

August 09, 2012 18:19 ET

## Maxim Power Corp. Announces 2012 Second Quarter Financial and Operating Results

**CALGARY, ALBERTA--(Marketwire - Aug. 9, 2012)** - Maxim Power Corp. ("MAXIM" or the "Corporation") (TSX:MXG) announced today the release of financial and operating results for its second quarter ended June 30, 2012. The unaudited financial statements, accompanying notes and Management Discussion and Analysis will be available on SEDAR and on MAXIM's website on August 10, 2012. All figures reported herein are Canadian dollars unless otherwise stated.

### FINANCIAL HIGHLIGHTS

|                                                               | Three Months Ended |           | Six Months Ended |           |
|---------------------------------------------------------------|--------------------|-----------|------------------|-----------|
|                                                               | June 30,           |           | June 30,         |           |
| (\$ in thousands except per share amounts)                    | 2012               | 2011      | 2012             | 2011      |
| <b>Net revenue</b> <sup>(1)</sup>                             | \$ 17,961          | \$ 17,884 | \$ 63,834        | \$ 72,881 |
| <b>Adjusted EBITDA</b> <sup>(1)</sup>                         | (1,313)            | (1,987)   | 8,647            | 13,833    |
| <b>Adjusted net income (loss)</b> <sup>(1)</sup>              | (3,658)            | (3,990)   | 181              | 569       |
| <b>Net loss</b>                                               | (8,991)            | (5,475)   | (6,090)          | (916)     |
| <b>Per share - basic and diluted</b>                          | \$ (0.17)          | \$ (0.10) | \$ (0.11)        | \$ (0.02) |
| <b>Funds from operations</b> <sup>(1)</sup>                   | (1,212)            | (2,124)   | 8,966            | 13,695    |
| <b>Per share - basic and diluted</b>                          | \$ (0.02)          | \$ (0.04) | \$ 0.17          | \$ 0.25   |
| <b>Electricity Deliveries (MWh)</b>                           | 153,372            | 180,535   | 480,015          | 572,540   |
| <b>Net Generation Capacity (MW)</b> <sup>(2)</sup>            | 788                | 815       | 788              | 815       |
| <b>Average Alberta Power Prices (\$ per MWh)</b>              | \$ 40.03           | \$ 51.90  | \$ 50.07         | \$ 66.88  |
| <b>Average Milner Realized Electricity Price (\$ per MWh)</b> | \$ 66.60           | \$ 53.70  | \$ 60.37         | \$ 64.78  |

<sup>(1)</sup> Select financial information was derived from the unaudited condensed consolidated interim financial statements and is prepared in accordance with Part 1 of the Canadian Institute of Chartered Accountants Handbook ("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, and depreciation and amortization and certain other income and expenses, adjusted net income is used to compare MAXIM's results among reporting periods without consideration of unrealized gains and losses and to evaluate MAXIM's performance and FFO is 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 and FFO do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies.

<sup>(2)</sup> Generation capacity is manufacturer's nameplate capacity net of minority ownership interests of third parties.

## **OPERATING 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 lower Alberta power prices and a longer turnaround at Milner in 2012.

Net loss in the second quarter of 2012 was favorably 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.

## **GROWTH INITIATIVES AND NOTABLE EVENTS**

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

MAXIM is actively pursuing commercial arrangements that will allow for the construction of the 190 MW D1 Station to commence in late 2012. MAXIM received regulatory approvals in 2008 to construct and operate D1. The D1 site is located near Bruderheim in Alberta's Industrial Heartland, and it is in close proximity to the entry point of the proposed Gateway pipeline and adjacent to the existing Deerland high voltage substation. This area is expected to experience significant growth in electrical demand. D1 is the only permitted peaking development project in the province of Alberta as at the date of this press release. This project is attractive due to an anticipated contraction of reliable base load supply in the Alberta power market. As such, MAXIM expects peaking requirements across Alberta to continue to grow to meet increasing demand and to provide firm backup for additional intermittent wind resources. During the second quarter of 2012, MAXIM entered into an agreement to secure firm natural gas transportation services for D1.

### **Summit Coal Limited Partnership ("SUMMIT") Mine 14 Project**

MAXIM is advancing the development of Mine 14, located north of Grande Cache, Alberta, to realize value through the potential sale of coal to metallurgical coal markets and potentially to augment coal supply to Milner. During the second quarter of 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.

The current Technical Report for Mine 14, issued on May 3, 2012 pursuant to National Instrument 43-101, does not include additional coal that may be identified through the 2012 exploration program. This report identifies Measured and Indicated Resources of 119.3 million tonnes and Inferred Resources of 154.0 million tonnes. Proven and Probable Reserves, which are included in the Resource estimate, are 18.7 million tonnes. Refer to the May 2012 Technical Report on SEDAR ([www.sedar.com](http://www.sedar.com)), which was prepared by Golder Associates. MAXIM anticipates that it will provide an

updated Technical Report during the fourth quarter of 2012 to incorporate the findings of its 2012 exploration program.

SUMMIT has achieved certain key milestones essential to commencing commercial operations of Mine 14. In 2011, the ERCB granted the license to commence underground mining of the Mine 14 coal reserve. SUMMIT has 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 commencing January 1, 2015. SUMMIT has also secured firm 2013 delivery dates for critical mining equipment, including continuous miners and shuttle cars.

### **Milner Expansion ("M2")**

On August 10, 2011, MAXIM received approval from the Alberta Utilities Commission for its new 500 MW M2 project. MAXIM is planning to construct and operate this new 500 MW generating station on the site of, and adjacent to, the existing 150 MW Milner generating station. The M2 design incorporates emission control equipment capable of achieving 60 to 80 percent reductions in sulphur dioxide, nitrogen oxides and mercury compared to the conventional coal fired power plants still operating in Alberta. The highly efficient M2 design will also reduce carbon dioxide emissions by 20% compared to these existing plants. Advancing the project is subject to pending Government of Canada regulations, which are expected in the second half of 2012.

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

MAXIM acquired the Buffalo Atlee Power Project ("B1"), situated near Brooks, Alberta, through an amalgamation with EarthFirst Canada Inc. This project has the potential for development of over 200 MW of wind generation capacity. Wind data has been collected on the site for approximately four years and supports project development based on higher power prices than those realized during recent months. MAXIM holds an exploratory Crown land permit with a term of five years, expiring on January 1, 2016. The addition of wind generation to MAXIM's existing portfolio of assets will diversify MAXIM's generation fuel types and provide the potential to offset the impact of proposed carbon legislation. MAXIM plans to advance the development of this project once greater clarity on carbon policy is available in the second half of 2012.

## **OUTLOOK**

### **2012 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.

Guidance is as follows:

| (in thousands of Canadian dollars, except as otherwise noted)      | For the year ending<br>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<br>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.

### **CONFERENCE CALL FOR SECOND QUARTER 2012 RESULTS**

MAXIM will host a conference call for analysts and investors on Tuesday August 14, 2012 at 11:00 am MDT. The call will be hosted by John Bobenic, MAXIM's President and Chief Executive Officer, and by Mike Mayder, Vice President, Finance and Chief Financial Officer. To participate in this conference call, please dial (866) 226-1798 or (416) 340-2218 in the Toronto area. It is recommended that participants call at least ten minutes prior to start time.

A recording of the conference call will be available from August 14, 2012 to August 21, 2012. To access the replay, dial (800) 408-3053 or (905) 694-9451 followed by the passcode 4502310. In

addition, the webcast will be available commencing August 14, 2012 in the Investor Relations section of MAXIM's website at [www.maximpowercorp.com](http://www.maximpowercorp.com).

## **About MAXIM**

Based in Calgary, Alberta, MAXIM is an independent power producer, which acquires or develops, owns and operates innovative and environmentally responsible power and power related projects. MAXIM currently owns and operates 40 power plants in western Canada, the United States and France, having 788 MW of electric and 111 MW of thermal net generating capacity. MAXIM trades on the TSX under the symbol "MXG". For more information about MAXIM, visit our website at [www.maximpowercorp.com](http://www.maximpowercorp.com).

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

## **Contact Information**

- Maxim Power Corp.  
John R. Bobenic  
President and CEO  
(403) 750-9300

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