albertans until 2021 when the $30 price on GHG emissions would increase by $10 to $40 in order to meet the federal framework.

As at the date of this MD&A, uncertainties still exist on the details of the legislation resulting from the CLP. MAXIM currently anticipates that it will continue to be permitted to run M1 at full capacity to December 31, 2019 as a coal, natural gas or dual fuel-fired facility and as a natural gas-fired facility at full capacity thereafter, consistent with the current Federal regulations.

In addition to the GHG regulations, Canadian federal and Alberta provincial environmental regulations are also being developed and/or revised for air pollutants such as sulphur dioxide ("SO2"), nitrogen oxides, volatile organic carbons, and particulate matter. No significant changes to these regulations are expected in the near future as both the provincial and federal governments focus on GHG regulations.

MAXIM believes it 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

KPI's

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Mar 2017	31-Dec 2016	30-Sep 2016	30-Jun 2016
Revenue				
Continuing operations	1,979	2,840	1,581	180
Discontinued operations	14,246	18,309	21,997	11,433
Total	16,225	21,149	23,578	11,613
Adjusted EBITDA(1)				
Continuing operations	(3,186)	(3,403)	(993)	(3,980)
Discontinued operations	1,145	525	3,756	781
Total	(2,041)	(2,878)	2,763	(3,199)
Net loss attributable to shareholders				
Continuing operations	(4,511)	(9,721)	(3,334)	(6,825)
Discontinued operations	926	(7,690)	(16,698)	(1,523)
Total	(3,585)	(17,411)	(20,032)	(8,348)
Basic and diluted loss per share attributable to shareholders ($ per share)				
Continuing operations	(0.08)	(0.18)	(0.06)	(0.12)
Discontinued operations	0.01	(0.14)	(0.31)	(0.03)
Total	(0.07)	(0.32)	(0.37)	(0.15)
FFO(1)				
Continuing operations	(2,786)	(4,951)	525	(4,689)
Discontinued operations	2,164	1,584	(4,960)	635
Total	(622)	(3,367)	(4,435)	(4,054)
Total assets	213,211	218,183	295,286	310,674
Average Alberta electricity price ($ per MWh)	22	22	18	15
Average Milner realized power price ($ per MWh) (2)	29	35	34	20
Average Northeast U.S. realized electricity price (US$ per MWh)	69	47	42	37

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
Revenue				
Continuing operations	1,883	2,161	899	12,241
Discontinued operations	36,335	30,631	18,806	10,786
Total	38,218	32,792	19,705	23,027
Adjusted EBITDA(1)				
Continuing operations	(5,802)	276	(5,693)	5,469
Discontinued operations	11,348	7,943	3,354	1,556
Total	5,546	8,219	(2,339)	7,025
Net income (loss) attributable to shareholders				
Continuing operations	(9,994)	(66,011)	(8,916)	3,314
Discontinued operations	1,985	856	(1)	(733)
Total	(8,009)	(65,155)	(8,917)	2,581
Basic and diluted income (loss) per share attributable to shareholders ($ per share)				
Continuing operations	(0.19)	(1.22)	(0.16)	0.06
Discontinued operations	0.04	0.02	-	(0.01)
Total	(0.15)	(1.20)	(0.16)	0.05
FFO(1)				
Continuing operations	(6,141)	(5,183)	(5,807)	2,249
Discontinued operations	11,490	9,627	3,186	1,206
Total	5,349	4,444	(2,621)	3,455
Total assets	327,875	346,898	406,610	386,767
Average Alberta electricity price ($ per MWh)	18	21	26	57
Average Milner realized power price ($ per MWh) (2)	21	23	40	143
Average Northeast U.S. realized electricity price (US$ per MWh)	37	42	44	50

(1) Select financial information was derived from the unaudited condensed consolidated interim financial statements and is prepared in accordance with GAAP, except adjusted EBITDA and FFO. Adjusted EBITDA is provided to assist management and investors in determining the Corporation's operating performance. Adjusted EBITDA and FFO does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. FFO is 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 Non-GAAP Measures section of this MD&A for reconciliations between non-GAAP financial measures and comparable measures calculated in accordance with GAAP.

(2) Includes proportionate share of realized gains from commodity risk management swaps and options in the first quarter of 2017 and third and fourth quarter of 2016.

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 first quarter of 2017 had a $0.3 unrealized gain on foreign exchange and commodity swaps. The fourth quarter of 2016 had a $1.9 million write-down of coal inventory, a $1.8 million unrealized loss on commodity swaps, a $1.8 million loss on sale of the France operating segment and a net reversal of asset impairment charges relating to Canada for $2.8 million. The third quarter of 2016 had a $15.6 million impairment charge, net of deferred tax benefit, relating to the France operating segment, a $10.5 million charge related to the FERC Settlement Agreement, $1.7 million loss on disposal of coal mining equipment, a $2.8 million insurance recovery and a $1.5 million unrealized gain on commodity swaps. The second quarter of 2016 had a $1.9 million write-down of coal inventory, $0.7 million expense for costs relating to the restructuring of Alberta operations, a $0.4 million loss on disposal of spare engines and a $0.2 unrealized gain on commodity swaps. The first quarter of 2016 had a $4.8 million write-down of inventories and a $0.3 million gain on the approval of Emission Performance Credits.

The fourth quarter of 2015 had a reversal of $32.1 million of deferred tax assets in Canada, asset impairment charges totaling $37.2 million relating to M1 and adjacent lands, which including coal leases and an $8.8 million gain on the recognition of SO2 Credits. The third quarter of 2015 had a $0.1 million expense for costs relating to the restructuring of Alberta operations. The second quarter of 2015 had a $6.9 million expense for costs relating to the restructuring of Alberta operations and a $3.4 million unrealized gain relating to the termination of a coal supply agreement.

NON-GAAP MEASURES

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

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

Adjusted EBITDA

Three months ended March 31 ($000's)	Continuing 2017	Continuing 2016	Discontinued 2017	Discontinued 2016	Total 2017	Total 2016
GAAP Measures from Unaudted Condensed Consolidated Interim Statements of Loss						
Net loss	(4,511)	(9,994)	930	2,076	(3,581)	(7,918)
Income tax expense	6	(12)	(3)	457	3	445
Interest expense, net of income	152	104	404	887	556	991
Depreciation and amortization	1,589	1,295	-	8,085	1,589	9,380
EBITDA	(2,764)	(8,607)	1,331	11,505	(1,433)	2,898
Adjustments:						
Inventories write-down	-	4,761	-	-	-	4,761
Unrealized gain on foreign exchange swap	-	-	(242)	-	(242)	-
Share-based compensation	91	217	-	-	91	217
Unrealized gain on commodity swaps	(58)	-	-	-	(58)	-
Foreign exchange and accretion, net	(455)	(2,173)	56	61	(399)	(2,112)
EBITDA from non-controlling interests	-	-	-	(218)	-	(218)
Adjusted EBITDA	(3,186)	(5,802)	1,145	11,348	(2,041)	5,546

EBITDA and Adjusted EBITDA are 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 operating performance before finance expense, income taxes, depreciation and amortization, and certain other income and expenses. Financing expense, income taxes, depreciation and amortization are excluded from the EBITDA calculation, as they do not represent cash expenditures that are directly affected by operations. Furthermore, EBITDA is used in MAXIM's bank covenant calculations, which requires these items to be omitted. Management believes that presentation of this non-GAAP measure provides useful information to investors and shareholders as it provides predictive value and assists in the evaluation of performance trends. Management uses adjusted EBITDA to compare financial results among reporting periods and to evaluate MAXIM's operating performance and ability to generate funds from operating activities.

In calculating Adjusted EBITDA for the first quarter of 2017 management excluded certain non-cash and non-recurring transactions. In 2017, Adjusted EBITDA excluded unrealized gains on commodity and foreign exchange swaps, non-cash expenses related to share-based compensation and accretion and foreign exchange gains and losses. In calculating Adjusted EBITDA for the first quarter of 2016 management excluded certain non-cash and nonrecurring transactions. In 2016, adjusted EBITDA excluded inventories write-down at M1, non-cash expenses related to share-based compensation, accretion and foreign exchange gains and EBITDA from non-controlling interests.

As a result of the sale of the U.S and France operating segment and notice provided to temporarily suspend operations at M1, beginning in the second quarter of 2017, the Corporation will no longer report on Adjusted EBITDA as non-GAAP measure.

FFO

MAXIM's consolidated statements of cash flows includes a subtotal, FFO, which is not required under IAS 1 - Presentation of financial statements. This non-GAAP measure is included in the statements of cash flows to assist management and investors in determining the Corporation's cash flows generated from operations before the cash impact of working capital fluctuations. Management reviews funds from operating activities before changes in working capital on a quarterly basis.

As a result of the sale of the U.S and France operating segment and notice provided to temporarily suspend operations at M1, beginning in the second quarter of 2017, the Corporation will no longer report on FFO as non-GAAP measure.

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.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Standards Issued Not Yet Effective

The International Accounting Standards Board ("IASB") has issued the following new standards to May 11, 2017. These standards have not been applied in preparing MAXIM's first quarter 2017 condensed consolidated interim financial statements as the effective date falls in a subsequent period.

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

Financial Instruments

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

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

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

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

The new standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted whereby the standard must be applied retrospectively. Management has assessed the new standard and determined that there are three key areas of change: classification and measurement, expected credit loss model and hedge accounting. It is expected that there will be no significant impact from the classification and measurements changes based on MAXIM's financial assets and liabilities. In addition, the expected credit loss model will not impact MAXIM as counterparties where credit risk exists are predominantly with entities formed by governments for the purpose of facilitating commerce in the power and utility sector. Finally, there is no impact in the final key area as MAXIM does not have a past practice of utilizing nor does it anticipate commence utilizing hedge accounting. MAXIM will not be early adopting 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 has assessed the new standard and determined that the core principles in this standard do not differ from the existing revenue recognition policy used in the Corporations operations and as such, no impact is expected. MAXIM will not be early adopting this new standard.

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

Leases

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

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

IFRS amendments

The IASB has issued the following amendments to May 11, 2017. These amendments have not been applied in preparing MAXIM's first quarter condensed consolidated interim financial statements as the effective date falls in a subsequent period.

Standard amended	Issued Date	Effective Date (1)	Impact on MAXIM
IAS 28 Investments in Associates and Joint Ventures	December 2016	January 1, 2018	Not applicable to MAXIM
IAS 40 Transfers of Investment Property	December 2016	January 1, 2018	Not applicable to MAXIM
IFRS 1 First-time Adoption of IFRS	December 2016	January 1, 2018	Not applicable to MAXIM
IFRS 2 Share-Based Payments	June 2016	January 1, 2018	No impact to MAXIM
IFRS 4 Insurance Contracts	September 2016	January 1, 2018	Not applicable to MAXIM

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

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

TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter any related party transactions during the first three months of 2017, with the exception of transactions with the Corporation's Directors and members of the Executive Committee in the normal course of business. These transactions in the normal course of business are detailed in note 27 of the 2016 audited annual financial statements.

CONTROLS AND PROCEDURES

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

The interim CEO and the CFO are also responsible for designing and maintaining internal control over financial reporting, as defined under rules adopted by the Canadian Securities Administrators, within the Corporation that are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. MAXIM has adopted the 2013 Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission for the design of its internal control over financial reporting.

The interim CEO and CFO have evaluated, or caused to be evaluated under their supervision, the design and effectiveness of the Corporation's internal control over financial reporting and have identified the following material weakness in the design of the Corporation's internal control over financial reporting. The Corporation, predominately in its discontinued France operating segment and as a result of the complexities surrounding the accounting and disclosures associated with the disposition of both the France and United States operating segments, 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, 2017 and ended on March 31, 2017 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 March 31, 2017. The Corporation anticipates it will remediate this weakness in 2017 upon completion of disposals of both the France and United States operating segments and resulting simplification of operations.

OTHER INFORMATION

Outstanding share data:

Issued common shares at March 31, 2017	54,325,158
Outstanding share options at March 31, 2017	1,875,186
Total diluted common shares at March 31, 2017	**56,200,344**
Share options exercised in April 2017	(54,684)
Issued common shares in April 2017	54,684
Share options settled in cash in April 2017	(8,533)
Total diluted common shares at May 11, 2017	**56,191,811**

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

GLOSSARY OF TERMS

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

AESO	Alberta Electric System Operator
Alberta market power price	The hourly price established by the AESO for electricity bought and sold through the Alberta Power Pool
AUC	Alberta Utilities Commission
Buffalo Atlee	Buffalo Atlee is a development project for up to 200 MW wind generation situated near Brooks, Alberta.
Capacity	The rated continuous load-carrying ability, expressed in megawatts, of generation equipment (throughout the MD&A references to capacity are stated in nameplate capacity)
CCR	Carbon Competitiveness Regulation
CEO	Chief Executive Officer
CFO	Senior Vice President, Finance and Chief Financial Officer
CLP	Climate Leadership Plan
Coal Beneficiation Plant	A coal beneficiation plant is a facility that handles coal by washing it of impurities and prepares it for transportation to the end user or market.
Decision	Decision 790-D04-2016 issued by the AUC
Deerland	Deerland is a development project for a 190 MW natural gas-fired peaking station located near Bruderheim, Alberta
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
Emission Performance Credits	Emission performance credits are generated by facilities that have reduced emission of greenhouse gases by 12% since July 1, 2007
FERC	Federal Energy Regulatory Commission is the United States federal agency with jurisdiction over interstate electricity sales, wholesale electric rates, hydroelectric licensing, natural gas pricing and oil pipeline rates.
FFO	Funds from operation activities before changes in working capital
FLI	Forward-looking information
GAAP	IFRS, as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants
GHG	Greenhouse gas
GoA	Government of Alberta
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicators
M1	HR Milner**,** a 150 MW (nameplate capacity) 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 increase generating capacity at M1 by 86 MW, comprised of two natural gas-fired turbines located next to M1
MAXIM or the Corporation	Maxim Power Corp.
MD&A	Management's Discussion and Analysis
Milner	Milner Power Inc., a wholly owned subsidiary of MAXIM

Milner realized power price	The weighted average price realized by Milner for sale of electricity and spot and fixed prices, in $/MWh
MW	Megawatt, a measure of electrical generating capacity that is equivalent to one million watts
MWh	Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour
O&M	Operations and maintenance
Settlement Agreement	Stipulation and Consent Agreement that resolves and closes all matters in the Staff Notice of Alleged Violations issued in November of 2014 by FERC
SO2	Sulphur dioxide
SUMMIT	Summit Coal is a wholly-owned MAXIM subsidiary, which owns the Mine 14 and Mine 16S development projects
Unplanned outage	Shutdown of a generating unit due to an unanticipated breakdown
U.S. or **United States**	The United States of America

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