MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated August 9, 2012 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the three and six months ended June 30, 2012. The MD&A should also be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2012 and the audited annual consolidated financial statements and MD&A contained within MAXIM`s Annual Report for the year ended December 31, 2011. The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). The unaudited condensed consolidated interim financial statements do not include all the information required for annual financial statements. MAXIM prepares its unaudited condensed consolidated interim financial statements in accordance with International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("GAAP"). In this MD&A, MAXIM also reports certain non-GAAP measures. See page 16 for an explanation of non-GAAP measures.

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

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FORWARD-LOOKING INFORMATION

Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include the ability of the Corporation to implement its strategic initiatives, the availability and price of energy commodities, government and regulatory decisions, plant availability, competitive factors in the power industry and prevailing economic conditions in the regions that the Corporation operates. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Corporation believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements speak only to the date of this MD&A. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws.

Readers are cautioned that management's expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. With respect to forward-looking statements contained within this MD&A, MAXIM has made the following assumptions:

- Future capital expenditures are estimated based upon planned maintenance projects and generation levels at each facility.
- Development projects, including Mine 14, Milner expansion, Deerland, and Buffalo Atlee, are based upon current estimates of capital cost, projected returns on investment, the duration of the regulatory approval process, and the ability to obtain the necessary financing.
- Management estimates that cash flows from operations will meet commitments and scheduled maintenance programs throughout the next twelve months as of the balance sheet date. This estimate is based upon current budgets and forecasts. Interruptions to generation, higher than anticipated operating costs, lower realized electricity prices, unfavourable moves in interest rates and foreign exchange rates, failure of counterparties to meet their obligations, and various other factors may inhibit the Corporation from meeting its obligations.
- MAXIM has credit facilities to support liquidity requirements of the Corporation. The facilities are margined on accounts receivable and property, plant and equipment; therefore, the ability to draw on these facilities is dependent upon operating performance.
- MAXIM estimates total capital expenditures of $26.8 million to be incurred in 2012. These costs are based upon estimates and may differ from the actual costs to complete. MAXIM further estimates that $10.1 million of these expenditures will be financed from French debt facilities and the remainder will be financed from operating cash flows
- In determining potential development sites, management estimates future electricity demand in these areas. The actual future demand in these areas may be different from expected.
- MAXIM anticipates all necessary provincial, state and federal regulations for environmental and climate change legislation will be met. Changes to environmental legislation may affect the ability of MAXIM to comply with regulations.
- MAXIM was in compliance with all financial covenants on its credit facilities as at June 30, 2012 and anticipates meeting these covenants throughout the next twelve months.

OVERALL PERFORMANCE

Highlights and notable events

During the second quarter, the Corporation completed its planned turnaround at Milner, which lasted 36 days. The Corporation scheduled the turnaround during a period where prices were less volatile, thereby reducing the impact on generation levels and revenues. The costs incurred for the turnaround were $1.5 million on maintenance and $1.1 million on capital expenditures.

On May 15, 2012, MAXIM signed an agreement to secure natural gas transportation service for the 190 MW Deerland Peaking Station ("D1").

On May 18, 2012 MAXIM entered into an amended credit agreement that provides a $40 million, three-year-committed revolving credit facility and a $3.5 million interest rate swap and foreign exchange facility. These facilities mature on May 31, 2015. The revolving credit facility has partially been used to pay out the previous Canadian amortizing term loan of $18.9 million. MAXIM will use the remaining revolving credit facility to support growth initiatives.

MAXIM's results were negatively impacted by lower Alberta power prices during the second quarter of 2012 when compared to the second quarter of 2011. Alberta power prices averaged $40.03 per MWh in the second quarter of 2012, representing a 23% decrease from the $51.90 per MWh average price of the second quarter of 2011. However, Milner's average realized price was $66.60 per MWh during the second quarter of 2012, which is a 24% increase from the average realized price of $53.70 per MWh in 2011. In addition to this, Milner continues to burn lower cost natural gas instead of coal in certain situations, which has resulted in operating cost savings.

Key performance indicators

	Three months ended June 30		Six months ended June 30	
($000`s, unless otherwise noted)	2012	2011	2012	2011
Net revenue[(1)]	17,961	17,884	63,834	72,881
Adjusted EBITDA[(1)]	(1,313)	(1,987)	8,647	13,833
Adjusted net income (loss)[(1)]	(3,658)	(3,990)	181	569
Net loss attributable to shareholders	(8,991)	(5,475)	(6,090)	(916)
Basic net loss per share ($ per share)	(0.17)	(0.10)	(0.11)	(0.02)
Diluted net loss per share ($ per share)	(0.17)	(0.10)	(0.11)	(0.02)
Funds from operations[(1)]	(1,212)	(2,124)	8,966	13,695
Total assets	353,125	362,353	353,125	362,353
Loans and borrowings (non-current)	56,861	61,552	56,861	61,552
Generation (MWh)	153,372	180,535	480,015	572,540
Average Alberta power price – market ($ per MWh)	40.03	51.90	50.07	66.88
Average Alberta power price – Milner realized ($ per MWh)	66.60	53.70	60.37	64.78

[(1)] Select financial information was derived from the unaudited condensed consolidated interim financial statements and is prepared in accordance with GAAP, except net revenue, adjusted EBITDA, adjusted net income (loss) and funds from operations ("FFO"). Net revenue is provided to highlight revenue net of any gains or losses realized on commodity swaps. Adjusted EBITDA is provided to assist management and investors in determining the Corporation's approximate operating cash flows before interest, income taxes, depreciation and amortization and certain other income and expenses. Adjusted net income (loss) is used to compare MAXIM's results among reporting periods without consideration of unrealized gains and losses and to evaluate MAXIM's performance. FFO is an Additional GAAP measure provided to assist management and investors in determining the Corporation's cash flows generated by operations before the cash impact of working capital fluctuations. Net revenue, adjusted EBITDA, adjusted net income (loss) and FFO do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Refer to the Non-GAAP measures sections of this MD&A for reconciliations between non-GAAP financial measures and comparable measures calculated in accordance with GAAP.

Financial results

Net revenue, adjusted EBITDA, adjusted net income (loss) and funds from operations increased in the second quarter of 2012 when compared to the second quarter of 2011. The increase in these financial measures is primarily due to higher generation and pricing at MAXIM's Pittsfield facility in the Northeast US. Adjusted EBITDA and funds from operations have also increased due to fuel cost savings at the Milner facility in Alberta. These increases have been partially offset by the 36-day turnaround at Milner as compared to a 25-day turnaround during the same period last year.

Net loss in the second quarter of 2012 was favourably affected by the aforementioned factors, offset by an unrealized loss on a derivative coal contract.

On a year to date basis, net revenue, adjusted EBITDA, adjusted net income (loss), net loss and funds from operations have decreased from the prior year. The decrease in these financial measures is primarily due to a decline in Alberta power prices which impacted Milner results as well as lower generation in the Northeast US. Net loss further decreased because of the previously mentioned unrealized loss on a derivative coal contract, which was partially offset by a gain from the sale of the APP facility.

RESULTS OF OPERATIONS

Summary of generation by segment:

	Three months ended June 30, 2012		Three months ended June 30, 2011	
Segment	MWh	% of Total	MWh	% of Total
Canada - Milner	89,433	58	118,372	66
Canada - Other	8,932	6	21,172	12
United States	54,984	36	40,991	22
France	23	0	-	-
Total MWh Generation	153,372	100	180,535	100

	Six months ended June 30, 2012		Six months ended June 30, 2011	
Segment	MWh	% of Total	MWh	% of Total
Canada - Milner	278,920	58	350,706	61
Canada - Other	25,250	5	41,738	7
United States	72,629	15	102,647	18
France	103,217	22	77,449	14
Total MWh Generation	480,015	100	572,540	100

The above tables exclude Forked River and Basin Creek as these facilities provide capacity in exchange for monthly capacity payments.

Revenue

Summary of net revenue by segment:

	Three months ended June 30		Six months ended June 30	
Segment ($000`s)	2012	2011	2012	2011
Canada - Milner	5,961	6,371	16,762	22,750
Realized gain on commodity price swaps	-	-	90	-
Canada - Milner - net revenue	5,961	6,371	16,852	22,750
Canada - Other	459	1,673	1,844	3,649
United States	10,961	9,501	20,196	24,969
France	580	339	24,942	21,513
Net revenue[(1)]	17,961	17,884	63,834	72,881

(1) Net revenue is provided to highlight revenue net of any gains or losses realized on commodity swaps. Net revenue does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Refer to the Non-GAAP measures section of this MD&A for reconciliations between non-GAAP financial measures and comparable measures calculated in accordance with GAAP.

Second quarter net revenue earned by MAXIM was $18.0 million, which is similar to net revenue during the same period of 2011. Net revenue for the six months ended June 30, 2012 decreased $9.0 million or 12%. The decrease during the first half of 2012 is primarily attributable to lower average Alberta power prices that resulted in lower generation in Alberta and the sale of APP, which was effective as of February 29, 2012.

Canada - Milner:

During the second quarter, Milner generated net revenue of $5.9 million, compared to $6.4 million in 2011. The 6% decrease in net revenue was primarily due to lower Alberta power prices as well as the 36-day turnaround in 2012 as compared to the 25-day turnaround in the second quarter of 2011. Further reducing net revenue is the decrease in generation from 2011 to 2012. Electricity generation was reduced during certain low priced periods when the marginal cost per MWh to operate was above Milner’s realized price per MWh. Milner realized an average price of $66.60 per MWh of generation during the period, which represents a 24% increase in comparison to $53.70 per MWh realized the second quarter of 2011. Milner is able to realize a higher average price than the Alberta pool price because Milner’s turnaround occurred during a period of low-priced hours and the facility operated in a derated (low generation) mode during periods when the average pool price was below Milner’s marginal cost.

Milner’s revenue in the first six months of 2012 was $6.0 million lower or 26% compared to the same period in 2011. The decrease in revenue is primarily due to the factors affecting the first quarter, which were a combination of lower power prices and lower generation at Milner.

Canada - Other:

Second quarter revenue earned from other Canadian operations in 2012 decreased $1.2 million or 73% when compared to 2011. The decline was primarily due to the sale of APP during the first quarter of 2012 as well as a decrease in average Alberta power prices on revenue earned by MAXIM’s Gold Creek facility. In addition to this, MAXIM’s VLF and Hartland facilities have been operating at less than full capacity throughout the second quarter of 2012, which is due to seasonally high siloxane levels contained in the landfill gas.

Revenue in the first six months of 2012 was $1.8 million lower or 49% compared to the same period in 2011, primarily due to the same factors affecting the second quarter.

United States:

Second quarter revenue earned from the United States segment during 2012 was $1.5 million or 15% higher than revenue earned in 2011. The increase in revenue is primarily due to higher demand in the Northeast US, specifically at Pittsfield, which had a spike in generation during the month of June, due to weather based demand.

Revenue in the first six months of 2012 was $4.8 million lower or 19% compared to the same period in 2011, primarily due to milder weather during the first quarter of 2012, which lead to lower realized thermal sales as well as lower demand for electricity.

France:

Second quarter revenue earned by the France segment in 2012 has increased by $0.2 million in comparison to 2011. Second quarter revenue increased because of additional peaking facilities that were available in 2012, which resulted in increased capacity payments. Partially offsetting this improvement was a 7% depreciation of the Euro relative to the Canadian dollar in the second quarter of 2012 as compared to the second quarter of 2011.

Revenue in the first six months of 2012 was $3.4 million higher or 16% compared to the same period in 2011, primarily resulting from an increase in generation due to operating certain facilities in cogeneration mode versus dispatch mode. In addition to this, a facility operating in 2012 had undergone renovations during the first quarter of 2011. Partially offsetting the improvement is a 5% depreciation of the Euro relative to the Canadian dollar for the first six months of 2012 as compared to the first six months of 2011.

Summary of revenue by fixed and spot price:

	Three months ended June 30		Six months ended June 30	
($000`s)	2012	2011	2012	2011
Electricity and capacity sales at fixed prices (1)	7,674	8,426	40,148	47,235
Impact realized on commodity price swaps	-	-	90	-
Net electricity and capacity sales at fixed prices (1)	7,674	8,426	40,238	47,235
Electricity sales at spot prices	10,287	9,458	23,596	25,646
Net revenue (2)	17,961	17,884	63,834	72,881

(1) Includes revenue earned at market rates but subject to fixed price swap agreements.

(2) Net revenue is provided to highlight revenue net of any gains or losses realized on commodity swaps. Net revenue does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Refer to the Non-GAAP measures section of this MD&A for reconciliations between non-GAAP financial measures and comparable measures calculated in accordance with GAAP.

When compared to second quarter of 2011, net fixed price revenue decreased by $0.8 million or 9% in 2012. The decrease is primarily attributable to the sale of the APP facility during the first quarter of 2012. During the first half of the year, fixed price revenue decreased by $7.1 million or 15% compared to the same period in 2011. The decrease is primarily a result of the same factors that impacted the second quarter of 2012 as well as Milner having no contracted volumes in the first quarter of 2012, as opposed to 148,200 MWh in the first quarter of 2011.

Electricity sales at spot prices increased $0.8 million or 9% in the second quarter 2012 in comparison to 2011. The increase is primarily a result of higher generation at Pittsfield, partially offset by lower generation at Milner due to the 36-day turnaround. During the six months ended June 30, 2012, electricity sales at spot prices decreased $2.1 million or 8% compared to the same period in 2011. The decrease is a result of lower generation in the Northeast US during the first quarter as well as lower generation and realized prices at Milner during the first six months of the year.

Plant operations

Summary of plant operations expense by type and segment:

Three months ended June 30 ($000's)	2012 Fuel	2012 O&M	2012 Total	2011 Fuel	2011 O&M	2011 Total
Canada - Milner	2,661	6,735	9,396	4,449	5,807	10,256
Canada - Other	21	656	677	27	1,087	1,114
United States	2,680	4,149	6,829	2,277	4,490	6,767
France	27	1,499	1,526	6	1,249	1,255
Total	5,389	13,039	18,428	6,759	12,633	19,392
Percent	29%	71%	100%	35%	65%	100%

Six months ended June 30 ($000's)	2012 Fuel	2012 O&M	2012 Total	2011 Fuel	2011 O&M	2011 Total
Canada - Milner	9,114	11,577	20,691	12,094	10,864	22,958
Canada - Other	30	1,753	1,783	55	2,146	2,201
United States	4,277	8,342	12,619	7,985	9,769	17,754
France	11,779	7,957	19,736	7,969	7,384	15,353
Total	25,200	29,629	54,829	28,103	30,163	58,266
Percent	46%	54%	100%	48%	52%	100%

Total plant operating expenses during the second quarter has decreased $1.0 million or 5% in 2012 in comparison to 2011. A decrease in the Milner and other Canadian plants' operating costs was partially offset by higher plant operating costs in France and the United States.

For six months ended June 30, 2012 plant operating expenses decreased by $3.4 million or 6% in comparison to 2011. A decrease in the Milner, United States and other Canadian plants' operating costs was partially offset by higher plant operating costs in France.

Canada – Milner:

Second quarter Milner O&M costs increased $0.9 million or 16% to $6.7 million in 2012 from $5.8 million in 2011. The increase is primarily due to a 36-day turnaround at Milner in the second quarter of 2012 as compared to a 25-day turnaround in 2011. The longer turnaround was due to additional required maintenance for the boiler. This additional maintenance is expected to increase future boiler reliability.

O&M costs in the first six months of 2012 were $0.7 million higher or 7% compared to the same period in 2011, primarily due to the same factors affecting the second quarter. These higher costs are partially offset by a change in transmission loss factor rates in 2012.

Second quarter Milner fuel costs decreased $1.8 million or 40% in 2012 when compared to 2011. The decrease is primarily the result of a 34% decline in generation. In addition to this, the Milner plant has reduced coal consumption and has increased natural gas consumption, resulting in a 9% decline in the cost of fuel from $37.58 per MWh in the second quarter of 2011 to $34.11 per MWh in 2012. As a result of the decline in natural gas prices, it has become a less expensive fuel source than coal. Natural gas is consumed when the facility is operated in a derated mode and can be used when generation exceeds 90 MW. Using more natural gas as a fuel source in 2012 has resulted in an increase in coal inventory since December 31, 2011. Milner is derated during certain periods of low power prices in order to maximize profitability, and this was done more frequently in the second quarter of 2012 than in 2011 due to decreased Alberta power price volatility.

Fuel costs in the first six months of 2012 were $3.0 million lower or 25% compared to the same period in 2011, primarily due to the same factors affecting the second quarter.

Canada – Other:

Other Canadian plant operating expenses in the second quarter of 2012 decreased by $0.4 million or 40% when compared to 2011. The decrease is primarily the result of the sale of APP during the first quarter of 2011 as well as a decline in generation at the Gold Creek facility.

Other Canadian plant operating expenses in the first six months of 2012 were $0.4 million lower or 18% compared to the same period in 2011, primarily due to the same factors affecting the second quarter.

United States:

O&M in the United States decreased in the second quarter from $4.5 million in 2011 to $4.1 million in 2012. The $0.4 million or 9% decrease is primarily attributable to cost saving measures implemented at the Pawtucket facility, partially offset by higher generation at Pittsfield.

O&M costs in the first six months of 2012 were $1.4 million lower or 15% compared to the same period in 2011, primarily due to lower power consumption charges and cost saving measures implemented at Pawtucket.

Second quarter fuel costs increased $0.4 million or 18% in 2012 when compared to 2011. The increase in fuel costs was primarily due to increased generation at the Pittsfield facility.

Fuel costs in the first six months of 2012 were $3.7 million lower or 46% compared to the same period in 2011, primarily due to less demand in the Northeast US during the first quarter, which was primarily associated with milder weather.

France:

France plant operating expenses increased in the second quarter by $0.3 million or 24%, from $1.2 million incurred in 2011 to $1.5 million in 2012. The increase is primarily due to maintaining more peaking facilities in the second quarter of 2012 as compared to the second quarter of 2011, partially offset by the declining value of the Euro relative to the Canadian dollar during the first quarter of 2012 versus the first quarter of 2011.

O&M costs in the first six months of 2012 were $0.6 million higher or 8% compared to the same period in 2011, primarily due to the same factors impacting the second quarter as well as higher generation in the first quarter of 2012 as compared to the first quarter of 2011. This increase is partially offset by the declining value of the Euro relative to the Canadian dollar during the first half of 2012 as compared to the same period in 2011.

Fuel costs in the first six months of 2012 were $3.8 million higher or 48% compared to the same period in 2011, primarily due to an increase in the unit price of natural gas in France under annual gas purchase contracts and the additional generation during the first quarter of 2012. The increase in fuel expense is partially offset by the declining value of the Euro relative to the Canadian dollar during the first half of 2012 as compared to the same period in 2011.

General and administrative expense

	Three months ended June 30		Six months ended June 30	
($000's)	2012	2011	2012	2011
Total general and administrative expense	913	957	1,774	1,965

Second quarter 2012 general and administration expenses are comparable to 2011.

In the first half of 2012, general and administration expenses decreased by $0.2 million or 10% in comparison to 2011. The decrease is primarily due to one-time consulting costs that were incurred in 2011 that related to the implementation of IFRS.

Depreciation and amortization expense

($000's)	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Total depreciation and amortization	2,853	2,518	9,425	10,435

Total depreciation and amortization expense increased $0.3 million or 13%, from $2.5 million in 2011 to $2.8 million in 2012. The increase is primarily a result of capital expenditures to renovate plants in France, offset by the sale of the APP facility.

Depreciation and amortization expense in the first six months of 2012 were $1.0 million or 10% lower compared to the same period in 2011. The decrease is primarily a result of obtaining an extension of the Milner plant life beyond 2015 in March 2011, as well as the sale of APP effective January 1, 2012, partially offset by capital expenditures incurred at Milner and France during past twelve months.

Gain (loss) on commodity swaps

($000's)	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Realized gain on commodity swaps	-	-	90	-
Unrealized loss on commodity swaps	-	-	-	(1,980)
Total gain (loss) on commodity swaps	-	-	90	(1,980)

MAXIM realized $0.1 million in gains on a fixed for floating price commodity swap during the six months ended June 30, 2012. During the first quarter of 2012, MAXIM entered into a financial commodity swap on Milner's generating capacity in order to reduce its exposure to commodity price risk. On average, Alberta power prices were lower than the fixed swap price, which resulted in the realized gain. MAXIM did not enter into any financial commodity swaps during the second quarter.

In the second quarter of 2011, MAXIM had a mark-to-market unrealized loss of $2.0 million as a result of a floating for fixed price commodity swap during the second quarter of 2011.

Loss on derivative coal contract

($000's)	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Total unrealized loss on derivative coal contract	7,111	-	8,361	-

MAXIM had a $7.1 million unrealized loss on the derivative coal contract during the second quarter of 2012. The unrealized loss is caused by a decline in the fair value of the derivative coal contract, which is due to a reduction in the futures price for thermal coal, partially offset by an appreciation in the US dollar. This unrealized loss relates to MAXIM's long-term coal supply agreement. In 2011, upon recognition of the derivative coal contract, an unrealized gain was recognized. The unrealized loss is a non-cash accounting item that is offsetting the previously recorded unrealized gain. By the expiry of the coal supply contract on December 31, 2013 any unrealized gains or losses previously recorded will have fully reversed. Moreover, the corresponding derivative coal contract liability will not result in a cash settlement because MAXIM has no obligation to resell the coal received under the contract. MAXIM currently intends to use the coal in the normal course of operations.

Unrealized loss on the derivative coal contract in the first six months of 2012 was $8.4 million, primarily due to the same factors affecting the second quarter.

Other income

($000's)	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Other income	7	262	4,364	983

Other income for the second quarter of 2012 has decreased from $0.3 million in 2011 to $nil in 2012. The decrease is primarily the result of receiving one-time compensation from France suppliers as well as insurance settlements in the second quarter of 2011.

Other income in the first six months of 2012 has increased from $1.0 million in 2011 to $4.4 million in 2012. The increase is primarily due to the $3.1 million gain on sale from the APP facility and $1.3 million for performance penalties from France service providers.

Finance expense, net

($000's)	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Interest expense	828	1,010	1,762	1,807
Amortization of deferred financing costs	77	92	183	232
Accretion of provisions	64	157	151	319
Foreign exchange (gain) loss	(15)	(78)	(27)	49
Finance expense	954	1,181	2,069	2,407
Interest income	(25)	(7)	(36)	(10)
Total finance expense, net	929	1,174	2,033	2,397

Net finance expense incurred during the second quarter 2012 decreased $0.2 million or 21% when compared to 2011. The variance is primarily due to a $0.2 million decrease in interest expense, which is due to MAXIM`s decrease in net debt as well as a depreciation in Euro.

Net finance expense in the first six months of 2012 has decreased from $2.4 million in 2011 to $2.0 in 2012, primarily due to a $0.2 million decrease in the accretion of provisions for decommissioning costs that relates to downward revisions in US cost estimates made in the fourth quarter of 2011. Further decreasing net finance expense is a foreign exchange loss in the first half of 2011 versus a foreign exchange gain in 2012.

Income taxes

($000's)	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Current tax expense (benefit)	(142)	(129)	105	521
Deferred tax expense (benefit)	(3,133)	(2,274)	(2,378)	(834)
Total income tax expense (benefit)	(3,275)	(2,403)	(2,273)	(313)

MAXIM’s income tax benefit increased in the second quarter from $2.4 million in 2011 to $3.3 million in 2012. The increase is primarily due to an increase in losses before tax. This is partially offset by a reduction in the statutory tax rate in Canada from 26.5% in 2011 to 25.0% in 2012, which decreased the tax benefit related to Canadian operations.

Similarly, MAXIM’s income tax benefit for the six months ended June 30, 2012 increased from $0.3 million in 2011 to $2.3 million. The increase is primarily due to the same factors affecting the second quarter.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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

On May 18, 2012, MAXIM entered into an amended credit agreement that provides up to $40.0 million in borrowing capacity under a revolving credit facility. The Corporation may draw up to $40.0 million margined against its accounts receivable and property, plant and equipment balances. As at June 30, 2012 this facility had an outstanding balance of $22.8 million, comprised of $9.1 million of issued letters of credit and $13.7 million in drawn credit. As at June 30, 2011, the Corporation had $6.7 million in letters of credit and a balance of $23.5 million drawn on a committed amortizing term loan facility, under a previous credit facility.

Cash flow summary:

Six months ended June 30 ($000's)	2012	2011
Cash on hand, net of bank indebtedness, unrestricted, January 1	13,424	9,874
Cash flow from operations:		
• Funds from operations	8,966	13,695
• Changes in working capital	(3,495)	1,993
Cash flow used in financing	(13,085)	(9,699)
Available for investments	5,810	15,863
Cash flow generated from (used in) investing		
• Proceeds from disposal of APP	12,950	-
• Cash used for investing activities	(10,168)	(6,804)
Effect of foreign exchange rates on cash	41	291
Cash on hand, net of bank indebtedness, unrestricted, June 30	8,633	9,350
Undrawn revolving credit facility	17,265	-
Net liquidity available, June 30	25,898	9,350

(1) The undrawn revolving credit facility relates to MAXIM's new credit agreement that was entered into on May 18, 2012. As a result, there is no prior year figure for the undrawn revolving credit facility balance.

Funds from operations decreased $4.7 million when compared to the prior year. The decrease is primarily due to lower generation and lower power prices realized at the Milner plant, the 36-day planned turnaround at Milner, as well as reduced generation in the Northeast US. Furthermore, COMAX operated at a lower margin during the first quarter of 2012, which is primarily due to an increase in the unit price of gas.

Fluctuations in working capital represented a cash outflow of $3.5 million in 2012 compared to a cash inflow of $2.0 million in 2011. See page 12 for further discussion of working capital.

During the first six months of 2012, MAXIM's debt and capital lease repayments exceeded financing cash inflows, resulting in a net financing outflow of $13.1 million during the year. Debt issuances included $13.7 million draw on the new BMO North American credit facility, and $0.3 million in long-term debt financing for plant renovations in France. More than offsetting these inflows were the repayment of MAXIM`s term loan of $19.1 million, $4.1 million in scheduled debt repayments, $1.8 million in capital lease payments, $1.9 million in interest payments, and a $0.1 million reduction in bank indebtedness.

During the first six months of 2011, MAXIM's debt and capital lease repayments exceeded financing cash inflows, resulting in a net financing outflow of $9.7 million during the period. Debt issuances were $6.3 million for the period and consisted of $4.0 million in draws on the BMO revolving credit facilities and of $2.3 million in long-term debt financing for plant renovation in France. Share issuances due to the exercise of options during the second quarter resulted in an additional $0.1 million cash inflow. More than offsetting these inflows were the scheduled debt and lease repayments of $5.3 million and $2.0 million respectively, repayments of $6.0 million which had been drawn under revolving credit facilities, $2.4 million in interest payments and a $0.4 million reduction in bank indebtedness.

MAXIM's 2012 investing activities represented a cash inflow of $2.8 million, which consisted of proceeds of $13.0 million from the sale of APP and a $0.1 million decrease in non-current deposits. These inflows are partially offset by $9.1 million in property plant and equipment purchases, and $0.3 million in intangible asset additions and a $0.9 million reduction in accounts payable related to capital asset purchases.

The $9.1 million in PP&E expenditures is comprised of $2.8 million on facility renovation in France, $2.7 million on the development of Mine 14, $1.2 million on improvements to Milner including the 36-day turnaround, $1.2 million on MAXIM`s facilities in the Northeast US, $0.6 million on the development of Deerland and $0.6 million on other North American facilities. Additions to intangibles represent $0.3 million in costs incurred on the reduction of Milner's current nitrous oxide emissions to generate credits against reductions in emission limits taking effect in 2013. (Refer to the Environmental and Climate Change Legislation section on page 16).

MAXIM's investing activities in the first half of 2011 represented a cash outflow of $6.8 million, which consisted of $7.3 million in property plant and equipment purchases, $0.5 million in intangible asset purchases, and a $0.3 million increase in non-current deposits. These outflows are partially offset by a $0.5 million decrease in restricted cash held as security for ISO New England transactions and a $0.8 million decrease in accounts payable related to PP&E.

The $7.3 million in PP&E expenditures is comprised of $3.6 million on renovations of the Cogenia power plant in France, $0.5 million on other France projects, $1.9 million on development projects, primarily Mine 14 and the Milner expansion project, $1.0 million on Milner's June turnaround, $0.2 million on improvements to Milner, and $0.1 million on other North American facilities. Additions to intangibles represent $0.5 million in costs directly attributable to creating emission credits.

The following table represents the net capital of the Corporation:

As at ($000`s)	June 30, 2012	December 31, 2011
Long-term debt (including current portion)	56,352	65,852
Capital lease obligation	5,871	7,792
Less: Unrestricted cash (net of bank indebtedness)	(8,633)	(13,311)
Net debt	53,590	60,333
Shareholders' equity	237,388	243,904
Net capital	290,978	304,237
Net debt to capital	18.4%	19.8%

The Corporation uses the net debt ratio to capital to monitor leverage. The decrease in net debt from December 31, 2011 to June 30, 2012 is the result of scheduled capital lease and debt repayments in addition to an increase in unrestricted cash due to the sale of APP as well as the seasonality of operations, which has caused leverage to decrease over the past six months.

MAXIM complied with all financial covenants on its credit facilities as at June 30, 2012 and anticipates meeting these covenants for the next 12 months.

Working capital

The Corporation's working capital surplus of $17.7 million at June 30, 2012, represents an $8.2 million decline from the working capital surplus of $25.9 million at December 31, 2011. The total decline was due to a $27.3 million decrease in current assets and a $19.1 million decrease in current liabilities. This was caused by a reduction in assets held for sale due to the disposition of APP as well as the use of cash to pay off MAXIM's previous credit facility.

The decrease in current assets is primarily due to a $15.4 million decrease in accounts receivable that primarily results from the seasonality of France operations, a $10.3 million decrease in assets held for sale, which is due to the sale of APP, a $4.8 million reduction in cash and a $3.5 million decrease in the current portion of the derivative coal contract asset recorded in relation to coal purchases. See the consolidated statement of cash flows and the "Loss on derivative coal contract" on page 9 of this MD&A for further detail. Partially offsetting these decreases were a $6.5 million increase in inventory and $0.2 million increase in prepaid expenses.

The decrease in current liabilities is primarily due to a decrease of $13.4 million in accounts payable due to the seasonality of France operations, a $5.6 million decrease in the current portion of long-term debt related to the repayment of the term loan, a $1.1 million decrease in the current portion of capital lease obligations, a $0.7 million decrease in liabilities held for sale, and $0.1 million decrease in bank indebtedness. This is partially offset by the $1.5 million increase in the current portion of the derivative coal contract as well as the $0.3 million increase in deferred revenue.

Contractual Obligations

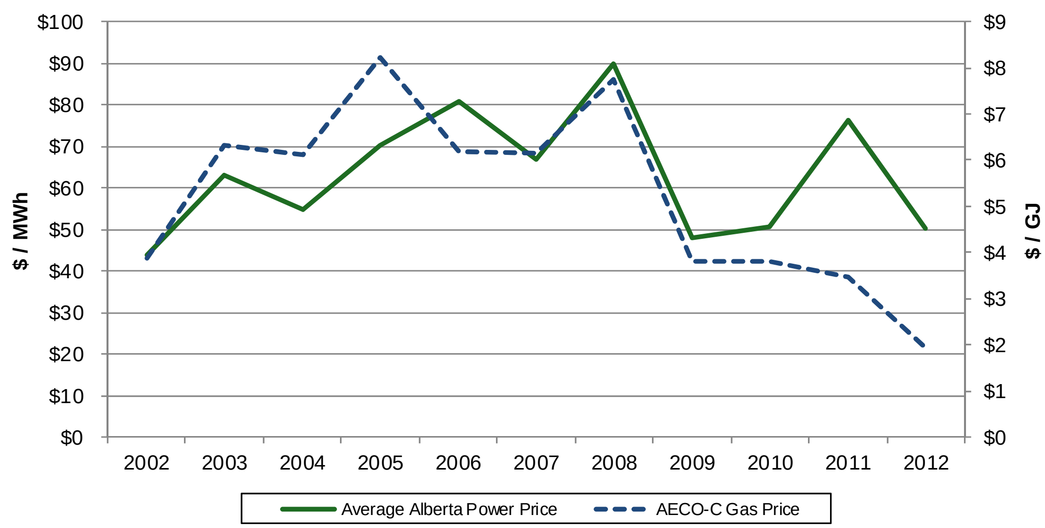
MAXIM has entered into various contracts in relation to the Deerland peaking station development project totaling $2,165. These contracts expire on December 31, 2013. MAXIM has entered into a natural gas transportation service agreement for the Deerland peaking station development project whereby it is committed to reimburse out-of-pocket costs of the counterparty provided MAXIM cancels the agreement before June 1, 2012. The maximum authorization of expenditures is $1,200 and $nil has been incurred by the counterparty as at June 30, 2012.

Capital Resources

The Corporation is currently estimating capital and development expenditures of approximately $26.8 million for 2012. These expenditures include $9.3 million for repowering cogeneration facilities in France, $12.5 million on development projects, $1.2 million on the 2012 Milner turnaround, and $3.8 million on capital projects at other North American facilities. Management plans to fund cogeneration repowering with approximately 80% debt financing. Remaining expenditures will be financed through cash flows from operations and existing cash balances. Management is considering additional capital spending on the Deerland facility and Mine 14 development projects, subject to development progress and specific Board approval. MAXIM is currently exploring commercial arrangements for Deerland and anticipates proceeding with construction in late 2012. These savings are offset by lower off peak power prices.

OUTLOOK

The Corporation's outlook is significantly impacted by Alberta electricity and fuel prices. Alberta electricity prices are a key revenue determinant for MAXIM's Milner and Gold Creek facilities. Alberta electricity 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 electricity price to Alberta natural gas price since deregulation of the electric industry in Alberta. The break in correlation is the result of tighter generation capacity relative to demand since 2011, which led to higher power prices.



MAXIM has currently been operating in a low-priced natural gas environment. Low natural gas prices have a positive impact on the Milner facility through fuel cost savings. Further savings are realized through lower environmental compliance costs and lower maintenance costs.

The low natural gas price environment in the US Northeast is expected to have a neutral to slightly negative financial impact on MAXIM's power plants. MAXIM's energy margins are positively correlated to natural gas prices. However, generation from coal fired power plants that do not have fuel switching capabilities will be displaced by natural gas power plants, such as those owned by MAXIM, which should translate into more frequent dispatches for MAXIM's power plants.

Guidance

MAXIM's results are significantly impacted by Alberta spot power prices. In preparing its guidance, management uses Alberta forward electricity prices as a proxy for Alberta spot electricity prices. The market for forward contracts is relatively illiquid and forward prices may not be a good predictor of settled prices as they may not factor in events such as unplanned outages that can cause a significant increase in settled power prices. Notwithstanding, MAXIM prepares its guidance using forward electricity price from independent sources.

MAXIM 2012 Guidance is as follows:

(in thousands of Canadian dollars, except as otherwise noted)	For the year ending December 31, 2012
Adjusted EBITDA	34,300
Funds from operations	34,900
Funds from operations per share – basic and diluted ($ per share)	0.65
Adjusted net income	11,600
Adjusted net income per share – basic and diluted ($ per share)	0.21
Net income	6,100
Net income per share– basic and diluted ($ per share)	0.11

The forecast 2012 results are based upon the following assumptions:

(in thousands of Canadian dollars, except as otherwise noted)	For the year ending December 31, 2012
Electricity deliveries (MWh):	
• HR Milner	722,227
• Other facilities	532,942
Total electricity deliveries	1,255,169
Net generation capacity at year end (MW)	796
Capital expenditures (excluding acquisitions):	
• France repowering and peaking facilities	9,300
• Development projects	12,500
• Other assets	3,400
• HR Milner	1,600
Total capital expenditures	26,800
Average Alberta spot electricity price ($/MWh)	64.80
Average annual foreign exchange rates:	
• C$/USD	1.00
• C$/Euro	1.27
Weighted average shares outstanding - basic (000's)	54,084
Weighted average shares outstanding - diluted (000's)	54,086

In addition to the above assumptions, the 2012 forecast assumes all sales of Milner output at Alberta spot market prices. The 2012 average Alberta power price forecast of $64.80 per MWh is based upon settled prices to the date of this MD&A and NGX forward prices for the remaining balance of the period. The impact of a $5/MWh increase/(decrease) in the NGX price for the remaining balance of the period would result in a corresponding $900 thousand increase/(decrease) in adjusted EBITDA and FFO and a $700 thousand increase /(decrease) in adjusted net income and net income. Forecast results include the assumption that MAXIM will continue its development initiatives related to Deerland, Mine 14 and other capital projects.

ACQUISITION AND DEVELOPMENT INITIATIVES

MAXIM will continue its IPP strategy to target growth through acquisitions and development of power plants in the markets of Western Canada, United States and France. MAXIM will target opportunities with generating capacity of 50 MW or greater, except in France where COMAX’s distributed generation platform targets smaller scale power plants. MAXIM will also pursue the development of its Mine 14 coal project as a fuel source for the generation of electricity and potentially the sale of coal to third parties.

Supply and demand for electricity, reserve margins, tariff structures, and the regulatory environment will be key fundamental factors in determining whether to pursue opportunities in a market. Demand is highly correlated to economic growth.

Deerland

As previously reported, MAXIM received regulatory approvals to construct and operate the Deerland Peaking Station, a 190 MW natural gas-fired peaking facility. Deerland is the only permitted peaking development project in the province of Alberta as at the date of this MD&A. On May 15, 2012, MAXIM has entered into agreements to secure firm natural gas transportation service for the Deerland peaking station. MAXIM is actively pursuing commercial arrangements that would allow for the construction of the facility to commence in the second half of 2012.

Mine 14

SUMMIT is advancing the development of Mine 14 to realize value through the potential sale of coal to metallurgical coal markets and potentially to augment coal supply to Milner. As previously reported, an adit was completed to recover un-oxidized coal for the purpose of conducting metallurgical quality testing and the results of this testing confirmed that Mine 14 coal is a low-mid volatile metallurgical grade coal.

Mine 14, which is located north of Grande Cache, Alberta, is estimated to contain 18.7 million tonnes of coal reserves with a mine life of 14.4 years (refer to Technical Report on the Mine 14 Project filed on SEDAR on May 3, 2012).

SUMMIT has previously entered into a ten-year terminal services agreement with Ridley Terminals Inc. ("Ridley"), commencing January 1, 2015. This agreement provides SUMMIT with firm terminal capacity and terminal processing services to enable the majority of Mine 14's proposed coal production to access the valuable seaborne coking coal market. Signing this agreement reduces the development risk of Mine 14 as SUMMIT advances to the construction phase of its Mine 14 project.

On May 9, 2012, SUMMIT acquired three additional coal leases, two of which are adjacent to its existing Mine 14 lease. The new leases comprise 1,328 hectares, which increases SUMMIT’s lease holdings by 25% to 6,669 hectares. SUMMIT is currently carrying out an exploration program to identify additional Resources and Reserves on both its existing and recently acquired leases.

Milner Expansion (“M2”)

MAXIM is planning to develop a new 500 MW generating facility, M2, adjacent to the existing 150 MW Milner generating facility ("M1"). The highly efficient M2 design will reduce carbon dioxide, sulphur dioxide, nitrogen oxide and mercury emissions compared to conventional coal fired power plants still operating in Alberta. M2 has been under development by MAXIM since May 2005. A lengthy public consultation and regulatory process culminated in the project’s final approval by the AUC on August 10, 2011. Advancing the project is subject to pending Government of Canada regulations. Refer to the Environmental and climate change legislation section of this MD&A, below, for further discussion.

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

MAXIM continues to procure and generate nitrogen oxide ("NOx") credits at the Milner facility in advance of commencing consumption of these credits on January 1, 2013. Under current legislation, MAXIM anticipates fully consuming these credits by the second quarter of 2015 and will identify alternative options of mitigation thereafter. The rate of consumption of these credits is driven by coal-fired generation and as such may fluctuate given changes in the levels of production and the fuel source used for production.

MAXIM also continues to generate sulphur dioxide ("SO2") credits at the Milner facility. Under current legislation, MAXIM anticipates that these credits would not be exhausted until beyond 2020. Similar to the NOx credits, the consumption of these credits is driven by coal-fired generation and as such may fluctuate given changes in the levels of production and the fuel source used for production

SELECTED QUARTERLY FINANCIAL INFORMATION

Key performance indicators

Quarter ended: *(unaudited) ($000`s)*	30-Jun 2012	31-Mar 2012	31-Dec 2011	30-Sep 2011	30-Jun 2011	31-Mar 2011	31-Dec 2010	30-Sep 2010
Revenue	17,961	45,783	46,474	41,929	17,884	54,997	36,694	31,123
Net revenue [(1)]	17,961	45,873	44,816	37,593	17,884	54,997	36,694	31,123
Adjusted EBITDA[(1)]	(1,313)	9,961	11,303	13,690	(1,987)	15,820	5,755	6,654
Adjusted net income (loss)[(1)]	(3,658)	3,839	4,191	5,404	(3,990)	4,559	(633)	108
Net income (loss) attributable to shareholders	(8,991)	2,901	(1,555)	17,787	(5,475)	4,559	(633)	108
Basic income (loss) per share	(0.17)	0.05	(0.03)	0.33	(0.10)	0.08	(0.01)	0.00
Diluted income (loss) per share	(0.17)	0.05	(0.03)	0.33	(0.10)	0.08	(0.01)	0.00
Funds from operations[(1)]	(1,212)	10,178	11,488	13,135	(2,124)	15,819	5,538	5,609
Total assets	353,125	385,429	383,226	396,545	362,353	378,238	367,841	367,739
Average Alberta electricity price ($ per MWh)	40	60	76	95	52	82	46	36

(1) Net revenue, adjusted EBITDA and funds from operations are not measures under GAAP and may not be comparable to similar measures presented by other companies. Refer to the Non-GAAP measures section of this MD&A for reconciliation of these non-GAAP measures from comparable measures calculated in accordance with GAAP.

Quarter over quarter net revenue and adjusted EBITDA are affected by planned and unplanned outages, market demand, market prices, timing of acquisitions and divestitures, and weather conditions. Net revenue and adjusted EBITDA are generally higher in the first and fourth quarters as a result of the seasonal operations of the French facilities as the French cogeneration season operates from the start of November through to the end of March. Net revenue and adjusted EBITDA are also affected by seasonal Alberta power prices. Alberta power prices tend to be higher during winter and summer peak load months and are further affected by supply constraints such as outages at other Alberta generation facilities.

Adjusted net income (loss) is affected by the same factors noted above. Net income (loss) is also affected by non-cash, non-recurring transactions. In the third quarter of 2011, an after-tax unrealized gain of $12.8 million was recorded in conjunction with the recognition of a coal derivative contract. In the first quarter of 2012, the sale of APP resulted in a non-recurring gain of $3.1 million. The second quarter of 2012 has a $7.1 million unrealized loss on derivative coal contract, which was not included in the same quarter of 2011.

NON-GAAP MEASURES

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

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

Net Revenue

($000's)	Three months ended June 30 2012	2011	Six months ended June 30 2012	2011
Revenue	17,961	17,884	63,744	72,881
Impact realized on commodity price swaps	-	-	90	-
Net revenue	17,961	17,884	63,834	72,881

Net revenue is provided to assist management and investors in determining revenue earned after adding or subtracting the realized gain or loss, respectively, from commodity price swaps. The realized impact of floating for fixed price commodity financial swaps is included in the loss on commodity swaps line of MAXIM's consolidated statement of income, while gains or losses on physical hedges or fixed price sales are presented as part of the revenue line.

Adjusted EBITDA

($000's)	Three months ended June 30 2012	2011	Six months ended June 30 2012	2011
GAAP Measures from Condensed Consolidated Statement of Income				
Net income	(8,991)	(5,472)	(5,951)	(866)
Income taxes	(3,275)	(2,403)	(2,273)	(313)
Finance expense, net	929	1,174	2,033	2,397
Depreciation and amortization	2,853	2,518	9,425	10,435
Adjustments:				
Unrealized loss on derivative coal contract	7,111	-	8,361	-
Share-based compensation	170	267	452	377
Gain on commodity swaps	-	1,980	-	1,980
Gain on sale of assets	-	-	(3,058)	-
EBITDA from non-controlling interests	(110)	(51)	(342)	(177)
Non-GAAP measure - Adjusted EBITDA	(1,313)	(1,987)	8,647	13,833

Adjusted EBITDA is calculated as described above, adjusted for specific items that are significant but not reflective of the Corporation's underlying operations. Adjustment of these specific items is subjective; however, management uses its judgment and informed decision-making when identifying items for adjustment.

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

In calculating adjusted EBITDA for the three and six months ended June 30, 2012 management excluded non-cash and non-recurring transactions. Second quarter adjusted EBITDA excludes a $7.1 million unrealized loss on the derivative coal contract, non-cash expenses related to share-based compensation, and adjusted EBITDA attributable to non-controlling interest. Adjusted EBITDA for the six months ended June 30, 2012 excludes an $8.4 million unrealized loss on the derivative coal contract, non-cash expenses related to share-based compensation, gain on sale of assets and adjusted EBITDA attributable to non-controlling interest.

Adjusted Net Income (Loss)

($000's)	Three months ended June 30 2012	2011	Six months ended June 30 2012	2011
Net loss	(8,991)	(5,475)	(6,090)	(916)
Unrealized losses	7,111	1,980	8,361	1,980
Tax effect of unrealized losses	(1,778)	(495)	(2,090)	(495)
Non-GAAP measure - adjusted net income (loss)	(3,658)	(3,990)	181	569

Adjusted net income (loss) is a new non-GAAP measure that is used due to the volatility in the mark-to-market on derivative coal contracts. Adjusted net income (loss) is adjusted for specific items that are significant but not reflective of the Corporation's underlying operations. Adjustment of these specific items is subjective; however, management uses its judgment and informed decision-making when identifying items for adjustment. Management uses adjusted net income (loss) to compare financial results among reporting periods and to evaluate MAXIM's performance.

Adjusted net income (loss) provides management and investors with information on net income excluding non-cash, non-recurring items. Second quarter adjusted net income (loss) excludes a $7.1 million unrealized loss on the derivative coal contract as well as the tax effect of unrealized losses on MAXIM's results. Adjusted net income (loss) for the six months ended June 30, 2012 excludes an $8.4 million unrealized loss on the derivative coal contract as well as the tax effect of unrealized losses on MAXIM's results.

ADDITIONAL GAAP MEASURES

Income from operations

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

Income from operations reflects revenues less expenses related to the operations of the Corporation. This additional GAAP measure can be used to assess the operating efficiency of the Corporation, which excludes the impact of financing and taxes. Management reviews operating income on a monthly basis as part of their assessment of EBITDA in order to monitor MAXIM's performance.

Funds from operations

MAXIM's consolidated statement of cash flows includes a subtotal, funds from operations, which is not required under IAS 1 - *Presentation of financial statements*. This additional GAAP measure is included in the statement of cash flows to increase the usefulness and understandability of the Corporation's financial results.

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions, based on its experience concerning the future in applying accounting policies. Actual results generally differ from those estimates. Management made no changes to MAXIM`S methodology for developing accounting estimates during the first quarter of 2012.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Standards

The International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRIC") have issued the following new standards to August 9, 2012. These standards have not been applied in preparing MAXIM's second quarter 2012 condensed consolidated interim financial statements as their effective dates fall in subsequent periods.

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. The Corporation does not anticipate that it will early adopt any of the revised standards.

Financial instruments

IFRS 9, Financial Instruments, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

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.

The new standard is effective for annual periods beginning on or after January 1, 2015 and must be applied retrospectively. Management is currently assessing the impact of application of this standard.

Fair value measurement

IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

The standard is effective for annual periods beginning on or after January 1, 2013. Management is currently assessing the impact of application of this standard.

Stripping costs in the production phase of a surface mine

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, this new interpretation, issued by the International Accounting Standards Board in October 2011, clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. IFRIC 20 applies to the costs incurred to remove mine waste materials ("overburden") to gain access to mineral ore deposits during the production phase of a surface mine.

The interpretation is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. Management is currently assessing the impact of application of this standard.

IFRS Amendments

The IASB have issued the following amendments to August 9, 2012 These amendments have not been applied in preparing MAXIM's second quarter 2012 condensed consolidated interim financial statements as their effective dates fall in subsequent periods.

Standard amended	Effective Date(1)	Impact on MAXIM
IAS 1 *Presentation of financial statements*	July 1, 2012	No significant impact
IAS 19 *Employee benefits*	January 1, 2013	Not applicable to MAXIM
IAS 27 *Separate financial statements*	January 1. 2013	Not applicable to MAXIM
IAS 28 *Investments in associates and joint ventures*	January 1, 2013	Not applicable to MAXIM
IFRS 1 *First-time adoption of IFRS*	January 1, 2013	Not applicable to MAXIM
IFRS 7 *Financial instruments: Disclosures*	January 1, 2013	No significant impact
IAS 32 *Financial instruments: Presentation*	January 1, 2014	No significant impact

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

The Corporation does not anticipate that it will early adopt any of the amendments.

TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter into any related party transactions during the second quarter of 2012, with the exception of transactions with the Corporation's Directors and members of the Executive Committee in the normal course of business. These transactions in the normal course of business are detailed in note 26 of the 2011 audited annual financial statements.

CONTROLS AND PROCEDURES

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

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

The Corporation, predominately in its France segment, does not have a sufficient number of finance personnel with the required technical knowledge to address all complex accounting and tax issues that may arise and this may result in inaccuracies in financial reporting. Management mitigates this weakness by periodically utilizing outside consultants for assistance as required to the fullest extent reasonable or by developing in-house expertise or recruiting personnel with the necessary expertise; however, such mitigating procedures do not constitute a compensating control for the purposes of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. As a result, the Corporation's internal control over financial reporting is not effective as at December 31, 2011. The Corporation has determined that it is not cost-effective to fully remediate this weakness and, accordingly, a weakness will continue in the foreseeable future

The Corporation is required to disclose herein any change in the Corporation's internal control over financial reporting that occurred during the period beginning of January 1, 2012 and ended on June 30, 2012 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting. No material changes in the Corporation's internal controls 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.

OTHER INFORMATION

Outstanding share data:

Issued common shares at June 30, 2012	54,083,758
Outstanding share options at June 30, 2012	3,672,846
Total diluted common shares at June 30, 2012	57,756,604
No activity subsequent to June 30, 2102	-
Total diluted common shares at August 9, 2012	57,756,604

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:

Adit	A horizontal or nearly horizontal shaft into a mine
Alberta Power Pool	An independent, central, open-access pool that functions as a spot market for all energy bought and sold in Alberta, matching demand with the lowest supply to establish an hourly pool price
Alberta power prices	The hourly price established by the Alberta Electric System Operator for electricity bought and sold through the Alberta Power Pool
APP	The Alberta Power Project, consisting of four separate facilities in southern Alberta with a combined 25 MW capacity, was constructed by MAXIM in 2001, operates through a tolling agreement, and is included in the Canada - Other segment for the purposes of reporting segmented information
AUC	Alberta Utilities Commission
Basin Creek	Basin Creek generating facility, a 52 MW generating facility located in Montana and operated under a 20 year tolling agreement, commenced operations on July 1, 2006 and is included in the United States segment for the purposes of reporting segmented information
BMO	Bank of Montreal
Capacity	The rated continuous load-carrying ability, expressed in megawatts, of generation equipment (throughout the MD&A references to electric and thermal capacity are stated in "nameplate" capacity
Cogeneration	The combined, simultaneous generation of heat (usually in the form of hot water or steam) and power (usually in the form of electricity)
COMAX	Comax France S.A.S., MAXIM's wholly-owned French subsidiary
Dispatch	Intermittent operation as dictated by a local system operator or the party to a tolling agreement
ERCB	Energy Resources Conservation Board of Alberta
Forked River	Forked River Power Plant, an 86 MW power plant located in Ocean County, New Jersey, was acquired by MAXIM on April 17, 2008, is run under a tolling agreement, and is included in the United States segment for the purposes of reporting segmented information.
GAAP	IFRS, as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants
Gold Greek	Gold Creek generating facility, a 6.5 MW generating facility acquired by MAXIM in 2001, utilizes waste heat from a main line gas compressor to generate power and is included in the Canada – Other segment for the purposes of reporting segmented information
Hartland	Hartland Landfill is a 1.6 MW landfill gas, simple-cycle generation project near Victoria, BC. This facility is reported in the Canada - Other segment for the purpose of reporting segmented information.
IFRS	International Financial Reporting Standards
IPP	Independent power producer, meaning a corporation or other entity that owns or operates facilities for the generation of electricity that is purchased at wholesale prices and that is not a rate-regulated electric utility
MAXIM	Maxim Power Corp.
MD&A	Management's Discussion and Analysis
Milner	HR Milner**,** a 150 MW (nameplate capacity) coal-fired power station located near the town of Grande Cache, Alberta has been in continuous operation since 1972 and was acquired by MAXIM on March 31, 2005
Milner realized power prices	The average price paid to Milner for sale of electricity in $/MWh
MPLP	Milner Power Limited Partnership

MW	Megawatt, a measure of electricity that is equivalent to one million watts
MWh	Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour
NOx	Nitrogen oxide
O&M	Operations and maintenance
PP&E	Property, plant and equipment
Pittsfield	Pittsfield generating station, a 170 MW electric power plant in Pittsfield, Massachusetts, was acquired by MAXIM on August 6, 2008 and is included in the United States segment for the purposes of reporting segmented information
SO2	Sulphur dioxide
Tolling (Tolling Agreement)	An agreement whereby MAXIM imposes tolling charges as compensation for processing natural gas to produce electricity through one of its generating facilities. The counterparty is responsible for procuring the natural gas and owns the electricity generated at the facility
Turnaround	Scheduled large-scale maintenance activity wherein an entire process, facility or generating unit is taken offline for an extended period for comprehensive revamp and renewal
Unplanned Outage	Shutdown of a generating unit due to an unanticipated breakdown
US or **United States**	The United States of America
VLF	Vancouver Landfill is a 7.4 MW electrical and 9.1 MW thermal landfill gas cogeneration project in Delta, BC. This facility is reported in the Canada - Other segment for the purpose of reporting segmented information.

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