Consolidated Financial Statements of

MAXIM POWER CORP.

For the Years Ended December 31, 2017 and 2016

(Audited)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Maxim Power Corp.

We have audited the accompanying consolidated financial statements of Maxim Power Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Maxim Power Corp. as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

March 15, 2018
Calgary, Canada

MAXIM POWER CORP.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	**December 31, 2017**	December 31, 2016
ASSETS			
Cash and cash equivalents	33	**51,264**	15,303
Short-term investment	7,33	**50,138**	-
Trade and other receivables	8	**2,169**	1,856
Prepaid expenses and deposits		**122**	272
Inventories	9	**-**	1,029
Risk management assets	32	**-**	1,480
Assets held for sale	6	**-**	120,236
Total current assets		**103,693**	140,176
Property, plant and equipment, net	10	**47,574**	57,705
Intangible assets, net	11	**677**	7,538
Restricted cash	12,33	**7,908**	-
Deferred tax assets	27	**2,679**	4,114
Other assets	13	**6,959**	8,650
Total non-current assets		**65,797**	78,007
TOTAL ASSETS		**169,490**	218,183
LIABILITIES			
Trade and other payables	14	**6,393**	9,428
Liabilities held for sale	6	**-**	32,364
Total current liabilities		**6,393**	41,792
Provisions for decommissioning	15	**11,055**	11,961
Other long-term liability	16	**-**	3,581
Deferred tax liabilities	27	**3,368**	3,368
Total non-current liabilities		**14,423**	18,910
TOTAL LIABILITIES		**20,816**	60,702
EQUITY			
Share capital	17	**157,471**	156,482
Contributed surplus		**11,517**	11,423
Accumulated other comprehensive income		**-**	28,172
Deficit		**(20,314)**	(38,790)
Equity attributable to shareholders		**148,674**	157,287
Non-controlling interest		**-**	194
TOTAL EQUITY		**148,674**	157,481
Commitments and Contingencies	24,25		
TOTAL LIABILITIES AND EQUITY		**169,490**	218,183

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

On behalf of the Board:

M. Bruce Chernoff
Director

Wiley Auch
Director

MAXIM POWER CORP.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

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

	Note	**2017**	2016
Revenue	19	**2,024**	6,484
Expenses			
Operating	9,20	**11,440**	32,281
General and administrative	20	**5,166**	4,435
Depreciation and amortization		**4,571**	5,238
Gain on commodity swaps	33	**(975)**	(6,266)
Asset impairment charges (reversal), net	10,11	**15,717**	(2,754)
Other (income) expense, net	21	**(3,357)**	1,753
Operating loss		**(30,538)**	(28,203)
Finance income, net	22	**(300)**	(858)
Loss before income taxes		**(30,238)**	(27,345)
Income tax expense	27		
Current		**74**	289
Deferred		**413**	2,240
		487	2,529
Net loss from continued operations		**(30,725)**	(29,874)
Discontinued operations			
Net income (loss) from discontinued operations (net of tax)	6	**49,205**	(23,815)
Net income (loss)		**18,480**	(53,689)
Other comprehensive income (loss), net of tax:			
Items that are or may be reclassified to net income:			
Reclassification to net income on disposal of discontinued foreign operation	6	**(26,729)**	1,068
Translation of discontinued foreign operations		**(1,443)**	(6,988)
Total comprehensive loss		**(9,692)**	(59,609)
Net income (loss) attributable to:			
Non-controlling interest		**4**	111
Shareholders		**18,476**	(53,800)
Net income (loss) attributable to shareholders per share:	23		
Basic earnings		**0.34**	(0.99)
Diluted earnings		**0.34**	(0.99)
Net loss attributable to shareholders per share continued operations:	23		
Basic earnings		**(0.56)**	(0.55)
Diluted earnings		**(0.56)**	(0.55)
Comprehensive income (loss) attributable to:			
Non-controlling interest		**2**	157
Shareholders		**(9,694)**	(59,766)

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

MAXIM POWER CORP.

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars, 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	-	-	-	-	18,476	18,476	4	18,480
Stock options exercised	323	989	(375)	-	-	614	-	614
Share-based compensation	-	-	469	-	-	469	-	469
Translation of foreign operations	-	-	-	(1,443)	-	(1,443)	(2)	(1,445)
Distributions to non-controlling interest	-	-	-	-	-	-	(31)	(31)
Disposal of foreign operation	-	-	-	(26,729)	-	(26,729)	(165)	(26,894)
Equity at December 31, 2017	**54,624**	**157,471**	**11,517**	**-**	**(20,314)**	**148,674**	**-**	**148,674**
Equity at December 31, 2015	54,219	156,248	10,686	34,138	15,010	216,082	705	216,787
Net income (loss)	-	-	-	-	(53,800)	(53,800)	111	(53,689)
Stock options exercised	82	234	(41)	-	-	193	-	193
Share-based compensation	-	-	778	-	-	778	-	778
Translation of foreign operations	-	-	-	(7,034)	-	(7,034)	46	(6,988)
Distributions to non-controlling interest	-	-	-	-	-	-	(102)	(102)
Disposal of foreign operation	-	-	-	1,068	-	1,068	(566)	502
Equity at December 31, 2016	54,301	156,482	11,423	28,172	(38,790)	157,287	194	157,481

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

MAXIM POWER CORP.

Consolidated Statements of Cash Flows

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

	Note	**2017**	2016
Cash flows from operating activities:			
Net loss from continued operations		**(30,725)**	(29,874)
Adjustments for items not involving cash or operations:			
Depreciation and amortization		**4,571**	5,238
Asset impairment charges (reversal), net	10,11	**15,717**	(2,754)
Inventories write-down	9	**-**	8,612
Share-based compensation		**469**	778
Income tax expense	27	**487**	2,529
Income taxes paid		**(98)**	(255)
Finance income, net	22	**(300)**	(858)
Loss on disposal of equipment	21	**-**	1,667
Commodity price call option expired out of the money	33	**378**	-
Cooling tower claims recoveries	21	**(4,275)**	-
Approved emission performance credits	21	**(36)**	(340)
Funds used in continued operating activities before changes in working capital		**(13,812)**	(15,257)
Change in non-cash working capital from continued operations	30	**(6,080)**	1,650
Net cash used in operating activities from continued operations		**(19,892)**	(13,607)
Cash flows from financing activities:			
Issuance of loans and borrowings		**-**	9,599
Repayment of loans and borrowings		**-**	(9,599)
Net proceeds from exercise of stock options		**614**	193
Interest and bank charges	22	**(414)**	(582)
Net cash generated from (used in) financing activities from continued operations		**200**	(389)
Cash flows from investing activities:			
Proceeds on sale of operating segments	6	**116,644**	24,586
Closing costs on sale of United States operating segment	6	**(6,176)**	-
Property, plant and equipment additions	10	**(2,199)**	(1,134)
Purchase of short-term investment		**(50,100)**	-
Proceeds on sale of equipment		**-**	2,243
Purchase of risk management options	33	**-**	(1,480)
Proceeds from the cooling tower claims recoveries	21	**4,275**	-
Interest income	22	**1,117**	1
Change in non-cash working capital	30	**(7,908)**	565
Net cash generated from investing activities from continued operations		**55,653**	24,781
Increase in cash and cash equivalents from continued operations		**35,961**	10,785
Cash and cash equivalents held at discontinued operations, beginning of period		**3,535**	-
Net increase (decrease) in cash and cash equivalents from discontinued operations	6	**(3,535)**	2,169
Less: cash and cash equivalents held at discontinued operations, end of period		**-**	(3,535)
Cash and cash equivalents, beginning of period		**15,303**	5,884
Cash and cash equivalents, end of period		**51,264**	15,303

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

1. Reporting entity

Maxim Power Corp. is incorporated in the province of Alberta, Canada. Maxim Power Corp. and its subsidiaries (together "MAXIM" or the "Corporation") is an independent power producer, which acquires or develops, owns and operates power and power related projects in Alberta. The Corporation closed the sale of its United States operating segment on April 3, 2017 and has presented the result of these operations as discontinued operations (note 6). The Corporation’s common shares trade on the Toronto Stock Exchange under the symbol "MXG". MAXIM’s registered office is Suite 1210, 715 – 5 Avenue S.W., Calgary, Alberta, Canada, T2P 2X6.

2. Basis of preparation and statement of compliance

(a) Statement of compliance

MAXIM prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on March 15, 2018.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for amounts payable to employees under a restricted share unit (“RSU”) plan and stock appreciation rights ("SAR") plan, commodity and foreign exchange risk management contracts, and the reimbursement of decommissioning costs, which are measured at fair value on the statements of financial position.

(c) Functional and presentation currency

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

(d) Use of judgments and estimates

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

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

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

(e) Significant judgments

(i) Contingencies

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

(ii) Impairment indicators

At the end of each reporting period, management makes a judgment whether there are any indications of impairment of its property, plant and equipment ("PP&E") and intangible assets at the lowest level at which there are separately identifiable cash flows. If there are indications of impairment, MAXIM performs an impairment test on the asset or the cash-generating unit ("CGU").

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

(f) Assumptions and critical estimates

(i) Decommissioning costs

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

During 2017, the Corporation began remediation of certain lands at the Milner generating facility ("Milner") site, and as a result management updated the cost estimate to decommission Milner. The updated cost estimates resulted in an increase to the decommissioning cost estimate as it reflects current information. The effect of these changes has been disclosed in notes 10 and 15.

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

(ii) Useful life and residual value of PP&E

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

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

(iii) Impairment of non-financial assets

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

(iv) Income taxes

The Corporation recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Corporation to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are dependent on monetization of contingent assets. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the statements of financial position date could be impacted.

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

(v) SO2 credits

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

3. **Significant accounting policies**

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

(a) Basis of consolidation

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

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

(b) Non-controlling interests

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

(c) Foreign currency translation

(i) Foreign operations

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

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

When a foreign operation is substantially disposed of, the cumulative amount of foreign currency gains or losses are reclassified to profit or loss.

(ii) Foreign currency transactions

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

3. Significant accounting policies (continued)

(iii) Foreign exchange management

Foreign exchange gains or losses on transactions entered into to manage foreign exchange risks on the proceeds from the sale of foreign operating segments are recognized in the gain or loss on sale for closed transactions or other income for unrealized transactions.

(d) Impairment of non-financial assets

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

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

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

(e) Financial instruments

(i) Recognition

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

(ii) Offsetting financial instruments

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

(iii) Measurement and classification

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

3. Significant accounting policies (continued)

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

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

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

Instruments classified in this category are commodity and foreign exchange risk management contracts.

(v) Loans and receivables

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

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

The Corporation's loans and receivables are comprised of trade and other receivables, short-term investment and cash and cash equivalents.

(vi) Other financial liabilities

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

(vii) Derivative financial instruments and hedges

The Corporation periodically uses risk management techniques including the use of derivative instruments to reduce its exposure to movements in energy commodity prices and foreign exchange rates. Derivative instruments include both futures contracts, which are used to establish a fixed price for an energy commodity, as well as options contracts, which establish a floor or ceiling price in exchange for a premium paid.

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

3. Significant accounting policies (continued)

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

(viii) Impairment of financial assets

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

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

(f) Cash and cash equivalents

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

(g) Short-term investment

Investment consists of demand deposits with banks and other financial institutions greater than ninety days, but less than three hundred sixty five days.

(h) Inventories

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

(i) Property, plant and equipment ("PP&E")

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

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

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

3. Significant accounting policies (continued)

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

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

Generating facilities	Straight-line until 2019
Equipment	20 - 30% declining balance or straight-line until 2019

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

(j) Other intangible assets

Intangible assets consist of nitrous oxide emission (“NOx”) credits, SO2 Credits and emission performance credits pertaining to Alberta's Greenhouse Gas Reduction Program ("Emission Performance Credits").

The NOx credits are recorded at cost of acquisition. The Emission Performance Credits and SO2 Credits are recorded initially at fair value. The Corporation recognizes these intangible assets when there is reasonable assurance that the Corporation will receive the future benefit of the asset. Subsequent to recognition, these intangible assets are measured at cost and tested for impairment if there are indications of impairment.

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

(k) Borrowing costs

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

(l) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

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

3. Significant accounting policies (continued)

(iii) Share-based compensation

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

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

The Corporation records a compensation cost for all RSU's granted to employees over the vesting period of the RSU based on the fair value of the RSU at grant date. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair values of the amounts payable, which are settled in cash, are recognized as expenses with corresponding increases in liabilities over the period that the employees unconditionally become entitled to payments. The fair value of each grant is measured at the closing share price of MAXIM's shares. The liability is re-measured to fair value at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized in income or loss. The Corporation records compensation costs for all SAR's granted to employees over the vesting period of the SAR based on the fair value of the SAR at grant date. The fair values of the amounts payable, which are settled in cash, are recognized as expense once it is more likely than not to be vested. The fair value of each grant is measured at the closing share price of MAXIM's shares. The liability is re-measured to fair value at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized in income or loss.

(m) Provisions

(i) Decommissioning liabilities

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

3. Significant accounting policies (continued)

(ii) Other provisions

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

(n) Revenue recognition

Revenue is recognized under variable price contracts for electricity and is recognized upon delivery.

(o) Leases

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

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

(p) Finance income and finance expense

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

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

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

(q) Income taxes

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

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

3. Significant accounting policies (continued)

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

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

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

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

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

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

(r) Earnings per share

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

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

(s) Segment reporting

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

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

4. Determination of fair value

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

(a) Trade and other accounts receivable

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

(b) Intangible assets

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

(c) Other assets

The fair value of long-term prepaid expenses and deposits and the Milner decommissioning reimbursement (note 13) is estimated at the present value of future cash flows, discounted at the risk-free rate specific to the asset.

(d) Commodity swaps

The fair value of swaps is based on the amount that would be paid or received to settle the contracts at period end. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Corporation and counterparty when appropriate.

(e) Share-based payment transactions

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

5. New accounting pronouncements

(a) IFRS adoption of new or amended standards

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.

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

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

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

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

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

The new standard is effective for annual periods beginning on or after January 1, 2018. 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.

There is no significant impact from the classification changes and no impact from the measurement changes based on MAXIM's existing financial assets and liabilities. In addition, the expected credit loss model will not impact MAXIM as counterparties for revenues from continuing operations where credit risk exists are 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.

5. New accounting pronouncements (continued)

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

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.

The new standard is effective for annual periods beginning on or after January 1, 2018. 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 continuing operations and as such, the new standard is not expected to impact MAXIM.

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

The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. Management is currently assessing the impact of the application of this standard, but does not anticipate that there will be a significant impact as the Corporation currently only utilizes operating leases for office space and fixtures therein. The Corporation does not anticipate that it will early adopt this new standard.

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

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

6. Assets and liabilities held for sale and discontinued operations

On April 3, 2017, the Corporation closed the sale of the United States operating segment for net proceeds of approximately US$83 million after the effect of the final net working capital adjustment. Upon close, the Corporation was required under its Canadian bank facility, to fully cash collaterize all outstanding letters of credit and 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.

The following table summarizes the gain on disposal of the United States operating segment for the year ended December 31, 2017:

	December 31, 2017
Cash consideration, net of closing costs	112,624
Net assets disposed	(90,235)
Realized gain on translation on disposal of discontinued operations	11,380
Working capital adjustment	(2,156)
Gain on disposal of United States	31,613

On December 2, 2016, the Corporation closed the sale of the France operating segment for proceeds of €17.7 million. These proceeds were used to pay closing costs and the drawn revolving portion of its Canadian bank facilities, with the remainder to be held by MAXIM for strategic corporate purposes. Upon closing this sale, the Corporation recognized a loss on sale of $1,756, the borrowing limit on MAXIM's Canadian bank facilities was reduced from $25.0 million to $13.5 million and incurred contingent obligations disclosed in note 25a.

The following table summarizes the loss on disposal of the France operating segment for the year ended December 31, 2016:

	December 31, 2016
Cash consideration, net of closing costs	24,586
Net assets disposed	(25,274)
Realized gain on translation on disposal of discontinued operations	(1,068)
Loss on disposal of France	(1,756)

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

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

The following tables represent the discontinued net income (loss) for the United States (2017 and 2016) and France (2016) operating segments:

Total Discontinued Operations

	December 31, 2017	December 31, 2016
Revenue	14,246	88,074
Expenses (income) (a)	(20,065)	120,308
Operating income (loss)	34,311	(32,234)
Finance expense (income), net (b)	(14,891)	3,398
Income (loss) before income taxes	49,202	(35,632)
Income tax expense (benefit)		
Current	25	583
Deferred (c)	(28)	(12,400)
	(3)	(11,817)
Net income (loss) from discontinued operations	49,205	(23,815)
Attributable to:		
Non-controlling interest	4	111
Shareholders	49,201	(23,926)
Net income (loss) from discontinued operations attributable to shareholders per share (note 23):		
Basic earnings	0.90	(0.44)
Diluted earnings	0.90	(0.44)

(a) Includes a gain on disposal of the United States operating segment for $31,613 in the year ended December 31, 2017. Includes an impairment charge of $22,750 and a loss on disposal of $1,756 for the France operating segment in year ended December 31, 2016.

(b) Includes a realized gain on translation on disposal of discontinued operations for $15,349 in the year ended December 31, 2017.

(c) Includes $7,126 of income tax benefit related to the impairment charge in the year ended December 31, 2016.

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

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

	December 31, 2017	December 31, 2016
Cash flows from (used in) discontinued operations		
Net cash generated from operating activities	87	16,271
Net cash used in financing activities	(842)	(8,353)
Net cash used in investing activities	(313)	(5,395)
Cash component of net assets disposed	(2,443)	-
Unrealized foreign exchange loss on cash	(24)	(354)
Net cash flows for the period	(3,535)	2,169

United States Segment

	December 31, 2017	December 31, 2016
Revenue	14,246	55,639
Expenses (income)	(20,065)	65,355
Operating income (loss)	34,311	(9,716)
Finance expense (income), net	(14,891)	1,932
Income (loss) before income taxes	49,202	(11,648)
Income tax expense (benefit)		
Current	25	185
Deferred	(28)	(4,607)
	(3)	(4,422)
Net income (loss) from discontinued operations	49,205	(7,226)
Attributable to:		
Non-controlling interest	4	72
Shareholders	49,201	(7,298)

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

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

France Segment

	December 31, 2017	December 31, 2016
Revenue	-	32,435
Expenses	-	54,953
Operating loss	-	(22,518)
Finance expense, net	-	1,466
Loss before income taxes	-	(23,984)
Income tax expense (benefit)		
Current	-	398
Deferred	-	(7,793)
	-	(7,395)
Net loss from discontinued operations	-	(16,589)
Attributable to:		
Non-controlling interest	-	39
Shareholders	-	(16,628)

At December 31, 2016, the United States operating segment comprised the following assets and liabilities:

Assets classified as held for sale

	December 31, 2016
Cash and cash equivalents	3,535
Restricted cash	1,259
Trade and other receivables	3,465
Prepaid expenses and deposits	1,205
Inventories	7,295
Income taxes recoverable	154
Property, plant and equipment, net	102,118
Intangible assets, net	961
Future income tax asset	140
Other assets	104
Total held for sale	120,236

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

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

Liabilities classified as held for sale

	December 31, 2016
Trade and other payables	5,783
Loans and borrowings, net of deferred financing costs	22,349
Provisions for decommissioning	4,232
Total held for sale	32,364

7. Short-term investment

Short-term investment is comprised of a ninety day notice demand deposit held at a financial institution earning interest income at a floating rate of bank prime less 1.23%. At December 31, 2017, the balance of short-term investment was $50,138 (December 31, 2016 - $nil).

8. Trade and other receivables

	December 31, 2017	December 31, 2016
Trade receivables	-	1,856
Other receivables (a)	2,061	-
Interest receivable	108	-
Total accounts receivable	2,169	1,856

(a) Other receivables are primarily comprised of receivables from the Balancing Pool for billings from the reclamation of certain lands at Milner (note 15) and receivables for coal inventory sold to a third party.

9. Inventories

	December 31, 2017	December 31, 2016
Plant parts and stock items (a)	-	1,029
Total inventories (b)	-	1,029

(a) During 2017, the Corporation determined that spare parts previously classified as inventories are expected to be consumed over greater than twelve months as a result of the temporary suspension of operations at Milner. During 2017, the Corporation reclassified $1,038 from inventories to PP&E.

(b) During 2016, coal inventories and plant parts and stock items were written down by $8,049 and $563, respectively, to net realizable value. The write-down is included in operating expenses on the statement of income.

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

10. Property, plant and equipment, net

	Land	Generating Facilities	Equipment	Assets under Construction (a)	Total
Cost					
Balance, December 31, 2015	10,014	395,666	4,550	49,555	459,785
Additions, net of insurance recoveries	542	3,384	-	713	4,639
Capitalized interest	-	-	-	39	39
Revisions to decommissioning provisions	-	(568)	-	-	(568)
Disposals (b)	(594)	(131,972)	(607)	(3,911)	(137,084)
Effect of movements in exchange rates	(312)	(12,745)	(56)	(18)	(13,131)
Transferred to assets held for sale (c)	(3,147)	(170,581)	(639)	(637)	(175,004)
Balance, December 31, 2016	6,503	83,184	3,248	45,741	138,676
Additions	-	1,296	-	903	2,199
Asset impairment charge (d)	(809)	-	-	-	(809)
Revisions to decommissioning provisions	-	606	-	-	606
Disposals	-	(97)	-	-	(97)
Capital spares reclass	-	1,038	-	-	1,038
Derecognition of fully depreciated asset	-	(1,197)	-	-	(1,197)
Effect of movements in exchange rates	(539)	(31)	-	-	(570)
Balance, December 31, 2017	5,155	84,799	3,248	46,644	139,846
Accumulated depreciation					
Balance, December 31, 2015	-	178,393	3,578	20,697	202,668
Depreciation	-	18,221	128	-	18,349
Asset impairment charges (d)	-	12,259	-	-	12,259
Reversal of asset impairment charges (e)	-	-	-	(4,100)	(4,100)
Disposals (b)	-	(69,850)	(421)	-	(70,271)
Effect of movements in exchange rates	-	(5,007)	(41)	-	(5,048)
Transferred to assets held for sale (c)	-	(72,326)	(560)	-	(72,886)
Balance, December 31, 2016	-	61,690	2,684	16,597	80,971
Depreciation	-	4,035	99	-	4,134
Asset impairment charges (d)	-	1,072	-	7,373	8,445
Derecognition of fully depreciated asset	-	(1,197)	-	-	(1,197)
Disposals	-	(81)	-	-	(81)
Balance, December 31, 2017	-	65,519	2,783	23,970	92,272
Property, plant and equipment, net					
December 31, 2016	6,503	21,494	564	29,144	57,705
December 31, 2017	5,155	19,280	465	22,674	47,574

(a) Assets under construction

During the year, the Corporation incurred direct costs for assets under construction totaling $903 (2016 - $713). Capitalized borrowing costs related to the construction of these projects amounted to $nil (2016 - $39), at a weighted average rate of nil (2016 – 4.9%).

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

(b) Disposals

During 2016, the Corporation sold Maxim Power Europe B.V., whose principal asset was the Comax France S.A.S. (collectively "COMAX") (note 6) and was represented as the France operating segment.

During 2016, the Corporation sold its coal mining equipment with a carrying value of $3,910 classified as PP&E (note 21c).

(c) Assets held for sale

During 2016, the Corporation entered into an agreement to sell Maxim Power USA Inc. As a result all of the PP&E in the United States operating segment has been reclassified to assets held for sale (note 6). During 2017, the Corporation closed the sale of the United States operating segment.

(d) Asset impairment charges

(i) At December 31, 2017, due to significant adverse changes in the market conditions for metallurgical coal, the Corporation recognized an asset impairment charge of $7,373 with respect to its assets under construction for its metallurgical coal development project included in Canada operating segment. The recoverable amount was estimated to be $8,192. The recoverable amount was determined using fair value less costs of disposal. The fair value measurement was categorized as Level III within the fair value hierarchy. The fair value measurement valuation technique used was discounted cash flow which was corroborated by reference to recent market transactions. The key assumptions used in determination of fair value include a pre-tax discount rate of 23.1% and the proven and probable metallurgical coal reserve volumes as estimated by external experts. These estimated volumes are based on the NI 43-01 Technical Report filed on SEDAR on March 21, 2013.

(ii) During 2017, due to significant adverse changes at the facility site, the Corporation recognized an asset impairment charge of $1,072 with respect to the Gold Creek generating facility included in the Canada operating segment. In the absence of contractual arrangements or favourable Alberta power prices that would make it economically feasible to connect the facility to a new compressor at the current site or another MAXIM site, the recoverable amount of this facility was estimated at its salvage value of $43.

(iii) During 2017, due to updated information on market conditions, the Corporation obtained an appraisal for raw land it is holding in the United States. Based on a sales approach to same or similar land, the Corporation determined that the book value of the land was greater than the recoverable amount and recognized an $809 asset impairment charge. The recoverable amount was estimated based on the appraisal to be US$4,109.

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

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

(iv) During 2016, when the assets and liabilities of COMAX were reclassified to assets and liabilities held for sale, an asset impairment charge of $12,259 was recognized against PP&E in the France operating segment. The assets were impaired as the carrying amount was greater than the anticipated net proceeds under the terms of the purchase and sales agreement (note 6).

(e) Reversal of asset impairment charge

During 2016, due to a significant change in market conditions for metallurgical coal, the Corporation partially reversed $4,100 of a previously recognized asset impairment charge with respect to assets under construction for its metallurgical coal development project included in the Canada operating segment. The recoverable amount was estimated to be $15,658. The recoverable amount was determined using fair value less costs of disposal. The fair value measurement was categorized as Level III within the fair value hierarchy. The fair value measurement valuation technique used was discounted cash flow which was corroborated by reference to recent market transactions. The key assumptions used in determination of fair value include a pre-tax discount rate of 20.6% and the proven and probable metallurgical coal reserve volumes as estimated by external experts. These estimated volumes are based on the NI 43-01 Technical Report filed on SEDAR on March 21, 2013.

11. Intangible assets, net

	Power contracts	Emission performance credits	SO2 credits	NOx credits and other	Total
Cost					
Balance, December 31, 2015	30,248	-	8,822	4,757	43,827
Additions	-	340	-	-	340
Impairment (a)	(10,491)	-	(1,346)	-	(11,837)
Effect of movements in exchange rates	(1,174)	-	-	(7)	(1,181)
Disposals (c)	(13,768)	-	-	-	(13,768)
Transferred to assets held for sale (b)	(4,815)	-	-	(403)	(5,218)
Balance, December 31, 2016	-	340	7,476	4,347	12,163
Additions	-	36	-	3	39
Impairment (a)	-	-	(6,463)	-	(6,463)
Balance, December 31, 2017	-	376	1,013	4,350	5,739
Accumulated amortization					
Balance, December 31, 2015	17,552	-	-	3,051	20,603
Amortization	1,311	-	756	894	2,961
Effect of movements in exchange rates	(912)	-	-	(2)	(914)
Disposals (c)	(13,768)	-	-	-	(13,768)
Transferred to assets held for sale (b)	(4,183)	-	-	(74)	(4,257)
Balance, December 31, 2016	-	-	756	3,869	4,625
Amortization	-	35	257	145	437
Balance, December 31, 2017	-	35	1,013	4,014	5,062
Intangible assets, net					
December 31, 2016	-	340	6,720	478	7,538
December 31, 2017	-	341	-	336	677

11. Intangible assets, net (continued)

(a) Impairment

i) During 2017, due to adverse changes in the market conditions for environmental credits in Alberta, the Corporation recognized an asset impairment charge of $6,463 with respect to SO2 credits at Milner included in Canada operating segment. The recoverable amount was estimated to be $nil. The recoverable amount was determined using fair value less costs of disposal. The fair value measurement was categorized as Level III within the fair value hierarchy. The fair value measurement valuation technique used was based on management's experience and knowledge of long and short positions of SO2 credits of industry participants.

ii) During 2016, when the assets and liabilities of COMAX were reclassified to assets and liabilities held for sale, an asset impairment charge of $10,491 was recognized against intangible assets in the France operating segment. The assets were impaired as the carrying amount was greater than the anticipated net proceeds under the terms of the purchase and sales agreement (note 6).

iii) During 2016, due to adverse changes in the market conditions for environmental credits in Alberta, the Corporation recognized an asset impairment charge of $1,346 with respect to SO2 credits at Milner included in Canada operating segment. The recoverable amount was estimated to be $6,720. The recoverable amount was determined using fair value less costs of disposal. The fair value measurement was categorized as Level III within the fair value hierarchy. The fair value measurement valuation technique used was based on management's experience and knowledge of long and short positions of SO2 credits of industry participants.

(b) Assets held for sale

During 2016, the Corporation entered into an agreement to sell Maxim Power USA Inc. As a result all of the intangibles in the United States operating segment have been reclassified to assets held for sale (note 6) in the United States operating segment.

(c) Disposals

During 2016, the Corporation sold Maxim Power Europe B.V., whose principal asset was the COMAX (note 6) and represented in the France operating segment.

12. Restricted cash

Effective May 1, 2017, the Corporation amended and restated its credit agreement with the Bank of Montreal ("the bank") to a demand facility that will fully cash collaterize up to $8,000 of letters of credit on a non-revolving basis. As at December 31, 2017, the Corporation has $7,908 of outstanding letters of credit and this amount was deposited into a restricted bank account maintained by the bank.

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

13. Other assets

	December 31, 2017	December 31, 2016
Long term prepaid expenses	180	182
Milner decommissioning reimbursement	6,779	8,342
Other long term deposits	-	126
Total other assets	6,959	8,650

14. Trade and other payables

	December 31, 2017	December 31, 2016
Trade payables	535	1,616
Accrued liabilities and other payables	5,858	7,740
Risk management liability	-	58
Income taxes payable	-	14
Total trade and other payables	6,393	9,428

15. Provisions for decommissioning

The Corporation's provisions are comprised of decommissioning liabilities that relate to the retirement of its electrical generating facilities related to continuing operations. The decommissioning liabilities have been discounted at the risk-free rate, which was 1.4% to 2.3% (December 31, 2016 – 0.6% to 2.3%) depending on the timeframe of when the liability will be settled and inflation rates, which were 1.6% (December 31, 2016 – 1.9%). The Corporation is required to re-measure the provision at each reporting period in order to reflect expected cost, timing and discount rates in effect at that time. The total undiscounted inflation adjusted amounts of estimated obligations related to continuing operations are approximately $10,398 (December 31, 2016 - $9,071) and are expected to be incurred in one to forty two years from the date of these consolidated financial statements.

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

Balance, December 31, 2015	16,981
Accretion	301
Changes in previously estimated liabilities due to discount rate revisions	(973)
Revaluation of foreign currency denominated liabilities	(116)
Transferred to liabilities held for sale	(4,232)
Balance, December 31, 2016	11,961
Accretion	221
Changes in previously estimated liabilities due to inflation and discount rate revisions	(1,090)
Changes in estimate of decommissioning costs of Milner (note 2f)	2,307
Remediation of certain lands at the Milner site in progress	(2,344)
Balance, December 31, 2017	11,055

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

15. Provisions for decommissioning (continued)

(a) Reimbursement of decommissioning costs

The Corporation is responsible for the decommissioning of Milner subject to the Balancing Pool reimbursing MAXIM for the first $15,000 of costs. During 2017, the Corporation began remediation of certain lands at the Milner site and as at December 31, 2017, the Corporation has billed the Balancing Pool $2,344. At December 31, 2017 the fair value of the remaining reimbursement from the Balancing Pool of $6,779 (December 31, 2016 - $8,342) is included in other assets (note 13) and accretion of the asset is included as a credit to finance expense (note 22).

16. Other long-term liability

During 2017, the Corporation paid the second of three equal installments in relation to the Federal Energy Regulatory Commission settlement. The third and final installment of $3,345 is included in trade and other payables.

17. Share capital

	Number of Shares	$
Common Shares of Maxim Power Corp.		
Common Shares, December 31, 2015	54,218,758	156,248
Share options exercised	82,633	234
Commn Shares, December 31, 2016	54,301,391	156,482
Share options exercised	322,434	989
Common Shares, December 31, 2017	54,623,825	157,471

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

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

(b) an unlimited number of Preferred Shares

All shares rank equally with regard to the Corporation's equity and shall be entitled to one vote per share at the meetings of the Corporation. The holders of the Common Shares are entitled to receive equally any dividends declared by the Corporation. As at December 31, 2017 and 2016, there are nil Preferred Shares outstanding.

18. Share-based compensation

(a) Stock options

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

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

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

18. Share-based compensation (continued)

	Year ended December 31, 2017			Year ended December 31, 2016		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of period	1,898,952	$	2.56	2,811,681	$	2.67
Settled for cash	(808,496)		2.51	-		-
Exercised	(322,434)		2.55	(82,633)		2.35
Forfeited	-		-	(704,435)		2.53
Granted (i)	833,980		2.70	465,767		2.63
Expired	(85,883)		2.74	(591,428)		3.20
Outstanding, end of period	1,516,119	$	2.66	1,898,952	$	2.56
Exercisable	536,037	$	2.62	973,892	$	2.52

The Corporation recorded non-cash share-based expense of $469 (December 31, 2016 - $778) for the year ended December 31, 2017.

(i) During 2017 and 2016, the Corporation granted options to certain employees and directors. The fair value of each option granted is estimated at the date of grant using the Black-Scholes option pricing model with weighted average assumptions for the grant as follows:

	2017	2016
Fair value of each option ($)	0.54	0.52
Share price at grant date ($)	2.70	2.63
Exercise price ($)	2.70	2.63
Risk-free interest rate (%)	1.15	0.56
Expected life (years)	0.98	1.02
Expected volatility (%)	33.69	34.05
Forefiture rate (%)	-	-

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

(ii) As at December 31, 2017, the range of exercise prices was $2.54 - $3.20 (December 31, 2016 - $2.46 - $3.24) and the weighted average remaining contractual life was 1.2 years (December 31, 2016 – 1.1 years).

(b) RSU's and SAR's

The Corporation has RSU and SAR plans under which employees have received grants. RSU's granted to employees vest over a three year period in equal amounts. Employees are compensated with the vesting units valued at the weighted average of share prices at which the shares are traded on the exchange for the five days immediately preceding the award payment. At December 31, 2017, the value of RSU's outstanding were $55 (December 31, 2016 - $148). SAR's granted to employees vested as a result of the completion of key corporate initiatives. At December 31, 2017, the value of SAR's outstanding were $nil (December 31, 2016 - $570). The Corporation recorded non-cash RSU and SAR expense in wages and employee benefits (note 20).

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

19. Revenue

	December 31, 2017	December 31, 2016
Electricity and power revenue	1,977	6,431
Ancillary and other revenue	47	53
Total revenue	2,024	6,484

20. Expenses by nature

	December 31, 2017	December 31, 2016
Fuel costs	1,435	14,098
Operating and maintenance	6,265	8,527
Wages and employee benefits	8,906	14,091
Depreciation and amortization	4,571	5,238
Asset impairment charges (reversal), net	15,717	(2,754)
Gain on commodity swaps	(975)	(6,266)
Other expense (income), net (note 21)	(3,357)	1,753
Total expenses	32,562	34,687

21. Other expense (income), net

	December 31, 2017	December 31, 2016
Cooling tower claims recoveries (i)	(4,275)	-
Restructuring of Alberta operations (ii)	1,737	426
Transition service income	(759)	-
Approved emission performance credits	(36)	(340)
Loss (gain) on sale of equipment (iii)	(24)	1,667
Total other expense (income), net	(3,357)	1,753

(i) Proceeds from the final resolution of the cooling tower claims

(ii) This consists of costs incurred to restructure the Corporation's Alberta operations to reduce ongoing operating costs. These expenses primarily related to severance payments to employees.

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

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

22. Finance expense (income), net

	December 31, 2017	December 31, 2016
Interest expense and bank charges	414	543
Accretion of provisions	83	89
Foreign exchange loss (gain)	320	(1,489)
Finance expense (income)	817	(857)
Interest income (i)	(1,117)	(1)
Total finance income, net	(300)	(858)

(i) Includes interest income on cash and cash equivalents, short-term investment and restricted cash.

23. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share the year ended December 31, 2017 was based on the net income attributable to common shareholders and net loss attributable to common shareholders from continued operations of $18,476 and $30,725, respectively (December 31, 2016 – losses of $53,800 and $29,874, respectively) and weighted average number of common shares outstanding for the period of 54,471,594 (December 31, 2016 – 54,265,836), calculated below:

Weighted average number of common shares (basic):

	2017	2016
Issued common shares at January 1	54,301,391	54,218,758
Effect of stock options exercised	170,203	47,078
Weighted average number of common shares at December 31	54,471,594	54,265,836

(b) Diluted earnings per share

For the year ended December 31, 2017 diluted earnings per share calculation, 53,716 shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options. For the year ended December 31, 2016, no shares were added to the average number of common shares outstanding because they were antidilutive. For the year ended December 31, 2017, no shares were added to the average number of common shares outstanding for continued operations as they were antidilutive.

Weighted average number of common shares (diluted):

	2017	2016
Weighted average number of common shares (basic)	54,471,594	54,265,836
Effect of exercisable stock options	53,716	-
Weighted average number of common shares (diluted) at December 31	54,525,310	54,265,836

24. Commitments

(a) Milner Power Limited Partnership ("MPLP") is responsible for the decommissioning and reclamation of the power station lands at Milner and the present value of these amounts has 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, net of amounts billed. As at December 31, 2017, the Corporation has billed the Balancing Pool for $2,344, of which $1,053 has been collected for remediation of certain lands at Milner. 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.

(b) The Corporation has entered into a natural gas transportation service agreement from November 1, 2020 to October 31, 2028 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 December 31, 2017. The Corporation has an additional commitment of $798 regarding the service portion of the contract.

25. 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. Any amounts claimed by the buyer in relation to these two amounts will be reduced by any recoveries attained by the buyer from legal proceedings against third parties that were ongoing at the time of the sale and date of these Consolidated Financial Statements. The Corporation is further subject to tax indemnities until December 2, 2019. 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)

25. Contingencies (continued)

The Corporation has closed the sale of the United States operating segment. Under the sales agreement, the Corporation is subject to tax indemnities with an expiry date in accordance with all applicable statutes of limitations with respect to the matters covered thereby. In addition, the Corporation is subject to customary closing indemnities until April 3, 2018 to a maximum claim of US$8,841 thousand.

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-D06-2017 ("Decision"), released December 18, 2017, the Alberta Utilities Commission ("AUC") asserted its position on several 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 that the same method that was used to calculate 2017 prospective loss factor rates would be used for the retrospective period of January 1, 2006 – December 31, 2016. A single settlement approach will be used whereby it calculates all eleven years before cash is settled. The Decision further confirms that the settlement be effected by reissuing invoices to the original party and that a rider will be applied to transmission rates across the industry to collect any shortfall from the inability to collect from an original party. The Corporation estimates that overpayments of approximately $40,100 were made by Milner Power Inc. to the AESO for the period January 1, 2006 to December 31, 2016, based on calculations established by information currently available on the public record, before accounting for the time value of money. As at December 31, 2017, the precise amount and timing of compensation under Module C cannot be determined.

26. Operating leases

Leases as lessee

Non-cancellable operating lease rentals related to continuing operations are payable as follows:

	December 31, 2017	December 31, 2016
Less than one year	259	236
Between one and five years	541	584
More than five years	-	-
Total	800	820

The Corporation leases office space and equipment under operating leases. These leases typically run for a period of one to five years and office space leases are customarily renegotiated for similar terms, at then-current market rates. During the year ended December 31, 2017, $301 was recognized as an operating expense in the statements of loss in respect of operating leases related to continuing operations (December 31, 2016 - $358).

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

27. Income taxes

(a) Tax expense recognized in statements of loss

	December 31, 2017	December 31, 2016
Current tax expense (benefit)		
Current year	26	313
Adjustment for prior years tax returns	48	(24)
	74	289
Deferred tax benefit		
Origination and reversal of temporary differences	(8,964)	(8,123)
Changes in tax rates	-	(38)
Change in recognized deductible temporary differences	9,143	10,094
Adjustment for prior years tax returns	234	307
	413	2,240
Total tax expense	487	2,529

(b) Tax recognized in other comprehensive income

	December 31, 2017	December 31, 2016
Exchange differences on translation of discontinued foreign operations	(115)	(792)
	(115)	(792)

(c) Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at December 31, 2017 of 27% (December 31, 2016 - 27%) to income before income taxes. A reconciliation of this difference is presented below.

A reconciliation of the differences is as follows:

	December 31, 2017	December 31, 2016
Net loss before tax from continuing operations	(30,238)	(27,345)
Statutory tax rate	27.00%	27.00%
Computed income taxes	(8,165)	(7,383)
Increase (decrease) in taxes:		
Change in presentation from discontinued operations	-	1,260
Change in recognized deductible temporary differences	9,143	10,094
Effect of tax rates in foreign jurisdictions	(41)	(19)
Changes in tax rates	-	(38)
Non-taxable income, net	(732)	(1,668)
Over provided in prior years	282	283
Total tax expense	487	2,529

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

27. Income taxes (continued)

(d) Unrecognized deferred tax assets

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2017, there are non-capital loss carry-forwards of $179,436 (December 31, 2016 - $170,112) in Canada. As at December 31, 2017, $169,513 (December 31, 2016 - $159,095) of the tax loss carry-forwards are unrecognized. The assets related to the non-capital loss carry-forwards are unrecognized primarily due to losses in recent periods in Canada and low Alberta power prices in the near term resulting in uncertainty of taxable profits in 2018.

As at December 31, 2017 there are net-capital loss carry-forwards of $nil (December 31, 2016 - $18,792) in Canada. These net-capital loss carry-forwards were unrecognized for the prior fiscal year end.

(e) Unrecognized deferred tax liabilities

As at December 31, 2017, there are no net taxable temporary differences (December 31, 2016 - $nil) related to investments in certain subsidiaries for which no deferred tax liability has been recognized. No deferred tax liability has been recognized in the prior year because the Corporation controlled whether the liability will be incurred and it was satisfied that it will not be incurred in the foreseeable future at that time.

(f) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
December 31,	2017	2016	2017	2016	2017	2016
Non-capital loss carry forwards	(6,169)	(1,284)	-	-	(6,169)	(1,284)
Capital assets	19,778	11,352	(10,679)	(6,375)	9,099	4,977
Other	831	1,513	(4,450)	(4,460)	(3,619)	(2,947)
	14,440	11,581	(15,129)	(10,835)	(689)	746
Set off of tax	(11,761)	(7,467)	11,761	7,467	-	-
Net tax assets (liabilities)	2,679	4,114	(3,368)	(3,368)	(689)	746

As at December 31, 2017, there is a deferred tax asset (net of tax liabilities) of $2,679 (December 31, 2016 - $2,977) related to a Canadian legal entity. This deferred tax asset is dependent on future taxable profits within the legal entity and the legal entity suffered losses in both 2016 and 2017. This deferred tax asset primarily arises from deductible temporary differences related to non-capital losses.

As at December 31, 2017, there is $nil deferred tax asset (net of tax liabilities) related to a US legal entity not held for sale (December 31, 2016 - $1,137).

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

27. Income taxes (continued)

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

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

	Net Operating	Capital Assets	Inventory	Other	Total
At December 31, 2015	10,497	(15,812)	(1,583)	(3,168)	(10,066)
Credited (charged) to income	(6,639)	4,362	-	37	(2,240)
Credited (charged) to discontinued income	2,668	9,194	27	511	12,400
Credited (charged) to other comprehensive income	118	525	-	149	792
Other credited (charged) to assets held for sale	(7,928)	6,708	1,556	(476)	(140)
At December 31, 2016	(1,284)	4,977	-	(2,947)	746
Credited (charged) to income	(4,358)	4,180	-	(235)	(413)
Credited (charged) to discontinued income	(468)	-	-	(669)	(1,137)
Credited (charged) to other comprehensive income	(59)	(58)	-	232	115
At December 31, 2017	(6,169)	9,099	-	(3,619)	(689)

28. Related party transactions

(a) Compensation of key management personnel:

	December 31, 2017	December 31, 2016
Short-term employee benefits, including wages and benefits	2,222	3,883
Share-based compensation	346	919
Total	2,568	4,802

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

There were no other related party transactions during 2017 or 2016.

(b) Corporate entities:

	Country of Incorporation	Ownership Interest % 2017	Ownership Interest % 2016
Milner Power Limited Partnership	Canada	100	100
Maxim Power (USA), Inc.	USA	-	100
Forked River II, LLC	USA	100	100
Deerland Power Limited Partnership	Canada	100	100
Summit Coal Limited Partnership	Canada	100	100

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

29. Employee benefits

Benefits are based on plan contributions under the defined contribution pension plan. During 2017, the pension expense for this plan was $131 (2016 - $214). There has been no change in the contribution rate during 2017.

30. Change in non-cash working capital

	December 31, 2017	December 31, 2016
Operations		
Trade and other receivables	(313)	(409)
Prepaid expenses and deposits	150	180
Inventories	(9)	1,769
Trade and other payables	(5,908)	110
	(6,080)	1,650

	December 31, 2017	December 31, 2016
Investing		
Trade and other payables	-	565
Restricted cash	(7,908)	-
	(7,908)	565

31. Segmented information

MAXIM is an independent power producer engaged in the development, ownership and operation of power generation facilities and the sale of electricity. The Corporation operated in one reportable segment with power generation facilities located in Canada. Results are reviewed regularly by the Corporation's interim CEO to make decisions about resources to be allocated to the segments and to assess their performance. The United States and France operating segment ceased to be strategic segments in the second quarter of 2017 and fourth quarter of 2016, respectively, as a result of the sales of these business segments. The Corporation has modified the composition of the reportable segments.

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

December 31, 2017	Milner and development projects	Corporate amounts	Subtotal	Discontinued operations from United States	Total consolidated
Revenues from external customers	2,024	-	2,024	14,246	16,270
Finance expense (income), net	90	(390)	(300)	(14,891)	(15,191)
Depreciation and amortization	4,554	17	4,571	-	4,571
Operating expense	11,440	-	11,440	11,312	22,752
Operating income (loss)	(25,218)	(5,320)	(30,538)	34,311	3,773
Other material non-cash items:					
Capital expenditures	2,199	-	2,199	1,111	3,310

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

31. Segmented information (continued)

December 31, 2016	Milner and development projects	Corporate amounts	Subtotal	Discontinued operations from United States	Discontinued operations from France	Total consolidated
Revenues from external customers	6,484	-	6,484	55,639	32,435	94,558
Finance expense (income), net	102	(960)	(858)	1,932	1,466	2,540
Depreciation and amortization	5,215	23	5,238	9,851	6,222	21,311
Operating expense	32,281	-	32,281	44,772	23,242	100,295
Operating loss	(24,221)	(3,982)	(28,203)	(9,716)	(22,518)	(60,437)
Other material non-cash items:						
Capital expenditures	(266)	-	(266)	3,751	1,154	4,639

The Corporation’s revenues in Canada are predominantly from entities formed by governments for the purpose of facilitating commerce in the power and utility sector in each of the reportable segments. During 2017, $2,003 (2016 – $6,456) of the Corporation’s revenue was attributable to one of these entities in Canada.

32. Financial risk management

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

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

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

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

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

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

32. Financial risk management (continued)

Risk management assets recognized on the Consolidated Statement of Financial Position are attributable to the following:

	December 31, 2017	December 31, 2016
Foreign currency put option	-	1,102
Commodity price call option	-	378
Total	-	1,480

(a) Credit risk

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

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

	December 31, 2017	December 31, 2016
Cash and cash equivalents	51,264	15,303
Short-term investment	50,138	-
Milner decommissioning reimbursement (note 13)	6,779	8,342
Risk management assets	-	1,480
Trade and other receivables	2,169	1,856
Deposits	-	126
Total	110,350	27,107

Trade receivables are predominantly with entities formed by governments for the purpose of facilitating commerce in the power and utility sector (note 31). For trade and other receivables from third parties and deposits to vendors who are not government sponsored entities, the Corporation utilizes regular credit monitoring processes to mitigate credit risk.

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

	2017			2016		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	2,169	-	2,169	1,856	-	1,856
Past due 1-30 days	-	-	-	-	-	-
Past due 31-120 days	-	-	-	-	-	-
Past due more than 120 days	-	-	-	-	-	-
Total	2,169	-	2,169	1,856	-	1,856

Cash and cash equivalents are held with a bank counterparty, which is rated A-, based on rating agency Standard & Poor’s.

Short-term investment are held with a bank counterparty, which is rated A+, based on rating agency Standard & Poor’s.

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

32. Financial risk management (continued)

(b) Liquidity risk

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

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

December 31, 2017	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2 to 3 years	4 to 5 years	Thereafter
Non-derivative financial instruments							
Trade and other payables	6,393	6,393	3,048	3,345	-	-	-
	6,393	6,393	3,048	3,345	-	-	-

December 31, 2016	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2 to 3 years	4 to 5 years	Thereafter
Non-derivative financial instruments							
Trade and other payables	9,428	9,428	5,847	3,581	-	-	-
Other long-term liability	3,581	3,581	-	-	3,581	-	-
	13,009	13,009	5,847	3,581	3,581	-	-

(c) Market risk

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

(i) Foreign currency exchange risk

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

At December 31, 2017, the Corporation has monetary assets of US$2,863 thousand (December 31, 2016 – asset of US$103 thousand) and other liabilities of US$2,667 thousand (December 31, 2016 – US$5,333 thousand). A strengthening (weakening) of the Canadian dollar by 10% against the United States dollar for the year ended December 31, 2017 would have increased (decreased) income before tax by $25 (2016 - $702) as a result of these exposures.

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

32. Financial risk management (continued)

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing and investing rates of the Corporation. As at December 31, 2017 and 2016, the Corporation has no debt from continuing operations and therefore is not exposed to interest rate risk on liabilities. The Corporation earns interest income on its cash and cash equivalents, short-term investment and restricted cash at bank prime rates less a predetermined fixed amount. An increase to bank prime rates of 100 basis points, would increase pre-tax profit or loss by $865 in 2017 (2016 - $nil). A decrease to bank prime rates by this amount would have the opposite effect on pre-tax profit or loss.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity and natural gas. Under certain contracts, the selling price of electricity varies according to changes in natural gas price providing an operating hedge against changes in natural gas price. The Corporation periodically reduces its exposure to commodity price risk by entering into fixed for floating swaps for the selling price of the electricity in Alberta. As at December 31, 2017, the Corporation is not exposed to commodity price risk as the Corporation temporarily suspended the generation of electricity at Milner on May 1, 2017.

33. Fair value

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

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

December 31, 2017	Designated at fair value	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	-	51,264	-	51,264	51,264
Short-term investment	-	50,138	-	50,138	50,138
Trade and other receivables	-	2,169	-	2,169	2,169
Milner decommissioning reimbursement	6,779	-	-	6,779	6,779
Total assets	6,779	103,571	-	110,350	110,350
Trade and other payables	55	-	6,338	6,393	6,393
Total liabilities	55	-	6,338	6,393	6,393

December 31, 2016	Designated at fair value	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	-	15,303	-	15,303	15,303
Trade and other receivables	-	1,856	-	1,856	1,856
Foreign currency put option	1,102	-	-	1,102	1,102
Commodity price call option	378	-	-	378	378
Long-term deposits	126	-	-	126	126
Milner decommissioning reimbursement	8,342	-	-	8,342	8,342
Total assets	9,948	17,159	-	27,107	27,107
Trade and other payables	776	-	8,652	9,428	9,428
Total liabilities	776	-	8,652	9,428	9,428

33. Fair value (continued)

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 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 options

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. The Corporation 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 year ended December 31, 2017, the unrealized gain on commodity price swaps was $58 (December 31, 2016 – loss of $58). For the year ended December 31, 2017, the realized gain on commodity risk management swaps and option was $917 (December 31, 2016 - $6,324). At December 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, was 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 managed this exposure by entering into a foreign currency swap and 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.

For the year ended December 31, 2017, the Corporation, realized a $421 thousand loss (December 31, 2016 - $nil), recognized in discontinued operations, on the US$78,000 thousand swap to lock-in a portion of the sales proceeds of the United States operating segment. For the year ended December 31, 2017, the Corporation realized a net loss of $1,092 (December 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.

At December 31, 2017, the Corporation had no outstanding foreign exchange risk management swaps and options.

34. Capital management

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

The Corporation's objectives when managing capital are:

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

(b) to facilitate the acquisition or development of power projects in Canada.

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

In the absence of loans and borrowings, the Corporation considers shareholders' equity as the capital of the Corporation.

The Corporation has no restrictions on its capital as a result of its Canadian credit facilities, except for $7,908 of letters of credit (note 12).

The Corporation's objectives when managing capital have changed from the prior year in that capital will currently only be used to facilitate the acquisition or development of power projects in Canada. The proceeds from the sale of the United States will be held by MAXIM for strategic corporate purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated March 15, 2018 and should be read in conjunction with the audited consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the year ended December 31, 2017. MAXIM prepares its audited consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("GAAP").

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

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FORWARD-LOOKING INFORMATION

Certain information in this MD&A is forward-looking information ("FLI") and is subject to important risks and uncertainties. The results or events predicted in this information may differ from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include the ability of the Corporation to implement its strategic initiatives, the availability and price of energy commodities, government and regulatory decisions, 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 is considering resuming operation of its HR Milner generating facility ("Milner") in the second quarter of 2018 as a coal-fired and/or gas-fired facility as a result of anticipated increased power prices and lower anticipated natural gas prices. Lower natural gas prices improve the economic feasibility at Milner to operate solely as a gas-fired facility. Management will continue to monitor both settled and forward power and gas prices to ensure resuming operations in the second quarter of 2018 remains economically feasible.
- Development projects, including Deerland Peaking Station ("Deerland"), Buffalo Atlee, Milner gas repowering ("MGR"), Milner gas expansion ("MGE") and Summit Coal ("SUMMIT") are based upon current estimates of capital cost, projected returns on investment, the duration of the regulatory approval process, and the ability to obtain the necessary financing.
- Management forecasts that cash flows for operating, general 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.
- MAXIM estimates total development capital expenditures in the range of $2.8 to $3.3 million to be incurred in 2018. The majority of these expenditures are to be spent on improvements to Milner for reliability and the possible return to services in the second quarter of 2018. 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 capacity payments and power prices in Alberta. The actual future capacity and 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.
- MAXIM anticipates that it will maintain a working capital surplus over the next twelve months.

BUSINESS OF MAXIM

MAXIM is an Independent Power Producer engaged in the acquisition and development, ownership and operation of power generation facilities and the resultant sale of generating capacity and electricity. At December 31, 2017 and as at the date of this MD&A, MAXIM had one power generating facility, Milner, with 150 megawatts ("MW") of electric generating capacity in Canada.

Milner is a 150 MW dual fuel-fired (coal and natural gas) power station located near the town of Grande Cache, Alberta, which has been in operation since 1972. Milner operates as a merchant power facility by selling electricity to the Alberta Electric Systems Operator ("AESO") at spot market prices. Management at times will use strategic hedging, to varying degrees, to reduce price risk.

MAXIM has received regulatory approvals to construct and operate MGR and MGE. MGR is an 86 MW natural gas-fired combined cycle power plant to be located adjacent to MAXIM's existing Milner facility. MGR will increase Milner's capacity from 150 MW to 236 MW. MGE is a natural gas-fired generation facility with a further generating capacity of 520 MW. In addition, MAXIM has also received regulatory approvals to construct and operate the 190 MW natural gas-fired Deerland peaking station located near Bruderheim, Alberta. On February 7, 2018, MAXIM received its Phase 1 Buildable Areas approval from the Alberta Utilities Commission ("AUC") for its 35 MW Buffalo Atlee wind project. MAXIM continues to advance the electrical interconnection with the AESO for the 35 MW project. Subsequent phases of this project could bring the total wind generation capacity of Buffalo Atlee up to 235 MW. 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.

SUMMIT is MAXIM's development initiative located north of Grande Cache, Alberta that owns metallurgical coal leases for Mine 14 ("M14") and Mine 16 ("M16"). 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. M16 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 M16. MAXIM has not made any definitive commitments to the timing or certainty of advancing development of this project.

OVERALL PERFORMANCE

Highlights and Notable Events

Through its Decision 790-D06-2017 ("Decision"), released December 18, 2017, the AUC asserted its position on several matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the AESO Line Loss Rule. The Decision confirms that the new method that was used to calculate 2017 prospective loss factor rates would be used for the retrospective period of January 1, 2006 – December 31, 2016. A single settlement approach will be used whereby the AESO will calculate all eleven years before cash is settled. The Decision further confirms that the settlement be effected by reissuing invoices to the original party and that a rider will be applied to transmission rates across the industry to collect any shortfall from the inability to collect from an original party. The Corporation estimates that overpayments of approximately $40.1 million were made by Milner Power Inc. to the AESO for the period January 1, 2006 to December 31, 2016, based on calculations established using information currently available on the public record, before accounting for the time value of money at the Bank of Canada Bank Rate +1.5%. Refer to page 12 for further information on Milner Power Inc.'s complaint relating to the AESO Line Loss Rule.

During 2017, MAXIM reduced the headcount at its corporate head office by 42%, primarily as a result of the sale of the U.S. operating segments. MAXIM has further reduced its corporate head office headcount by 20% in the first quarter of 2018.

Milner has not generated electricity since April 2017 due to continued record low Alberta power prices, which have undermined profitability for a prolonged period. Plant staff levels have been reduced by 88% through temporary layoffs while operations are suspended. MAXIM maintained a smaller operating team during the second half of the year to undertake maintenance and repairs for a possible resumption of generation if power market conditions improve. Management is currently monitoring both settled and forward power and gas prices with a view of resuming operations in the second quarter of 2018 if economically feasible.

MAXIM is currently evaluating the electricity market transition being undertaken by the Government of Alberta ("GoA"), which 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. The AESO is leading the formulation of recommendations for the design of the capacity market considering input from various stakeholder groups. The AESO intends to release four versions of the comprehensive market design throughout the first half of 2018 and anticipates that the final design of the capacity market will be released in July 2018. This timing will permit the AESO to have the first capacity market auction begin December 2019 for capacity requirement deliveries in November 2021.

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$83.0 million. After closing costs and reclassification of foreign currency adjustments, MAXIM recognized a gain on sale of $31.6 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 $7.9 million upon cancellation of an outstanding letter of credit 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 has utilized US$2.7 million in 2017 and will utilize a further US$2.7 million in 2018 to fulfill obligations under the Federal Energy Regulatory Commission ("FERC") Stipulation and Consent Agreement previously disclosed on September 26, 2016. The remainder of the proceeds will be held by MAXIM for strategic corporate purposes.

Key Performance Indicators ("KPI")

(000's unless otherwise noted)	2017	2016	2015
Revenue			
Continuing operations	2,024	6,484	19,556
Discontinued operations	14,246	88,074	103,489
Total	16,270	94,558	123,045
Net income (loss) attributable to shareholders			
Continuing operations	(30,725)	(29,874)	(81,822)
Discontinued operations	49,201	(23,926)	4,404
Total	18,476	(53,800)	(77,418)
Basic and diluted net income (loss) per share attributable to shareholders ($ per share)			
Continuing operations	(0.56)	(0.55)	(1.51)
Discontinued operations	0.90	(0.44)	0.08
Total	0.34	(0.99)	(1.43)
Total assets	169,490	218,183	346,898

The Corporation's KPI's were modified as a result of the sale of the U.S. and France operating segments and the temporary suspension of operations at Milner. The Corporation is no longer reporting on adjusted earnings before interest, taxes, depreciation and amortization, funds from operations, market and realized power prices, total generation and loans and borrowings as it no longer uses these indicators 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.

Financial Results

The financial results of the Canada segment are presented as continuing operations and the financial results of the U.S. and France operating segments are presented as discontinued operations to illustrate the impact to the Corporation of the sale of the foreign segments. Refer to Discontinued Operations section on page 8 for a discussion on the financial results of discontinued operations.

Net loss attributable to shareholders from continuing operations increased in 2017 when compared to 2016. The change in this financial measure was primarily due to asset impairment charges recognized on property, plant and equipment ("PP&E") and intangible assets in 2017. This was partially offset by lower operating costs as a result of the temporary suspension of operations at Milner, including lower fuel and maintenance, costs recoveries from the final resolution of the cooling tower claims and realized gains on commodity risk management activities in the first quarter of 2017.

RESULTS OF CONTINUING OPERATIONS – CANADA SEGMENT

Revenue

($000's)	2017	2016
Revenue [1]	2,024	6,484

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

Revenue in 2017 decreased $4.5 million or 69%, from $6.5 million in 2016 to $2.0 million in 2017, as a result of the temporary suspension of operations at Milner.

Plant Operations

Summary of plant operations expense by type:

	2017				2016			
($000's)	Inventories write-down	Fuel	O&M	Total	Inventories write-down	Fuel	O&M	Total
Total	-	1,435	10,005	11,440	8,612	6,050	17,619	32,281
Percent	0%	13%	87%	100%	27%	19%	54%	100%

During 2017, operations and maintenance ("O&M") expenses decreased $7.6 million or 43%, from $17.6 million in 2016 to $10.0 million in 2017, primarily as a result of operating cost savings from cost cutting initiatives and the temporary suspension of operations at Milner.

Fuel expenses in 2017 decreased $4.7 million or 77%, from $6.1 million in 2016 to $1.4 million in 2017, as a result of the temporary suspension of operations at Milner and lower per unit fuel cost of coal as the coal inventory value was written down to $nil as at December 31, 2016.

General and Administrative Expense

($000's)	2017	2016
Total general and administrative expense	5,166	4,435

2017 general and administration expense increased $0.8 million or 18%, from $4.4 million in 2016 to $5.2 million in 2017, primarily due to no administrative costs allocated to the U.S. operating segment for the last three quarters of 2017 as a result of the sale of this operating segment. This was partially offset by lower personnel costs at the corporate office as a result of headcount reductions.

Depreciation and Amortization Expense

($000's)	2017	2016
Total depreciation and amortization	4,571	5,238

Depreciation and amortization expense in 2017 decreased $0.6 million or 12%, from $5.2 million in 2016 to $4.6 million in 2017, primarily due to the consumption and amortization of nitrogen oxide credits and sulphur dioxide ("SO2") credits in 2016 when Milner was generating electricity for the majority of the year, as well as a lower asset base for Milner.

Gain on Commodity Risk Management Swaps and Option

($000's)	2017	2016
Realized gain on commodity swaps	1,295	6,324
Realized loss on commodity option	(378)	-
Unrealized gain (loss) on commodity swaps	58	(58)
Total gain on commodity swaps	975	6,266

In 2017, MAXIM recorded a net $1.0 million gain on Alberta power price risk management swaps and options. Alberta spot prices settled lower than the fixed swap price for the first quarter of 2017 and the Corporation realized a gain of $1.3 million. In the first quarter of 2017, a call option expired out of the money and the cost of the option was realized as a loss. At December 31, 2017, the Corporation had no commodity swaps or options outstanding.

In 2016, MAXIM recorded a net $6.3 million gain on Alberta power price risk management swaps. Alberta spot prices settled lower than the fixed swap price and the Corporation realized a gain of $6.3 million in 2016. In addition to this, Alberta forward prices at December 31, 2016 moved higher than the fixed price and the Corporation had an unrealized loss of $0.1 million as at December 31, 2016, which was subsequently reversed in 2017.

Asset Impairment Charges, Net of Reversal

($000's)	2017	2016
Summit Coal	7,373	(4,100)
Gold Creek generating facility	1,072	-
New Jersey undeveloped land	809	-
Total PP&E asset impairment charges (reversal)	9,254	(4,100)
Alberta SO2 credits	6,463	1,346
Total intangible asset impairment charges	6,463	1,346
Total asset impairment charges (reversal), net	15,717	(2,754)

During 2017, the following impairment charges were taken: i) the Corporation incurred a $7.4 million charge in relation to SUMMIT's assets under construction due to a significant unfavourable change in market conditions for metallurgical coal, ii) the Corporation incurred a $1.1 million charge in relation to Gold Creek due to significant adverse changes at the facility site, which was previously an operating asset in MAXIM's portfolio, iii) the Corporation incurred a $0.8 million charge in relation to its undeveloped land in New Jersey due to updated information on market conditions and iv) the Corporation incurred a $6.5 million charge to reduce the carrying value of its SO2 credits to $nil due to adverse changes in the market conditions for coal-fired generation environmental credits in Alberta.

During 2016, the Corporation reversed $4.1 million of a previously recognized asset impairment charge with respect to assets under construction for its metallurgical coal development project due to a significant favourable change in market conditions for metallurgical coal. This reversal was partially offset by the recognition of impairment of $1.3 million with respect to SO2 credits at Milner included in Canada operating segment due to adverse changes in the market conditions for coal-fired generation environmental credits related to coal-fired generation in Alberta.

Other Income (Expense), Net

($000's)	2017	2016
Other income (expense), net	3,357	(1,753)

Net other income in 2017 increased from an expense of $1.8 million in 2016 to income of $3.4 million in 2017. The increase is primarily due to recoveries from the final resolution of the cooling tower claims, transition services provided to the purchaser of the U.S. operating segment and non-recurring losses on disposal of idle mining equipment recognized in 2016. These increases were partially offset by costs incurred in 2017 to restructure the Corporation's Alberta operations.

Finance Expense (Income), Net

($000's)	2017	2016
Interest expense and bank charges	414	543
Accretion of provisions	83	89
Foreign exchange loss (gain)	320	(1,489)
Finance expense (income)	817	(857)
Interest income	(1,117)	(1)
Total finance income, net	(300)	(858)

Net 2017 finance income decreased from $0.9 million in 2016 to income of $0.3 million in 2017. The decrease is primarily due to foreign exchange gains of $1.5 million in 2016 compared to losses of $0.3 million in 2017, which is caused primarily by the net impact of foreign exchange rate movement for US dollars and Euros (2016 only) on cash balances and foreign intercompany liabilities held in Canada (2016 only). This was partially offset by interest income earned on cash and cash equivalents, short-term investment and restricted cash in 2017.

Income Tax Expense

($000's)	2017	2016
Current tax expense	74	289
Deferred tax expense	413	2,240
Total income tax expense	487	2,529

Income tax expense in 2017 decreased from $2.5 million in 2016 to $0.5 million in 2017, primarily due to a decrease in the derecognition of deferred tax assets in 2017 as compared to 2016. The reversal of tax assets is a result of record low power prices which reduces the likelihood of the Corporation utilizing previously recognized tax assets against future income taxes payable.

Financial Position

The following highlights the changes in the Corporation's Statement of Financial Position at December 31, 2017 as compared to the previously disclosed Statement of Financial Position at September 30, 2017.

As at ($000's)	December 31, 2017	September 30, 2017	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents and short-term investment	101,402	104,426	(3,024)	Operating cash outflows and settlement of outstanding liabilities
Trade and other receivables	2,169	1,239	930	Increased as a result of receivables related to funding for the remediation of certain lands at the Milner site
Property, plant and equipment, net	47,574	55,275	(7,701)	Impairment and depreciation, partially offset by capital additions
Net other assets	15,666	16,362	(696)	Decreased as a result of commencement of the partial remediation of certain lands at the Milner site
Liabilities & Equity				
Trade and other payables	6,393	5,740	653	Increased as a result of payables related to remediation of certain lands at the Milner site
Net deferred tax liability (asset)	689	(566)	1,255	Reversal of previously recognized tax assets
Provisions for decommissioning	11,055	11,083	(28)	Decreased due to commencement of remediation at Milner and decreased inflation rates, partially offset by a change in estimated decommission costs at Milner
Equity	148,674	161,045	(12,371)	Primarily due to a net loss for the period

DISCONTINUED OPERATIONS – UNITED STATES AND FRANCE SEGMENTS

On April 3, 2017, the Corporation closed the sale of the Corporation's United States operating segment for net proceeds of approximately US$83 million. Upon close, the Corporation was required, under its Canadian bank facility, to fully cash collaterize all outstanding letters of credit and 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 as disclosed in note 25a of the Consolidated Financial Statements.

The following table summarizes the gain on disposal of the U.S. operating segment for the year ended December 31, 2017:

(000's)	December 31, 2017
Cash consideration, net of closing costs	112,624
Net assets disposed	(90,235)
Reclassification of foreign currency translation losses on disposal	11,380
Working capital adjustment	(2,156)
Gain on disposal of United States	31,613

On December 2, 2016, the Corporation closed the sale of the France operating segment for proceeds of €17.7 million. These proceeds were used to pay closing costs and the drawn revolving portion of its Canadian bank facilities, with the remainder to be held by MAXIM for strategic corporate purposes. Upon closing this sale, the Corporation recognized a loss on sale of $1.8 million and incurred contingent obligations as disclosed in note 25a of the Consolidated Financial Statements.

The following table summarizes the loss on disposal of the France operating segment for the year ended December 31, 2016:

(000's)	December 31, 2016
Cash consideration, net of closing costs	24,586
Net assets disposed	(25,274)
Reclassification of foreign currency translation losses on disposal	(1,068)
Loss on disposal of France	(1,756)

The following table represents the discontinued net income for the U.S. and France (2016) operating segment combined in Canadian dollars:

($000's)	2017	2016
Revenue	14,246	88,074
Expense (income)	(20,065)	120,308
Operating income (loss)	34,311	(32,234)
Finance expense (income), net	(14,891)	3,398
Income (loss) before income taxes	49,202	(35,632)
Income tax benefit	(3)	(11,817)
Net income (loss) from discontinued operations	49,205	(23,815)

($000's)	2017	2016
Net cash generated from operating activities	87	16,271
Net cash used in financing activities	(842)	(8,353)
Net cash used in investing activities	(313)	(5,395)
Cash component of net assets disposed	(2,443)	-
Unrealized foreign exchange loss on cash	(24)	(354)
Net cash flows for the period	(3,535)	2,169

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Management has determined that cash flows for operating, general and administrative expenses and capital and development expenditures 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, if available, future anticipated financing based upon current forecasts.

Effective May 1, 2017, the Corporation amended and restated its credit agreement with the Bank of Montreal to a demand facility that requires full cash collateralization for $8.0 million of letters of credit on a non-revolving basis. As at December 31, 2017, the Corporation has $7.9 million of outstanding letters of credit outstanding and cash of the same amount was deposited into a restricted bank account maintained by the bank. There are no financial covenants under this credit agreement.

At December 31, 2017, the Corporation had unrestricted cash of $51.3 million and short-term investment of $50.1 million included in the net working capital of $97.3 million. Unrestricted cash balances are invested with one Canadian chartered bank yielding the bank’s prime rate less 168 basis points and are available on demand. Short-term investment balance is invested with a Canadian financial institution yielding the bank's prime rate less 123 basis points and is available with ninety days' notice. The Corporation has ample working capital to support development projects, maintain liquidity and support current operations. This preceding statement represents FLI and users are cautioned that actual results may vary.

Cash flow summary:

Year ended December 31 ($000's)	2017	2016
Cash on hand, unrestricted, January 1	15,303	5,884
Cash flow used in operations	(19,892)	(13,607)
Cash flow from (used in) financing	200	(389)
Available for investments	(4,389)	(8,112)
Cash flow from investing	55,653	24,781
	51,264	16,669
Cash and cash equivalents held at discontinued operations, beginning of period	3,535	-
Net increase (decrease) in cash and cash equivalents from discontinued operations	(3,535)	2,169
Less: cash and cash equivalents held at discontinued operations, end of period	-	(3,535)
Undrawn revolving credit facility	-	966
Short-term investment	50,138	-
Net liquidity available, December 31	101,402	16,269

Cash flow used in operations in 2017 increased from an outflow of $13.6 million in 2016 to $19.9 million in 2017, which is an increase of $6.3 million. The increase in outflow is primarily due to fluctuations in working capital which represented a cash outflow of $6.1 million in 2017, as compared to an inflow of $1.7 million in 2016. See below for further discussion of working capital. Excluding working capital, cash flow used in operations in 2017 decreased from an outflow of $15.3 million in 2016 to $13.8 million in 2017, which is decrease of $1.5 million. The decrease in outflow is primarily due to operating cost savings from cost cutting initiatives at the Corporate head office and the temporary suspension of operations at Milner. This was partially offset by one-time higher costs associated with the restructuring of Alberta operations.

During 2017, MAXIM’s cash flow from financing increased $0.6 million from an outflow of $0.4 million in 2016 to an inflow of $0.2 million in 2017. This increase is due to higher proceeds from stock options and lower interest and bank charges.

MAXIM’s investing activities in 2017 represented a cash inflow of $55.7 million, which primarily consisted of net proceeds on the sale of the U.S operating segment of $110.5 million, recoveries on cooling tower claims of $4.3 million and $1.1 million of interest income. These amounts were partially offset by transferring $50.1 million of cash and cash equivalents into a short-term investment, cash collaterizing the Corporation's letters of credit for $7.9 million and $2.2 million of development capital expenditures in Canada.

MAXIM's investing activities in 2016 represented a cash inflow of $24.8 million, which primarily consisted of $24.6 million of net proceeds from the sale of the France operating segment, $2.2 million in proceeds from the sale of idle mine equipment and a change in non-cash working capital of $0.6 million. This was partially offset by the purchase of risk management options for $1.5 million and $1.1 million of development initiatives capital in Canada.

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

Working Capital

The Corporation has a working capital surplus of $97.3 million at December 31, 2017, which represents a $1.1 million decrease from the working capital surplus of $98.4 million at December 31, 2016. The total increase was due to a $36.5 million decrease in current assets and a $35.4 million decrease in current liabilities.

The decrease in current assets was due to a $120.2 million decrease in assets held for sale as they were disposed of in the sale of U.S. operating segment, a $1.5 million decrease to risk management assets from the settlement of commodity options, a $1.0 million decrease in inventories reclassified to PP&E and a $0.2 million decrease in prepaid expenses and deposits. This was partially offset by an $36.0 million increase to unrestricted cash and a $50.1 million increase to short-term investment, primarily from the sale of the U.S. operating segment, and a $0.3 million increase in accounts receivable.

The decrease in current liabilities was due to a $32.4 million decrease in liabilities held for sale as they were disposed of in the sale of the U.S. operating segment and a $3.0 million decrease in accounts payable.

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.

As at December 31, 2017 ($000's)	Total	2018	2019-2020	2021-2022	Thereafter
Purchase obligations - Canada	798	-	798	-	-
Operating leases[1]	800	259	503	38	-
Total	1,598	259	1,301	38	-

(1) Operating leases include office space, including operating costs, and office equipment in the Canada operating segment.

Contingencies

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 €1.7 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. Any amounts claimed by the buyer in relation to these two amounts will be reduced by any recoveries attained by the buyer from legal proceedings against third parties that were ongoing at the time of the sale and date of this MD&A. The Corporation is further subject to tax indemnities until December 2, 2019. In addition, the Corporation is subject to customary closing indemnities until December 2, 2019 to a maximum claim of €3.5 million.

The Corporation has closed the sale of the U.S. operating segment. Under the sales agreement, the Corporation is subject to tax indemnities with an expiry date in accordance with all applicable statutes of limitations with respect to the matters covered thereby. 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.

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

Contingent assets

Through its Decision, released December 18, 2017, the AUC asserted its position on several matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the AESO Line Loss Rule. The Decision confirms that the new method that was used to calculate 2017 prospective loss factor rates would be used for the retrospective period of January 1, 2006 – December 31, 2016. A single settlement approach will be used whereby the AESO will calculate all eleven years before cash is settled. The Decision further confirms that the settlement be effected by reissuing invoices to the original party and that a rider will be applied to transmission rates across the industry to collect any shortfall from the inability to collect from an original party. The Corporation estimates that overpayments of approximately $40.1 million were made by Milner Power Inc. to the AESO for the period January 1, 2006 to December 31, 2016, based on calculations established using information currently available on the public record, before accounting for the time value of money. The Corporation anticipates, based on AESO's current published timelines, that collection of these prior overpayments and the time value of money component at the Bank of Canada Bank Rate +1.5% will occur in 2019. This timing is subject to successful appeals by counterparties. These preceding statements represent FLI and users are cautioned that actual results may vary.

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. Management continues to follow regulatory developments in France related to cogeneration units and has determined it is not likely that the change in the law will occur by this date. As of December 31, 2017, this item is no longer disclosed as a contingent asset in the audited consolidated financial statements of MAXIM. This preceding statement represents FLI and users are cautioned that actual results may vary.

Capital Resources

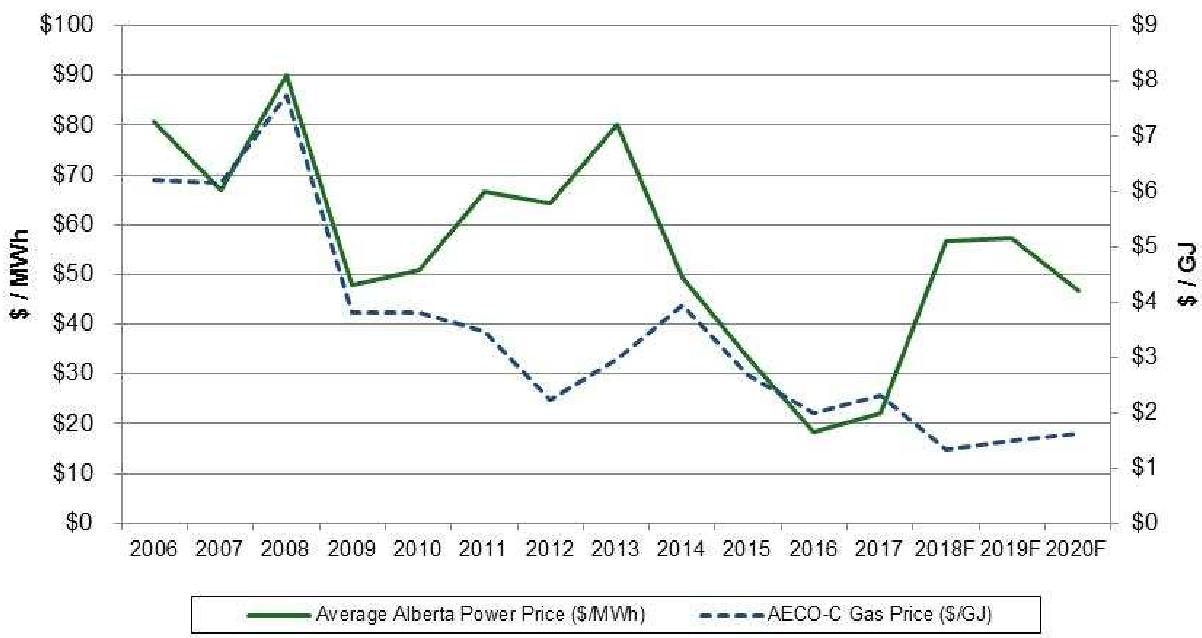
The following represents FLI and users are cautioned that actual results may vary. The Corporation is currently estimating capital and development expenditures in the range of $2.8 to $3.3 million for 2018. Management intends to fund these expenditures with existing cash balances.

OUTLOOK

Alberta Power Price

The Corporation's outlook is impacted by Alberta electricity and fuel prices. Alberta electricity prices are a key revenue determinant for Milner. As a result of record low Alberta power prices, which have undermined profitability for a prolonged period, Milner has not generated electricity since April 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 change in the second quarter of 2018 and management expects to see a break in correlation as a portion of the coal generation in Alberta will have significant periods of unforced outages due to coal to gas conversion work and as a result, may increase Alberta power prices. It is also expected that natural gas prices will decrease as a result of oversupply which will contribute further to the break in correlation. Management will continue to monitor both settled and forward power and gas prices to ensure resuming operations in the second quarter of 2018 remains economically feasible.



Capacity Market Transition

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 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 continues to engage stakeholders in the design of the market and expects to have a final comprehensive market design in July 2018. The first auction is expected to begin in December 2019 with a contract delivery year targeted of November 2021.

ACQUISITION AND DEVELOPMENT INITIATIVES

MAXIM is focusing its independent power producer strategy on 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 is continually evaluating its plans for these projects as clarity develops for the transition from the current "energy-only market" to a "capacity market" in Alberta. The AESO is leading the formulation of recommendations for the design of the capacity market considering input from various stakeholder groups. The AESO intends to release four versions of the comprehensive market design throughout the first half of 2018 and anticipates that the final design of the capacity market will be released in July 2018. This timing will permit the AESO to adhere with its existing plan to have the first capacity market auction begin December 2019 for capacity requirement deliveries in November 2021.

Milner Gas Repowering ("MGR")

MAXIM has regulatory approval to increase generating capacity at the Milner site by adding two natural gas-fired turbines located next to Milner. This is a cost-effective solution to repower Milner solely for natural gas-fired generation. Under the approved configuration, MGR will utilize existing Milner assets including, but not limited to, its boiler, steam turbine, generator, water license, as well as electrical and gas interconnections. Management continues to pursue alternative configurations that will optimize the expected returns of the project, and will eventually seek regulatory approval of the higher value alternative configurations.

The development of MGR will also result in a reduction to total greenhouse gases and air emissions compared to base load coal-fired generation in previous years. Exhaust energy from MGR's gas turbines will be converted to steam and utilized to generate electricity in the existing Milner steam turbine, displacing coal-sourced steam. MGR will increase the nameplate capacity at the Milner site from 150 MW to 236 MW and will increase natural gas-fired output to the grid from 75 MW to 236 MW. Total emissions of carbon dioxide, nitrogen oxides, sulfur oxides and particulates at the Milner site will decrease compared to base load coal-fired generation in previous years.

Milner Gas Expansion ("MGE")

MAXIM has received regulatory approval to construct and operate MGE, a 520 MW natural gas-fired combined cycle generation facility. The MGE facility is to be located adjacent to the existing 150 MW Milner. Synergies with existing Milner infrastructure such as water license and a skilled operations team, allowing the MGE project to achieve a competitive advantage as compared to a greenfield development. The MGE 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.

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 commencing in 2020.

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 235 MW of wind generation capacity in multiple phases. The first development phase consists of 35 MW, which has received its Phase 1 Buildable Area approval by the AUC. MAXIM continues to advance the electrical interconnection with the AESO for the 35 MW project. The addition of wind generation to MAXIM's existing portfolio of assets would further diversify MAXIM's generation fuel types.

SUMMIT

SUMMIT is MAXIM's metallurgical coal development initiative located north of Grande Cache, Alberta that owns metallurgical coal leases for M14 and M16. 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. M16 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 M16.

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.

Financing

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

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

Risks

MAXIM is exposed to risks in potential legislation that have yet to be enacted. Management has assessed that the most significant risks in potential future legislation are: i) GHG stringency requirements on new natural gas-fired generation facilities, ii) GHG stringency requirements on existing natural gas-fired generation components and facilities or coal-to-gas conversions, and more remotely, iii) legislation that phases out natural gas-fired generation entirely, similar to the regulatory actions taken in recent years surrounding coal-fired generation.

Provincial and Federal 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. Under the CLP and in December 2017, the GoA replaced the existing Specified Gas Emitters Regulation with the Carbon Competitiveness Incentive Regulation ("CCIR") which came into effect on January 1, 2018. The CCIR will require electricity 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. In 2016, the Government of Canada announced a pan-Canadian carbon pricing system that would implement a minimum charge 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 existing $30 price on GHG emissions would increase by $10 to $40 in order to meet the federal framework. The impact of increased regulations and taxes, both federally and provincially, makes it more difficult to resume economic operations at Milner as a coal-fired facility and the Corporation continues to evaluate and consider new and innovative alternatives to various functions at Milner in order to adapt to changing environmental regulations and laws.

In 2012, the Government of Canada enacted regulations to reduce carbon dioxide emissions from coal-fired generation facilities. These new regulations dictate that power plants built before 1975 are able to operate at full capacity until the earlier of 50 years after the commissioning date and December 31, 2019. Moreover, power plants built after 1974 are able to operate until the earlier of 50 years after the commissioning date and December 31, 2029. The Milner facility was commissioned in 1972, and accordingly, is allowed to operate to its full capacity to December 31, 2019 ("end of life"). After December 31, 2019, Milner is allowed to operate at an annual capacity factor of up to 9% (using coal as a fuel supply), which is approximately 113,500 MWh per annum, until December 31, 2029, based on its current carbon dioxide emission levels. In February 2018, the Government of Canada issued draft regulations in relation to natural gas-fired units, and more specifically, in relation to coal-to-gas conversions. In the draft regulations, any generation facility that previously used a boiler in conjunction with coal-fired generation that continues to generate electricity without coal as a fuel source, and instead uses natural gas as a fuel source, will be deemed to be a coal-to-gas conversion and will be subject to CO_2 emissions stringency requirements prospectively commencing at the unit's end of life as defined in the current federal coal regulations.

As at the date of this MD&A, MAXIM currently anticipates that it will continue to be permitted to run Milner at full capacity to December 31, 2019 as a dual fuel-fired (coal and natural gas) facility and at a 9% capacity factor for the subsequent 10 years subject to utilizing coal for a portion of the fuel source each year. Alternatively, MAXIM currently anticipates that if Milner does not use coal as a fuel source, it would not comply with the draft regulations for coal to gas conversions and as such could not operate on natural gas as a fuel source beyond 2019. Management is currently assessing the economic feasibility of operating Milner as a dual fuel-fired facility at a 9% capacity factor beyond 2019 in conjunction with proceeding with one of its development projects.

Renewable Electricity Program

In 2016 the GoA announced its plan to hold its first auction for renewable power contracts 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 saw investors bidding to provide up to 400 MW of renewable electricity for twenty years. The winning bidders were announced on December 13, 2017, with 600 MW of wind generation projects awarded, which is 200 MW greater than what was originally planned.

On February 5, 2018, the GoA announced its plan to continue building off the momentum of the first auction for renewable power contracts, and confirmed that two additional auctions will run in parallel for an incremental 700 MW. The second auction is for 300 MW and will include an Indigenous equity ownership requirement, while the third auction is for 400 MW and will follow the same format as the first auction. Requests for qualification and proposals are due in June and September 2018, respectively, followed by the winning bidders announced in December 2018. MAXIM is well positioned to participate in the third auction with Buffalo Atlee wind generation development project. Refer to page 14 for discussion on Buffalo Atlee.

SELECTED QUARTERLY FINANCIAL INFORMATION

KPI's

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Dec 2017	30-Sep 2017	30-Jun 2017	31-Mar 2017
Revenue				
Continuing operations	-	-	45	1,979
Discontinued operations	-	-	-	14,246
Total	-	-	45	16,225
Net income (loss) attributable to shareholders				
Continuing operations	(12,454)	(3,281)	(10,479)	(4,511)
Discontinued operations	-	(2,156)	50,431	926
Total	(12,454)	(5,437)	39,952	(3,585)
Basic and diluted income (loss) per share attributable to shareholders ($ per share)				
Continuing operations	(0.23)	(0.06)	(0.19)	(0.08)
Discontinued operations	-	(0.04)	0.92	0.01
Total	(0.23)	(0.10)	0.73	(0.07)
Total assets	169,490	181,236	191,921	213,211

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Dec 2016	30-Sep 2016	30-Jun 2016	31-Mar 2016
Revenue				
Continuing operations	2,840	1,581	180	1,883
Discontinued operations	18,309	21,997	11,433	36,335
Total	21,149	23,578	11,613	38,218
Net income (loss) attributable to shareholders				
Continuing operations	(9,721)	(3,334)	(6,825)	(9,994)
Discontinued operations	(7,690)	(16,698)	(1,523)	1,985
Total	(17,411)	(20,032)	(8,348)	(8,009)
Basic and diluted income (loss) per share attributable to shareholders ($ per share)				
Continuing operations	(0.18)	(0.06)	(0.12)	(0.19)
Discontinued operations	(0.14)	(0.31)	(0.03)	0.04
Total	(0.32)	(0.37)	(0.15)	(0.15)
Total assets	218,183	295,286	310,674	327,875

Net income (loss) attributable to shareholders is affected by certain non-cash and non-recurring transactions as follows.

The fourth quarter of 2017 had asset impairment charges totaling $7.4 million relating to PP&E. The third quarter of 2017 had a $2.2 million working capital adjustment reducing the gain on sale of the U.S. operating segment. The second quarter of 2017 had a $33.8 million gain on sale of the U.S. operating segment, a $8.3 million impairment to PP&E and intangible assets and a $4.3 million recovery of claims. The first quarter of 2017 had a $0.3 million 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, $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 million 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.

2017 FOURTH QUARTER

Selected fourth quarter financial information:

($000's, unless otherwise noted)	2017	2016
Revenue		
Continuing operations	-	2,840
Discontinued operations	-	18,309
Total	-	21,149
Net loss attributable to shareholders		
Continuing operations	(12,454)	(9,721)
Discontinued operations	-	(7,690)
Total	(12,454)	(17,411)
Basic and diluted net loss per share attributable to shareholders ($ per share)		
Continuing operations	(0.23)	(0.18)
Discontinued operations	-	(0.14)
Total	(0.23)	(0.32)

Continuing operations

Revenue earned in the fourth quarter of 2017 decreased by $2.8 million when compared to the same period in 2016. The variance is due to the temporary suspension of operations at Milner which continued into the fourth quarter of 2017. Net loss attributable to shareholders in the fourth quarter of 2017 increased $2.8 million when comparable to the same period in 2016. This variance is primarily due to an asset impairment charge relating to PP&E, partially offset by cost savings from the temporary suspension of operations at Milner which continued into the fourth quarter of 2017.

Discontinued operations

The Corporation's key performance indicators were impacted by the sale of the United States and France operating segments, both of which were sold prior to the fourth quarter of 2017, and as such are presented separately to illustrate the impact to the Corporation.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Decommissioning costs

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

During 2017, the Corporation began remediation of certain lands at Milner site, and as a result management internally updated the cost estimate to decommission Milner. The internally updated cost estimates resulted in an increase to the decommissioning cost estimate as it reflects additional information gathered on the site after the commencement of the remediation. The effect of these changes has been disclosed in notes 10 and 15 to the consolidated financial statements.

Useful life and residual value of PP&E

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

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

Impairment of non-financial assets

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

Refer to notes 10 and 11 in the notes to the consolidated financial statements for the asset impairment charges and reversals for the years ended December 31, 2017 and 2016.

Income taxes

The Corporation recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Corporation to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are dependent on monetization of contingent assets. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the statements of financial position date could be impacted.

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

Changes in Accounting Estimates

The use of judgments and estimates used in the preparation of the consolidated financial statements has been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2016, with the exception of Decommissioning costs as discussed on page 18.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Standards Issued Not Yet Effective

The International Accounting Standards Board ("IASB") has issued the following new standards to March 15, 2018. These standards have not been applied in preparing MAXIM's annual 2017 consolidated financial statements as the effective date falls in a subsequent period.

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

Financial Instruments

IFRS 9, Financial Instruments, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in International Accounting Standards ("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. 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.

There is no significant impact from the classification changes and no impact from the measurement changes based on MAXIM's existing financial assets and liabilities. In addition, the expected credit loss model will not impact MAXIM as counterparties for revenues from continuing operations where credit risk exists are 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.

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.

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.

The new standard is effective for annual periods beginning on or after January 1, 2018. 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 continuing operations and as such, the new standard is not expected to impact MAXIM.

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 there will be a significant impact as the Corporation currently only utilizes operating leases for office space and fixtures therein. The Corporation does not anticipate that it will early adopt this new standard.

IFRS amendments

The IASB has issued the following amendments to March 15, 2018. These amendments have not been applied in preparing MAXIM's annual 2017 consolidated financial statements as the effective date falls in a subsequent period.

Standard amended	Issued Date	Effective Date [1]	Impact on MAXIM
IAS 12 Income Taxes	December 2017	January 1, 2019	Not applicable to MAXIM
IAS 23 Borrowing Costs	December 2017	January 1, 2019	Not applicable to MAXIM
IAS 28 Investments in Associates and Joint Ventures	December 2016	January 1, 2018	Not applicable to MAXIM
IAS 28 Investments in Associates and Joint Ventures	October 2017	January 1, 2019	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 3 Business Combinations	December 2017	January 1, 2019	Not applicable to MAXIM
IFRS 4 Insurance Contracts	September 2016	January 1, 2018	Not applicable to MAXIM
IFRS 9 Financial Instruments	October 2017	January 1, 2019	Not applicable to MAXIM
IFRS 17 Insurance Contracts	May 2017	January 1, 2021	Not applicable to MAXIM

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

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

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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

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

Financial risks and financial instruments

At the date of this MD&A, the Corporation's financial instruments consist primarily of cash and cash equivalents, short-term investment, restricted cash, trade and other receivables, deposits, and trade and other payables.

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

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

MAXIM may utilize derivative financial instruments to manage market risk arising from volatile commodity prices, floating interest rates and changes in foreign currency rates. MAXIM periodically utilizes derivative financial instruments in the form of commodity swaps and foreign currency put options.

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

(a) Credit risk

Credit risk arises from the possibility that a counterparty to which the Corporation provides goods or services is unable or unwilling to fulfill their obligations. The extent of the risk depends on the credit quality of the counterparty to which the Corporation provides goods or service. At December 31, 2017, MAXIM's credit exposure consisted primarily of the carrying amounts of cash and cash equivalents, short-term investment, trade and other receivables, income taxes recoverable and deposits.

Cash and cash equivalents are held with one Canadian chartered bank which is rated A-, based on rating agency Standard & Poor's.

Short-term investment is held with one Canadian financial institution which is rated A+, based on rating agency Standard & Poor's. Further to this rating, this financial institution has full deposit coverage provided by the Government of Alberta.

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

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they come due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. MAXIM uses cash and cash equivalents to manage short-term working capital requirements as well as the timing of development capital. MAXIM does not require or have availability under a facility to manage cash flows as of the date of this MD&A. Refer to the Liquidity and Capital Resources section on page 10 and Forward Looking Information section on page 2 for further details.

(c) Market risk

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

(i) Foreign currency exchange risk:

The carrying values of the assets and liabilities fluctuate with changes in foreign currency exchange rates. The Corporation does not hedge this exposure other than as described below.

At December 31, 2017, the Corporation does not have any active operations in the United States. No derivatives have been entered into during the year to further manage risks associated with cash flow fluctuations arising from foreign currency risk. In respect of other monetary assets and liabilities denominated in foreign currencies, MAXIM ensures that its net exposure is kept to an acceptable level by holding monetary assets in foreign currencies to address short-term imbalances, thereby forming a "natural" economic hedge between assets and liabilities. At December 31, 2017, the Corporation has monetary assets of US$2.9 million (December 31, 2016 – asset of US$0.1 million) and other liabilities of US$2.7 million (December 31, 2016 – US$5.3 million). A strengthening (weakening) of the Canadian dollar by 10% against the United States dollar for the year ended December 31, 2017 would have increased (decreased) income before tax by circa $nil (2016 - $0.7 million) as a result of these exposures.

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing and investing rates of the Corporation. As at December 31, 2017 and 2016, the Corporation has no debt from continuing operations and therefore is not exposed to interest rate risk on liabilities. The Corporation earns interest income on its cash and cash equivalents, short-term investment and restricted cash at bank prime rates less a predetermined fixed amount. An increase to bank prime rates of 100 basis points, would increase pre-tax profit or loss by $0.9 million in 2017 (2016 - $nil). A decrease to prime rates by this amount would have the opposite effect on pre-tax profit or loss.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity and natural gas. Under certain contracts, the selling price of electricity varies according to changes in natural gas price providing an operating hedge against changes in natural gas price. The Corporation periodically reduces its exposure to commodity price risk by entering into fixed for floating swaps for the selling price of the electricity in Alberta. As at December 31, 2017 and the date of this MD&A, the Corporation is not exposed to commodity price risk as the Corporation temporarily suspended the generation of electricity at Milner.

Industry risks

MAXIM's continuing operations are currently subject to risks as Canada and Alberta continue to focus on phasing out coal-fired generation and moving forward on natural gas-fired generation capacity and renewable power. These risks are being mitigated with the Corporation's development projects which include converting Milner from a coal-fired to a natural gas-fired facility, including increasing the existing natural gas-fired capacity via MGR and other projects such as Buffalo Atlee, Deerland and MGE.

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

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

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

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

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

Regulation of industry

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

Project development

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

Competition

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

Management

MAXIM strongly depends, and will continue to depend, on the business and technical expertise of its management. The unexpected loss of any of MAXIM's key management personnel may have a serious impact on MAXIM's business. At present, no employee has a key-man insurance policy in place. All members of MAXIM's management have entered into non-competition and non-disclosure agreements with MAXIM.

Future financing and project financing

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

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

Off-balance sheet arrangements

MAXIM does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition, including the Corporation’s liquidity and capital resources, with the exception of contingent liabilities, contingent assets, purchase obligations and operating leases, which are disclosed on page 11.

TRANSACTIONS WITH RELATED PARTIES

($000's)	2017	2016
Short-term employee benefits, including wages and benefits	2,222	3,883
Share-based payments	346	919
Total	2,568	4,802

Key management personnel included the Corporation's Directors and Named Executive Officers. There were no other related party transactions during 2017 or 2016.

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.

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 previously identified material weaknesses in the design of the Corporation's internal control over financial reporting. These weaknesses have been remediated as of December 31, 2017; however, the weakness will continue to impact the Corporation's comparative financial information until the December 31, 2018 financial reporting period. At December 31, 2016, 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, did 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 remediated this weakness in second quarter of 2017 upon completion of disposals of both the France and United States operating segments and resulting simplification of operations.

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 December 31, 2017 that has materially affected, or is reasonably likely to materially affect, the Corporation’s internal control over financial reporting. Apart from the remediation noted above, 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 effective as of December 31, 2017.

Notwithstanding the foregoing, because of its inherent limitations a control system can provide only reasonable assurance that the objectives of the control system are met and may not prevent or detect misstatements. Management’s estimates may be incorrect, or assumptions about future events may be incorrect, resulting in varying results. In addition, management has attempted to minimize the likelihood of fraud. However, any control system can be circumvented through collusion and illegal acts.

OTHER INFORMATION

Outstanding share data:

Issued common shares at December 31, 2017	54,623,825
Outstanding share options at December 31, 2017	1,516,119
Total diluted common shares at December 31, 2017	56,139,944
Share options granted in January 2018	11,667
Share options expired in January 2018	(155,133)
Total diluted common shares at March 15, 2018	55,996,478

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
AUC	Alberta Utilities Commission
Buffalo Atlee	Buffalo Atlee is a development project up to 235 MW wind generation situated near Brooks, Alberta.
Capacity	The rated continuous load-carrying ability, expressed in megawatts, of generation equipment, with the exception of "capacity payments" and "capacity market" (throughout the MD&A references to capacity are stated in nameplate capacity)
CCIR	Carbon Competitiveness Incentive 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-D06-2017 issued by the AUC
Deerland	Deerland is a development project for a 190 MW natural gas-fired peaking station located near Bruderheim, Alberta
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.
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
Milner	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
M16	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
MGE	Milner gas expansion initiative to develop a 520 MW natural gas-fired generating facility
MGR	Milner gas repowering initiative to increase generating capacity at Milner to 236 MW, comprised of two natural gas-fired turbines located next to Milner
MAXIM or the Corporation	Maxim Power Corp.
MD&A	Management's Discussion and Analysis
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
PP&E	Property, plant and equipment
O&M	Operations and maintenance

SO2	Sulphur dioxide
SUMMIT	Summit Coal is a wholly-owned MAXIM subsidiary, which owns the Mine 14 and Mine 16S development projects
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.