

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated May 12, 2016 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the three months ended March 31, 2016. The MD&A should also be read in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2015. The unaudited condensed consolidated interim financial statements do not include all information required for the annual financial statements. MAXIM prepares its unaudited condensed consolidated interim financial statements in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting, under International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("GAAP"). In this MD&A, MAXIM also reports certain non-GAAP measures. See page 18 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 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, 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:

- MAXIM will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The unaudited condensed consolidated interim consolidated financial statements have been prepared on a going concern basis, which presumes that MAXIM will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at March 31, 2016, MAXIM determined it will breach its debt service coverage ratio ("DSCR"), minimum equity and net funded debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") financial covenants in relation to its Canadian bank facilities. On May 9, 2016, management obtained a waiver for the DSCR, minimum equity and net funded debt to EBITDA covenant breach from the bank.

This quarter is the fifth consecutive quarter the Corporation has breached at least one financial covenant related to its revolving credit facility. MAXIM has been able to procure waivers at each reporting date for the financial covenant breaches. However, current Alberta power forward price curves suggest low Alberta power prices in the near term and under these low prices, the Corporation will likely continue to breach the DSCR, minimum equity and net funded debt to EBITDA covenant and, commencing in the second quarter of 2016, also breach the interest coverage ratio covenant. There is no assurance that the Corporation will continue to receive a waiver for future financial covenant breaches. The current facility expires on August 31, 2016.

At March 31, 2016, the Corporation had cash of \$10.0 million and a working capital surplus of \$6.9 million. However, in the event that the Corporation is unable to monetize certain inventories in the next twelve months as a result of the dial-down of the Milner generating facility ("M1"), the Corporation would have a working capital surplus of \$1.3 million.

Management has considered these circumstances and believes the going concern assumption is appropriate for these condensed consolidated interim financial statements but is contingent upon the successful raising of sufficient capital or sale of assets in the future, as required. There can be no assurance that the steps management is taking will be successful. This assumption will be reviewed on an ongoing basis by management and the Board of Directors. If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the statement of financial position classifications used.

There is, as a result of the above circumstances, a material uncertainty that may raise a significant doubt about the appropriateness of using the going concern assumption. In the absence of the contingencies in the preceding paragraph, the Corporation's ability to continue as a going concern is dependent upon its ability to generate sufficient cash to settle its existing liabilities and commitments and fund its business plan without additional financing.

- MAXIM's approved capital budget is based on engineering estimates to maintain facility equipment, which are set by the equipment manufacturer. In France, MAXIM's capital expenditures are based on the capital required in order to obtain renewal of contracts with the French electrical utility company.
- Development projects, including Summit Coal ("SUMMIT"), Milner 2 ("M2"), Milner expansion project ("M3"), Forked River Expansion, Deerland Peaking Station ("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 for scheduled maintenance programs will be funded by its cash flow from operations, existing cash on hand, an extension or replacement of its current revolving Bank of Montreal ("BMO") credit facility and potentially asset sale proceeds. This estimate is based upon current budgets and forecasts. Interruptions to production, higher than anticipated operating costs, lower realized power 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 estimates total capital expenditures of \$8.0 million to be incurred in 2016. 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 electricity demand and power prices in these areas. The actual future demand and power prices 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 and operational issues may affect the ability of MAXIM to comply with regulations.
- MAXIM anticipates that it will continue to maintain a working capital surplus over the next twelve months. This expectation is based on current Alberta and ISO New England ("ISO-NE") forecasted power prices, which have an impact on trade and other receivables. In addition, this expectation is based on successful extension or replacement of its current revolving BMO credit facility. MAXIM also makes assumptions about cost of fuel and other operating costs, including plant maintenance costs based on equipment manufacturer's specifications. If actual equipment performance differs or maintenance requirements vary, there may be an impact to trade and other payables. A material decrease in Alberta and the ISO-NE forward power prices or unplanned plant maintenance could have an adverse effect on MAXIM's working capital surplus over the next twelve months.

OVERALL PERFORMANCE

Highlights and Notable Events

On March 23, 2016, MAXIM temporarily suspended the generation of electricity at M1. The decision to dial down the operations at M1 was due to record low Alberta power prices, which have undermined profitability for a prolonged period. Dialing down the operations at M1 resulted in a temporary layoff of 75% of the plant staff for an undetermined period. MAXIM intends to maintain a smaller operating team to undertake maintenance and plant modifications for an expected resumption of generation as power market conditions improve. A significant improvement in Alberta power prices, and/or cost reductions will be required to justify resuming operations. MAXIM will also consider:

- The estimated impact of the recent notices of intent to return several Power Purchase Arrangements ("PPA"s) to the Balancing Pool by the PPA holders, and the uncertain outcome of the Balancing Pool's examination of its options, and;

- The phasing in of higher levies associated with the Specified Gas Emitters Regulation ("SGER") which began on January 1, 2016 and increase further on January 1, 2017.

MAXIM will actively monitor the Alberta power market to determine the appropriate time to economically resume generation activities at M1 while continuing to advance its initiatives to convert M1 from coal to natural gas.

On February 10, 2016, the ISO-NE announced the conclusion of the Forward Capacity Market auction. The amount paid to existing power system resources commencing in June 2019 will be US\$7.03/kW-month, which represents an increase of 105% from the current rate of US\$3.434/kW-month. Based on MAXIM's forecasted capacity, the Corporation anticipates that the locked-in capacity revenue earned in the ISO-NE market will increase to US\$22.1 million for the twelve months ending May 31, 2020 from US\$10.9 million for the twelve months ending May 31, 2016. This preceding statement represents FLI and users are cautioned that actual results may vary.

Key Performance Indicators

Three months ended March 31 (\$'000's, unless otherwise noted)	2016	2015
Revenue	38,218	47,521
Adjusted EBITDA ⁽¹⁾	5,546	6,596
Adjusted net loss ⁽¹⁾	(8,009)	(7,023)
Net loss attributable to shareholders	(8,009)	(5,927)
Basic and diluted net loss per share attributable to shareholders (\$ per share)	(0.15)	(0.11)
FFO ⁽²⁾	5,349	4,985
Total assets	327,875	407,548
Loans and borrowings	68,881	58,685
Total generation (MWh)	224,048	238,049
Average Alberta market power price (\$ per MWh)	18.12	29.02
Average Milner realized power price (\$ per MWh)	20.95	42.38
Average Northeast U.S. realized power price (US\$ per MWh)	49.74	157.89

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

⁽²⁾ Funds from operating activities before changes in working capital ("FFO") is an additional GAAP measure provided to assist management and investors in determining the Corporation's cash flows generated from operations before the cash impact of working capital fluctuations. Refer to the Additional GAAP Measures section of this MD&A for a discussion on how MAXIM uses FFO to assess the Corporation's operations.

Financial Results

Revenue and adjusted EBITDA have decreased and adjusted net loss and net loss attributable to shareholders increased in the first quarter of 2016 when compared to 2015. The changes in these financial measures are primarily due to lower realized Northeast U.S. power prices and lower Alberta power prices. Aside from revenues, these financial measures were partially offset by lower per unit fuel costs in the Northeast U.S. and Alberta. In addition, adjusted net loss and net loss attributable to shareholders increased due to the write-off of inventories and higher depreciation. FFO increased in the first quarter of 2016 when compared to 2015 due to a one-time contract termination cost incurred in 2015, partially offset by the factors impacting adjusted EBITDA noted above.

RESULTS OF OPERATIONS

Production

Summary of generation by segment:

Three months ended March 31	2016		2015	
	MWh	% of Total	MWh	% of Total
Canada	89,668	40	100,223	42
United States	54,307	24	55,891	24
France	80,073	36	81,935	34
Total MWh Generation	224,048	100	238,049	100

Forked River and Basin Creek are excluded as these facilities provide capacity in exchange for monthly capacity payments.

Revenue

Summary of revenue by segment:

Three months ended March 31 (\$000's)	2016	2015
Canada	1,883	4,254
United States	13,169	20,013
France	23,166	23,254
Revenue	38,218	47,521

Canada:

Revenue in first quarter of 2016 decreased \$2.4 million or 56% to \$1.9 million as compared to \$4.3 million in 2015. This decrease was largely due to lower Alberta power prices, which resulted in lower generation and ultimately the temporary suspension of operations at M1 in March 2016. The lower Alberta power prices were the result of excess supply driven by fewer reliability issues across Alberta, lower weather-based demand and lower natural gas prices.

United States:

Revenue in the first quarter of 2016 decreased from \$20.0 million in 2015 to \$13.2 million in 2016, which is a decrease of \$6.8 million or 34%. In the source currency, revenue in the first quarter of 2015 decreased from US\$16.1 million to US\$9.6 million in 2016, which is a decrease of US\$6.5 million or 40%. This decrease was primarily due to lower realized prices as a result of reduced weather-based demand in the first quarter of 2016, partially offset by higher capacity revenues due to Pawtucket taking on additional capacity supply obligations at higher capacity prices through reconfiguration auctions.

France:

Revenue in the first quarter of 2016 was \$23.2 million, which is comparable to the same period in 2015. In the source currency, revenue decreased from €16.7 million in 2015 to €15.2 million in 2016, which is a decrease of €1.5 million or 9%. This decrease was due to lower generation as a result of fewer dispatches and outages from some cogeneration facilities, which were operating in dispatch mode. This unfavourable variance was offset by lower fuel costs (page 6) and as such France's gross margin, in its source currency, was consistent with prior year.

Summary of revenue by fixed versus spot price:

Three months ended March 31 (\$000's)	2016	2015
Electricity and capacity sales at fixed prices	33,574	32,267
Electricity sales at spot prices	4,644	15,254
Revenue	38,218	47,521

First quarter fixed price revenue in 2016 increased from \$32.3 million in 2015 to \$33.6 million in 2016, which is an increase of \$1.3 million or 4%. The increase is primarily a result of higher capacity revenues due to Pawtucket taking on additional capacity supply obligations at capacity prices through reconfiguration auctions and the appreciation of the value of the U.S. dollar relative to the Canadian dollar during 2016 as compared to 2015. This increase was partially offset by lower thermal revenue as a result of lower variable costs passed onto the customer.

First quarter electricity sales at spot prices decreased from \$15.3 million in 2015 to \$4.6 million in 2016, which is a decrease of \$10.7 million or 70%. The decrease was primarily due to lower realized power prices in Northeast U.S. from lower weather-based demand, as well as lower power prices in Alberta. This unfavourable variance was partially offset the appreciation of the value of the U.S. dollar relative to the Canadian dollar during 2016 as compared to the same period in 2015.

Plant Operations

Summary of plant operations expense by type and segment:

Three months ended March 31 (\$000's)	2016			2015		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada	6,309	5,814	12,123	8,112	4,985	13,097
United States	2,940	7,761	10,701	8,770	7,125	15,895
France	7,607	6,939	14,546	9,079	6,287	15,366
Total	16,856	20,514	37,370	25,961	18,397	44,358
Percent	45%	55%	100%	59%	41%	100%

Canada:

Canada's first quarter operations and maintenance ("O&M") expenses increased \$0.8 million or 16%, from \$5.0 million in 2015 to \$5.8 million in 2016, primarily due to the write-off of spare parts inventories relating to coal-fired components at M1. This increase was partially offset by lower personnel costs as a result of cost cutting initiatives implemented in the second quarter of 2015.

First quarter fuel expenses in 2016 decreased from \$8.1 million in 2015 to \$6.3 million in 2016, which is a decrease of \$1.8 million, primarily due to lower per unit fuel costs of both natural gas and coal. In both the first quarter of 2015 and 2016 the Corporation wrote down coal inventories by \$4.2 million.

United States:

First quarter O&M expenses in 2016 increased \$0.7 million or 10% to \$7.8 million in 2016 from \$7.1 million in 2015. In the source currency, O&M expenses in the first quarter of 2016 were US\$5.5 million which is comparable to the US\$5.6 million incurred in the same period in 2015.

First quarter fuel expenses in the United States in 2016 decreased \$5.9 million or 67%, to \$2.9 million in 2016 from \$8.8 million in 2015. In the source currency, fuel expenses in 2016 decreased US\$4.9 million or 70%, to US\$2.1 million from US\$7.0 million in 2015. The decrease is primarily due to lower per unit fuel costs in 2016 as a result of lower natural gas prices and consuming more natural gas than fuel oil in 2016 as compared to the same period in 2015.

France:

First quarter O&M expenses in France increased \$0.6 million or 10% to \$6.9 million in 2016 from \$6.3 million in 2015. In the source currency, O&M expenses in the first quarter of 2016 were €4.6 million which is comparable to the €4.5 million incurred in the same period in 2015.

France fuel expenses in the first quarter of 2016 were \$7.6 million, which was a decrease of \$1.5 million or 16%, from the \$9.1 million incurred in 2015. In the source currency, fuel expense in 2016 decreased €1.5 million or 23% from €6.5 million in 2015 to €5.0 million in 2016. The decrease in fuel costs was due to lower per unit costs and lower generation. This favourable variance was offset by lower revenues (page 5) and as such France's gross margin, in its source currency, was consistent with the prior year.

General and Administrative Expense

Three months ended March 31 (\$000's)	2016	2015
Total general and administrative expense	1,331	1,398

General and administration expense in the first quarter of 2016 was \$1.3 million, which is comparable to the same period in 2015.

Depreciation and Amortization Expense

Three months ended March 31 (\$000's)	2016	2015
Total depreciation and amortization expense	9,380	8,394

Depreciation expense in the first quarter of 2016 increased from \$8.4 million in 2015 to \$9.4 million in 2016, which is an increase of \$1.0 million or 12%. The increase is primarily due higher asset bases in all segments resulting from capital expenditures in the trailing twelve months and the appreciation of the value of the U.S. dollar and Euro relative to the Canadian dollar.

Reversal of Impairment Charge

In the first quarter of 2015, due to a significant adverse change in fixed capacity rates in future periods in the ISO-NE market, the Corporation reversed a previously recognized asset impairment charge of \$1.5 million with respect to a generating facility in the United States operating segment.

Unrealized Gain on Derivative Coal Contract

Three months ended March 31 (\$000's)	2016	2015
Total unrealized gain on derivative coal contract	-	(301)

In the first quarter of 2015, MAXIM had a \$0.3 million unrealized gain on the derivative coal contract. This unrealized gain related to a coal supply agreement for M1, which was terminated in the second quarter of 2015.

Other Income, Net

Three months ended March 31 (\$000's)	2016	2015
Other income, net	1,269	768

Net other income in the first quarter of 2016 increased from of \$0.8 million in 2015 to \$1.3 million in 2016, which is an increase of \$0.5 million. The increase is primarily due to a one-time cost incurred in 2015 relating to the termination of Corporation's terminal service agreement and the recognition of penalty income and insurance proceeds in France in 2016. This was partially offset by lower approved emission performance credits pertaining to Alberta's Greenhouse Gas Reduction Program ("Emission Performance Credits") at M1 in 2016 as compared to the same period in 2015.

Finance Expense (Income), Net

Three months ended March 31 (\$000's)	2016	2015
Interest expense	994	885
Amortization of deferred financing costs	44	55
Accretion of provisions	40	44
Foreign exchange loss (gain)	(2,196)	1,932
Finance expense (income)	(1,118)	2,916
Interest income	(3)	(14)
Total finance expense (income), net	(1,121)	2,902

Net finance income incurred in the first quarter of 2016 increased from an expense of \$2.9 million in 2015 to income of \$1.1 million in 2016. The increase is primarily due to an increase in foreign exchange losses from \$1.9 million in 2015 to gains of \$2.2 million in 2016, which is caused primarily by the net impact of foreign exchange rate movement for US dollars and Euros on foreign intercompany liabilities held in Canada. These foreign exchange gains and losses are offset in other comprehensive income.

Income Tax Expense (Benefit)

Three months ended March 31 (\$000's)	2016	2015
Current tax expense	916	621
Deferred tax benefit	(471)	(1,780)
Total income tax expense (benefit)	445	(1,159)

Income tax expense in the first quarter of 2016 increased from a benefit of \$1.2 million in 2015 to an expense of \$0.4 million in 2016. The increase in expense is primarily due to a change in expectation in 2016 that the Corporation will likely not realize deferred taxable benefits from current period losses from operations in Canada.

Financial Position

The following highlights changes in the unaudited condensed consolidated interim Statements of Financial Position from December 31, 2015 to March 31, 2016.

As at (\$000's)	March 31, 2016	December 31, 2015	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	10,003	5,884	4,119	Operating and financing cash inflows exceeded investing outflows
Trade and other receivables	20,432	20,871	(439)	Lower revenues at spot prices in Canada and U.S., partially offset by seasonality of operations
Inventories	12,865	19,331	(6,466)	Write-down of coal inventory and coal consumption
Property, plant and equipment, net	243,522	257,117	(13,595)	Foreign exchange translation of foreign assets and amortization, partially offset by capital expenditures (see page 10)
Net other assets	35,628	38,265	(2,637)	Amortization of intangible assets
Liabilities & Equity				
Trade and other payables	27,079	28,906	(1,827)	Lower capital related accounts payable and seasonality of operations
Loans and borrowings	68,881	68,728	153	Draw on revolving credit facility in Canada, partially offset by foreign exchange translation on foreign debt and scheduled debt and lease payments
Provisions for decommissioning	17,467	16,981	486	Increase due to changes in discount rates
Net deferred tax liability	9,271	10,066	(795)	Net deferred income tax benefit in 2016 due to taxable losses
Equity	199,752	216,787	(17,035)	Foreign exchange rates on self-sustaining operations and a net loss for the period

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

MAXIM utilizes existing cash, cash flows from operations, revolving credit facilities and, if eligible, government grants to provide liquidity to the Corporation's operations in order to finance maintenance-of-business capital expenditures and to finance development initiatives. 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.

Facility A is a \$25.0 million revolving credit facility that was divided into two tranches. Total borrowings under this facility are not to exceed the sum of 90% of the book value of the Corporation's Canadian accounts receivable balance and 50% of the book value of the Corporation's Canadian property, plant and equipment ("PP&E"). The first tranche provides for borrowing up to \$25.0 million. The second tranche provided for borrowing of up to an additional \$15.0 million. As of May 12, 2016, the date of approval of this MD&A, the Corporation has foregone the second tranche of this facility indefinitely as it could not satisfy the conditions of the waiver received on March 24, 2016. This facility matures on August 31, 2016.

As at March 31, 2016, the carrying amount of the loan was \$4.3 million and MAXIM has issued letters of credit of \$12.4 million on the facility. The amount available to draw against Facility A at March 31, 2016 was \$8.3 million.

As at March 31, 2016, MAXIM determined it will breach its DSCR, minimum equity and net funded debt to EBITDA financial covenants in relation to its Canadian bank facilities. On May 9, 2016, management obtained a waiver for the DSCR, minimum equity and net funded debt to EBITDA covenant breach from the bank.

This quarter is the fifth consecutive quarter the Corporation has breached at least one financial covenant related to its revolving credit facility. MAXIM has been able to procure waivers at each reporting date for the financial covenant breaches. However, current Alberta power forward price curves suggest low Alberta power prices in the near term and under these low prices, the Corporation will likely continue to breach the DSCR, minimum equity and net funded debt to EBITDA covenant and, commencing in the second quarter of 2016, also breach the interest coverage ratio covenant. There is no assurance that the Corporation will continue to receive a waiver for future financial covenant breaches. The current facility expires on August 31, 2016.

At March 31, 2016, the Corporation had cash of \$10.0 million and a working capital surplus of \$6.9 million. However, in the event that the Corporation is unable to monetize certain inventories in the next twelve months as a result of the dial-down of M1, the Corporation would have a working capital surplus of \$1.3 million.

Management has considered these circumstances and believes the going concern assumption is appropriate for these condensed consolidated interim financial statements but is contingent upon the successful raising of sufficient capital or sale of assets in the future, as required. There can be no assurance that the steps management is taking will be successful. This assumption will be reviewed on an ongoing basis by management and the Board of Directors. If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the statement of financial position classifications used.

There is, as a result of the above circumstances, a material uncertainty that may raise a significant doubt about the appropriateness of using the going concern assumption. In the absence of the contingencies in the preceding paragraph, the Corporation's ability to continue as a going concern is dependent upon its ability to generate sufficient cash to settle its existing liabilities and commitments and fund its business plan without additional financing.

MAXIM is currently in the process of pursuing various asset sales. The proceeds from these may in part be used to cash collateralize existing letters of credit under the Canadian credit facility and repay any draws on the revolving credit facility occurring in 2016, thereby mitigating the risk of covenant default and decreasing the Corporation's debt service charges. In the event the sales do not proceed in a timely fashion, management is also actively pursuing financing options with current and prospective lenders which both would, in management's view, enable the Corporation to achieve its business plans. No agreements have been reached as of the date of this MD&A and there can be no assurance that such agreements will be reached.

In 2016, the Corporation is also pursuing only necessary sustaining capital and development projects with the highest return on investment. It is also continuing the cost cutting initiatives implemented in 2015 and into 2016. Management's decision to dial down operations at M1 was an initiative to maintain positive working capital and sufficient levels of liquidity. MAXIM will actively monitor the Alberta power market to determine the appropriate time to economically resume generation activities.

Cash flow summary:

Three months ended March 31 (\$'000's)	2016	2015
Cash on hand, unrestricted, January 1	5,884	17,142
Cash flow from operations:		
• FFO	5,349	4,985
• Changes in working capital	1,710	5,021
Cash flow from financing	1,295	324
Available for investments	14,238	27,472
Cash used in investing	(3,837)	(4,191)
Effect of foreign exchange rates on cash	(398)	154
Cash on hand, unrestricted, March 31	10,003	23,435
Undrawn revolving credit facility	8,340	23,916
Net liquidity available, March 31	18,343	47,351

FFO in the first quarter increased from \$5.0 million in 2015 to \$5.3 million in 2016, which is an increase of \$0.3 million or 6%. The increase is primarily due to a one-time cost incurred in 2015 relating to the termination of Corporation's terminal service agreement. Partially offsetting this was lower realized Northeast U.S. power prices and weaker Alberta pool prices.

Fluctuations in working capital in the first quarter of 2016 represented a cash inflow of \$1.7 million compared to \$5.0 million in 2015. See page 11 for further discussion of working capital.

During the first quarter of 2016, MAXIM's debt issuances exceeded financing outflows, resulting in a net financing inflow of \$1.3 million during the year. MAXIM's financing inflows included draws on revolving credit facility for \$4.3 million from its Canadian bank facility. Partially offsetting this inflow were debt and capital lease repayments of \$1.8 million and \$0.2 million, respectively and \$1.0 million in interest payments.

During the first quarter of 2015, MAXIM's debt issuances exceeded financing cash outflows, resulting in a net financing inflow of \$0.3 million during the quarter. MAXIM's financing inflows included issuances of long-term debt for \$2.8 million, partially offset by debt and capital lease repayments totaling \$1.4 million and \$0.2 million, respectively and \$0.9 million in interest payments.

MAXIM's first quarter 2016 investing activities represented a cash outflow of \$3.8 million, which primarily consisted of \$2.0 million in PP&E purchases and a change in non-cash working capital of \$1.8 million. The \$2.0 million in PP&E expenditures is comprised of \$1.6 million on improvements in the United States and \$0.4 million on development initiatives as well as improvements to M1 and France facilities.

MAXIM's first quarter 2015 investing activities represented a cash outflow of \$4.2 million, which primarily consisted of \$3.8 million in PP&E purchases, \$0.2 million decrease in accounts payable related to capital and an increase in non-current deposits of \$0.2 million. The \$3.8 million in PP&E expenditures is comprised of \$0.2 million on improvements at Forked River, \$0.1 million on improvements to M1, \$0.3 million on improvements at CDECCA, \$2.7 million on facility renovations and other improvements in France, and \$0.5 million on other development initiatives as well as improvements to North American facilities.

The following table represents the net capital of the Corporation:

As at (\$000's)	March 31, 2016	December 31, 2015
Long-term debt	67,351	66,974
Capital lease obligation	1,530	1,754
Less: Unrestricted cash	(10,003)	(5,884)
Net debt	58,878	62,844
Shareholders' equity	199,007	216,082
Capital	257,885	278,926
Net debt to capital	22.8%	22.5%

The Corporation uses the percent of net debt to capital to monitor leverage. The increase in net debt to capital from December 31, 2015 to March 31, 2016 is primarily due to a decrease in shareholders' equity as a result of operating losses in 2016 and a decrease in accumulated other comprehensive income as a result of foreign exchange rate changes, partially offset by regularly schedule repayments of long-term debt and capital lease obligations. In the absence of foreign exchange fluctuations, the Corporation anticipates that net debt to capital increase through the remainder of 2016 as result of forecasted losses. This preceding statement represents FLI and users are cautioned that actual results may vary.

Working Capital

The Corporation's working capital surplus of \$6.9 million at March 31, 2016 represents a \$6.0 million decrease from the working capital surplus of \$12.9 million at December 31, 2015. The total decrease was due to a \$3.8 million decrease in current assets and a \$2.2 million increase in current liabilities.

The decrease in current assets is due to a \$6.4 million decrease in inventory primarily due to a write down of inventories for \$4.8 million, a \$0.6 million decrease to prepaid expenses and deposits due to the consumption of previously purchased greenhouse gas ("GHG") credits related to Northeast U.S., a \$0.5 million decrease to accounts receivable due to lower revenues in North America in March 2016 and a \$0.4 million decrease in income taxes recoverable due to changes in taxable income and adjustments upon tax filings. This was partially offset by a \$4.1 million increase in unrestricted cash.

The increase in current liabilities is due to a \$4.0 million increase to the current portion of loans and borrowings, partially offset by a \$1.8 million decrease in trade and other payables primarily due to lower fuel costs.

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

Contractual Obligations

During the first quarter of 2016, the Corporation entered into two new long-term agreements ending in 2024 and 2025 with operating and maintenance providers for two of its generation facilities in France. These contracts are entered into in the normal course of business to ensure reliable generation.

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 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 Federal Energy Regulatory Commission ("FERC") has continued its inquiry related to MAXIM's supply of electricity to the ISO-NE market. In the fourth quarter of 2014, FERC issued a Notice of Alleged Violations ("Notice") concerning the Office of Enforcement ("OE") inquiry. OE is asserting that MAXIM received unjust gains of approximately US\$23 million for which it should be required to repay amounts not already repaid (MAXIM repaid approximately US\$3 million in 2010 through the ISO-NE mitigation program), and pay a civil penalty calculated based on the amount of unjust gains. In the first quarter of 2015, FERC issued an Order to Show Cause ("Show Cause Order") concerning certain offers to supply electricity during July and August of 2010. The preliminary findings of the OE, the Notice and the Show Cause Order do not constitute findings of FERC. In the second quarter of 2015, FERC issued an Order Assessing Civil Penalties ("Penalties Order") concerning the Show Cause Order. The Penalties Order has assessed penalties of US\$5 million against MAXIM and US\$50 thousand against an employee.

MAXIM has filed an election with FERC that requires FERC to initiate a judicial proceeding in which a federal district court will review the facts and the law de novo. On December 17, 2015, MAXIM and FERC appeared before the district court for oral argument on the motion to dismiss. MAXIM intends to vigorously defend itself and is confident it can demonstrate that the conduct set forth in the Show Cause Order did not violate FERC's anti-manipulation rule or any other rule. MAXIM and its external legal counsel strongly disagree with the findings of the OE on the other inquiry matters for which Show Cause Order have not been issued.

In addition to the regulatory inquiry in the preceding paragraphs, the Corporation has also received claims for 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. 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.

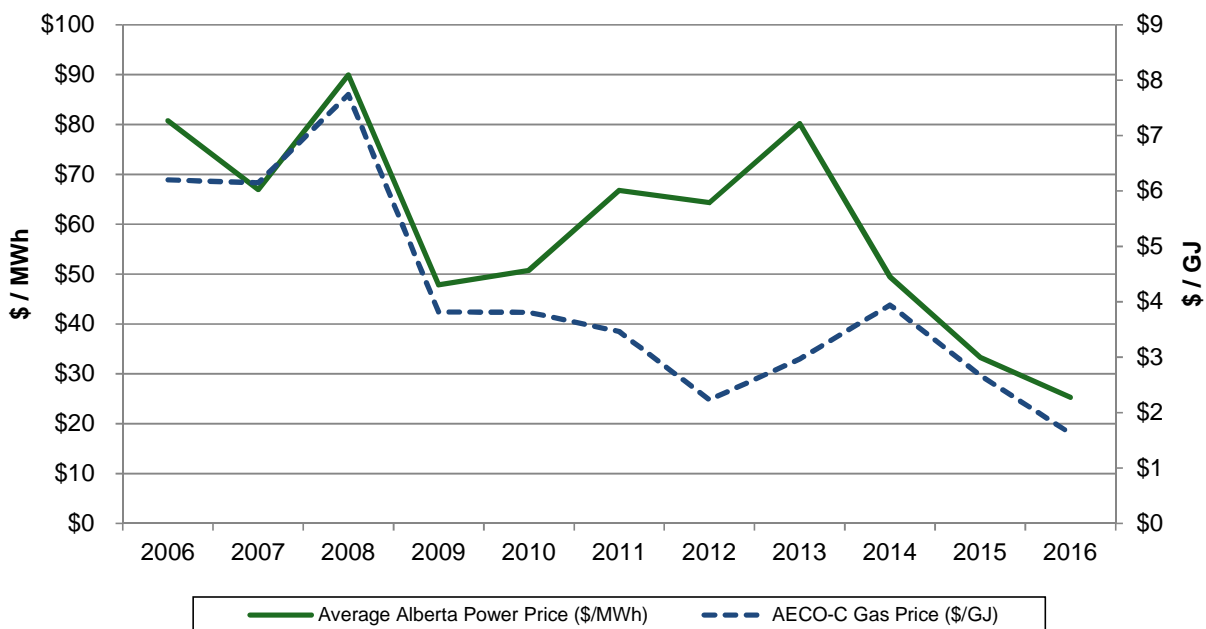
Capital Resources

The following represents FLI and users are cautioned that actual results may vary. The Corporation is currently estimating capital and development expenditures of approximately \$8.0 million for 2016. These expenditures include \$4.1 million on plant improvements at generating facilities in Northeast U.S., \$1.3 million on required facility renovations in order to obtain renewal of contracts with the French electrical utility company and \$0.6 million on other sustaining capital in France, \$0.8 million on plant improvements at M1 and \$1.2 million on other development projects in North America. Management intends to fund the France renovations with approximately 80% debt financing. Remaining expenditures will be financed through cash flows from operations and existing cash balances.

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 M1. As a result of record low Alberta power prices, which have undermined profitability for a prolonged period, the Corporation has made the decision to dial down operations at M1 and temporarily suspend generation on March 23, 2016. A significant improvement in Alberta power prices and/or cost reductions will be required to justify resuming operations. MAXIM will actively monitor the Alberta power market to determine the appropriate time to economically resume generation activities while continuing to advance its initiatives to convert M1 from coal to natural gas.

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 since 2011, which led to higher power prices from 2011 to 2013. Commencing in 2014, it was noted that Alberta power prices became more closely correlated to gas prices as new supply came on the system. This trend is expected to continue for the foreseeable future.



In the Northeast U.S., growing demand for natural gas as a fuel source for electricity generation, as well as constraints on existing gas pipeline infrastructure, have increased natural gas price volatility during periods of peak gas consumption. Although this volatility has not been realized in the past twelve months, in future periods it is expected to have a positive impact on MAXIM's power plants as energy margins are positively correlated to natural gas prices, resulting in higher margins at higher gas prices. It is also expected that capacity revenue will increase from current levels as the market becomes more constrained with capacity shortcomings due to the retirement of generating facilities that do not have natural gas as an option for their fuel source, until such time capacity rates increase to the level that new capacity becomes economically viable to construct.

ACQUISITION AND DEVELOPMENT INITIATIVES

MAXIM is continuing its independent power producer strategy through the advancement of its development initiatives as described herein. Supply and demand for electricity, reserve margins, tariff structures, and the regulatory environment will be key fundamental factors in determining the pace at which to pursue opportunities. Demand is highly correlated to economic growth.

M3

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

M2

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

SUMMIT

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

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

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. MAXIM expects that full-scale construction of the facility would commence pending improved prices in the Alberta power market and satisfactory commercial arrangements.

Buffalo Atlee

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

Forked River Expansion

MAXIM owns approximately 32 acres of land adjacent to the existing facility that can accommodate an additional greenfield expansion. The initial feasibility analysis of this greenfield expansion for up to 500 MW has commenced. This site is being evaluated for supporting natural gas, water and electrical interconnection infrastructure.

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

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

On March 3, 2016, the Alberta Electrical System Operator ("AESO") announced that it was tasked by the GoA to develop and implement a renewable electricity incentive program to add additional renewable generation capacity into Alberta's electricity system. The GoA has requested that the AESO provide draft recommendations on its plan in May 2016. Following GoA approval, the AESO expects to continue development of the program throughout 2016. The first competition for renewable power is expected to launch in the fourth quarter of 2016, with the first projects to be in service by 2019.

MAXIM anticipates that any resulting environmental compliance cost increases from the CCR will either be recovered in the market through higher wholesale power prices or, in the case of M1, incur a higher use of natural gas versus coal.

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

In addition to the GHG regulations, Canadian federal and Alberta provincial environmental regulations are also being developed and/or revised for air pollutants such as sulphur dioxide ("SO₂"), nitrogen oxides ("NO_x"), volatile organic carbons, and particulate matter. The Clean Air Strategic Alliance ("CASA") is an Alberta based, multi-stakeholder group of representatives from industry, government and nongovernment organizations. This group creates strategies to assess and improve air quality for Albertans and influences air emission regulations. CASA developed a framework to manage air emissions from the electricity sector in Alberta, and the provincial government is currently reviewing emissions, by each industry, in Alberta. A primary issue under review is the current misalignment of federal greenhouse gas coal regulations with the Alberta air emission regulations. The risk arises from the potential for retirement of coal generating plants before mandated under existing federal regulations, as a result of significant uneconomic expenditures to comply.

Up to the end of 2012, MAXIM generated NOx credits at M1. As of January 1, 2013, MAXIM commenced consumption of these credits to maintain compliance under CASA. M1's rate of consumption of these credits is heavily influenced by coal-fired generation volumes and, as such, may fluctuate given changes in the levels of production and the fuel source used for production at M1.

MAXIM also has been able to generate emission credits used to offset the production of SO2 ("SO2 Credits") at M1 up to December 31, 2012. Similar to the NOx credits, the consumption of these credits is driven by coal-fired generation volumes and as such may fluctuate given changes in the levels of production and the fuel source used for production.

MAXIM continues to advocate through various industry working groups and direct discussions with the provincial regulators for a reasonable and timely resolution to what it believes is a misalignment of the federal GHG and provincial air pollutant regulations.

The state of environmental regulation in the U.S. remains fluid. While the U.S. Congress has not enacted comprehensive climate change legislation, the United States Environmental Protection Agency ("U.S. EPA") has proposed and promulgated regulations under the Clean Air Act that limit power plant GHG emissions. On August 3, 2015, the U.S. EPA announced rules limiting carbon dioxide emissions from new, reconstructed, and existing power plants.

For new and reconstructed base load natural gas fired power plants, the rules impose emission limits consistent with the adoption of natural gas combined cycle technology. For existing power plants, the EPA issued GHG emissions guidelines that must be implemented by the states, so limitations for individual emissions sources are not yet determinable. States were scheduled to submit implementation plans regulating existing power plants' GHG emissions by September 6, 2016, a deadline that may be extended based on a state's request. The recently-issued EPA regulations are currently facing legal challenges, and on February 9, 2016 the United States Supreme Court stayed the implementation of the guidelines governing existing power plants' GHG emissions pending the resolution of those proceedings.

MAXIM is in compliance with the Climate Change and Emissions Act (Alberta) and the Regional Greenhouse Gas Initiative, which limit carbon dioxide emissions from facilities located in Alberta and the Northeast U.S., respectively. While future changes to those programs or the approval of state implementation plans regulating existing power plants' GHG emissions have the potential to impact future operations or impose additional costs, no such material changes are foreseeable at this time.

SELECTED QUARTERLY FINANCIAL INFORMATION

Key performance indicators

Quarter ended: (unaudited) (\$000's unless otherwise noted)	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
Revenue	38,218	32,792	19,705	23,027
Adjusted EBITDA ⁽¹⁾	5,546	8,219	(2,339)	7,025
Adjusted net income (loss) ⁽¹⁾	(8,009)	(2,305)	(8,917)	18
Net income (loss) attributable to shareholders	(8,009)	(65,155)	(8,917)	2,581
Basic and diluted income (loss) per share attributable to shareholders	(0.15)	(1.20)	(0.16)	0.05
FFO ⁽²⁾	5,349	4,444	(2,621)	3,455
Total assets	327,875	346,898	406,610	386,767
Average Alberta electricity price (\$ per MWh)	18	21	26	57
Average Milner realized electricity price (\$ per MWh)	21	23	40	143
Average Northeast U.S. realized electricity price (US\$ per MWh)	50	42	44	50

Quarter ended: (unaudited) (\$000's unless otherwise noted)	31-Mar 2015	31-Dec 2014	30-Sep 2014	30-Jun 2014
Revenue	47,521	30,437	24,208	19,138
Adjusted EBITDA ⁽¹⁾	6,596	(1,401)	3,430	(3,604)
Adjusted net loss ⁽¹⁾	(7,023)	(6,588)	(1,186)	(4,162)
Net loss attributable to shareholders	(5,927)	(6,860)	(1,415)	(4,325)
Basic and diluted loss per share attributable to shareholders	(0.11)	(0.13)	(0.03)	(0.08)
FFO ⁽²⁾	4,985	(90)	2,611	(3,922)
Total assets	407,548	391,679	380,132	382,427
Average Alberta electricity price (\$ per MWh)	29	30	64	42
Average Milner realized electricity price (\$ per MWh)	42	36	92	52
Average Northeast U.S. realized electricity price (US\$ per MWh)	158	82	66	57

⁽¹⁾ Adjusted EBITDA is provided to assist management and investors in determining the Corporation's approximate operating cash flows attributable to shareholders 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 non-cash gains and losses and to evaluate MAXIM's performance attributable to shareholders. Adjusted EBITDA and adjusted net income (loss) 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 section of this MD&A for reconciliations between non-GAAP financial measures and comparable measures calculated in accordance with GAAP.

⁽²⁾ FFO is an Additional GAAP measure provided to assist management and investors in determining the Corporation's cash flows generated from operations before the cash impact of working capital fluctuations. Refer to the Additional GAAP Measures section of this MD&A for a discussion on how MAXIM uses FFO to assess the Corporation's operations.

Quarter over quarter revenue and adjusted EBITDA are affected by planned and unplanned outages, market demand, market prices, timing of acquisitions and divestitures, weather conditions and seasonal Alberta power prices. Alberta power prices tend to be higher during winter and summer peak load months and are further affected by supply constraints such as outages at other Alberta generation facilities. Similarly, results in the Northeast U.S. tend to trend with weather based demand with higher earnings during the winter and summer peak periods versus non-peak periods.

In addition to the factors noted above, net income (loss) attributable to shareholders is affected by certain non-cash and non-recurring transactions as follows.

The first quarter of 2016 had a \$4.8 million write-down of inventories and a \$0.3 million gain on the approval of Emission Performance Credits.

The fourth quarter of 2015 had a reversal of \$32.1 million of deferred tax assets in Canada, asset impairment charges totaling \$37.2 million relating to the Milner generating facility and adjacent lands, which including coal leases and an \$8.8 million gain on the recognition of SO2 Credits. The third quarter of 2015 had a \$0.1 million expense for costs relating to the restructuring of Alberta operations. The second quarter of 2015 had a \$6.9 million expense for costs relating to the restructuring of Alberta operations and a \$3.4 million unrealized gain relating to the termination of a coal supply agreement. The first quarter of 2015 had a \$4.2 million write-down of coal inventory, a reversal of asset impairment charge for \$1.5 million relating to a US generating facility, \$0.3 million unrealized gain on the derivative coal contract, and a \$1.6 million gain on the approval of Emission Performance Credits.

The second quarter of 2014 had a \$0.3 million unrealized gain on the derivative coal contract and \$0.5 million loss related to asset impairment charges related to the sale of MAXIM Power (B.C.) Inc. The third quarter of 2014 had a \$0.3 million unrealized loss on the derivative coal contract. The fourth quarter of 2014 included the recognition of impairments of \$0.3 million at Gold Creek and \$0.5 million for capital spares at the Northeast U.S. facilities and a \$0.3 million unrealized gain on the derivative coal contract.

NON-GAAP MEASURES

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

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

Adjusted EBITDA

Three months ended March 31 (\$000's)	2016	2015
GAAP Measures from Condensed Consolidated Statement of Income		
Net loss	(7,918)	(5,803)
Income taxes expense (benefit)	445	(1,159)
Finance expense (income), net	(1,121)	2,902
Depreciation and amortization	9,380	8,394
EBITDA	786	4,334
Adjustments:		
Inventories write-down	4,761	4,234
Reversal of asset impairment charges	-	(1,500)
Unrealized gain on derivative coal contract	-	(301)
Share-based compensation	217	108
EBITDA from non-controlling interests	(218)	(279)
Adjusted EBITDA	5,546	6,596

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 are directly affected by operations. Furthermore, EBITDA is used in MAXIM's bank covenant calculations, which requires these items to be omitted. Management believes that presentation of this non-GAAP measure provides useful information to investors and shareholders as it provides predictive value and assists in the evaluation of performance trends. Management uses adjusted EBITDA to compare financial results among reporting periods and to evaluate MAXIM's operating performance and ability to generate funds from operating activities.

In calculating adjusted EBITDA for the first quarter of 2016 management excluded certain non-cash and non-recurring transactions. In 2016, adjusted EBITDA excluded inventories write-down at M1, non-cash expenses related to share-based compensation and EBITDA from non-controlling interests. In 2015, adjusted EBITDA excluded a coal inventory write-down, the reversal of impairment charges related in a US generating facility, an unrealized gain on the derivative coal contract, non-cash expenses related to share based compensation and EBITDA from non-controlling interest.

Adjusted Net Loss

Three months ended March 31 (\$000's)	2016	2015
Net loss	(7,918)	(5,803)
Unrealized gain on derivative coal contract, net of tax	-	(226)
Reversal of asset impairment charges, net of tax	-	(870)
Non-controlling interest income	(91)	(124)
Adjusted net loss	(8,009)	(7,023)

Adjusted net loss provides management and investors with information on net loss excluding unrealized non-cash items and non-controlling interests. In the first quarter of 2016, adjusted net loss excluded a \$0.1 million non-controlling interest income. In 2015, adjusted net income excluded a \$0.2 million unrealized gain, net of tax, on the derivative coal contract, a \$0.9 million reversal of asset impairment charges, net of tax and \$0.1 million non-controlling interest income.

ADDITIONAL GAAP MEASURES

Loss from operations

MAXIM's condensed consolidated statements of loss 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 statements of loss 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 as these measures are not related to the efficiency of MAXIM's operations. Management reviews income from operations on a quarterly basis as part of their assessment of adjusted EBITDA in order to monitor MAXIM's performance.

Funds from operating activities before changes in working capital

MAXIM's condensed consolidated statements of cash flows includes a subtotal, FFO, which is not required under IAS 1 - *Presentation of financial statements*. This additional GAAP measure is included in the statements of cash flows to increase the usefulness and understandability of the Corporation's financial results. This description has been updated from the prior year in order to provide a more meaningful name to stakeholders.

FFO reflects 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 operational performance. Management reviews funds from operating activities before changes in working capital on a quarterly basis.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The use of judgements and estimates used in the preparation of the condensed consolidated interim financial statements has been applied consistently for all periods presented and are unchanged from the judgements and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2015.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Standards Issued Not Yet Effective

The International Accounting Standards Board ("IASB") has issued the following new standards to May 12, 2016. These standards have not been applied in preparing MAXIM's first quarter 2016 condensed consolidated interim financial statements as the effective date falls in a subsequent period.

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

Financial Instruments

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

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

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

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

The new standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted whereby the standard must be applied retrospectively. Management is currently assessing the impact of the application of this standard, but does not anticipate that it will early adopt this new standard.

Revenue from Contracts with Customers

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

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. Early adoption is permitted whereby the standard must be applied retrospectively. Management is currently assessing the impact of application of this standard, but does not anticipate that it will early adopt this new standard.

Leases

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

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

IFRS amendments

The IASB has issued the following amendments to May 12, 2016. These amendments have not been applied in preparing MAXIM's first quarter 2016 condensed consolidated interim financial statements as the effective date falls in a subsequent period.

Standard amended	Issued Date	Effective Date ⁽¹⁾	Impact on MAXIM
<i>IAS 7 Statement of Cash Flows</i>	January 2016	<i>January 1, 2017</i>	<i>Additional note disclosure</i>
<i>IAS 12 Income Taxes</i>	<i>January 2016</i>	<i>January 1, 2017</i>	<i>Not applicable to MAXIM</i>

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

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

TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter any related party transactions during the first three months of 2016, 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 2015 audited annual financial statements.

CONTROLS AND PROCEDURES

The President and 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 CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have concluded that the Corporation's disclosure controls and procedures are not effective for the foregoing purposes due to the material weakness discussed below for internal control over financial reporting.

The 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 CEO and CFO have evaluated, or caused to be evaluated under their supervision, the design and effectiveness of the Corporation's internal control over financial reporting and have identified the following material weakness in the design of the Corporation's internal control over financial reporting. The Corporation, predominately in its 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. 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, 2016 and ended on March 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting. No material changes in the Corporation's internal control over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

As a result, the Corporation's internal control over financial reporting is not effective as of March 31, 2016. 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.

OTHER INFORMATION

Outstanding share data:

Issued common shares at March 31, 2016	54,227,091
Outstanding share options at March 31, 2016	2,821,681
Total diluted common shares at March 31, 2016	57,048,772
Share options exercised in April 2016	(21,500)
Issued common shares in April 2016	21,500
Share options granted in April 2016	1,500
Total diluted common shares at May 12, 2016	57,050,272

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

GLOSSARY OF TERMS

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

AESO	Alberta Electric System Operator
Alberta market power prices	The hourly price established by the AESO for electricity bought and sold through the Alberta Power Pool
Basin Creek	Basin Creek generating station, a 55 MW generating facility located in Butte, Montana was acquired by MAXIM in April, 2005
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)
CASA	Clean Air Strategic Alliance
CCR	Carbon Competitiveness Regulation
CEO	Chief Executive Officer
CDECCA	Capital District Energy Center Cogeneration Associates power plant, a 62.1 MW generating facility located in Hartford, CT was acquired by MAXIM on October 1, 2006
CFO	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.
Cogeneration	The combined, simultaneous generation of heat (usually in the form of hot water or steam) and power (usually in the form of electricity)
De novo	Starting from the beginning
Deerland	Deerland is a development project for a 190 MW natural gas-fired peaking station located near Bruderheim, Alberta
DSCR	Debt service coverage ratio
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
Emission Performance Credits	Emission performance credits are generated by facilities that have reduced emission of greenhouse gases by 12% since July 1, 2007
FERC	Federal Energy Regulatory Commission is the United States federal agency with jurisdiction over interstate electricity sales, wholesale electric rates, hydroelectric licensing, natural gas pricing and oil pipeline rates.
FFO	Funds from operation activities before changes in working capital is an Additional GAAP measure used in determining cash flows generated from operation before the impact of working capital fluctuations
FLI	Forward-looking information
Forked River	Forked River generating station, a 87 MW generating facility located in Forked River, New Jersey was acquired by MAXIM on April 17, 2008
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
Gold Creek	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
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISO-NE	ISO New England is an independent, non-profit Regional Transmission Organization managing several states in the Northeast United States.

M1	HR Milner, a 150 MW (nameplate capacity) coal-fired generating facility located near the town of Grande Cache, Alberta has been in continuous operation since 1972 and was acquired by MAXIM on March 31, 2005
M14	Mine 14 is a development project of Summit Coal and is located north of Grande Cache, Alberta
M16S	Mine 16S is a development project of Summit Coal containing 1,792 hectares of coal leases and is located 30 kilometers northwest Mine 14 in the Smokey River Coalfield
M2	Milner expansion initiative to develop a 520 MW natural gas-fired generating facility
M3	Milner expansion initiative to develop a 86 MW natural gas-fired cogeneration facility
MAXIM or the Corporation	Maxim Power Corp.
MD&A	Management's Discussion and Analysis
Milner realized power price	The average price paid to Milner for sale of electricity in \$/MWh
MW	Megawatt, a measure of electrical generating capacity that is equivalent to one million watts
MWh	Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour
NOx	Nitrogen oxide
Notice	Notice of Alleged Violations issued by FERC
O&M	Operations and maintenance
OE	FERC's Office of Enforcement
PPA	Power purchase arrangements
Pawtucket	Pawtucket generating station, a 64 MW generating facility located in Pawtucket, Rhode Island was acquired by MAXIM on November 10, 2005
Penalties Order	Order Assessing Civil Penalties issued by FERC
PP&E	Property, plant and equipment
SGER	Specified Gas Emitters Regulation
Show Cause Order	Order to Show Cause issued by FERC
SO2	Sulphur dioxide
SO2 Credits	Emission credits used to offset the production of SO2
SUMMIT	Summit Coal is a wholly-owned MAXIM subsidiary, which owns the Mine 14 and Mine 16S development projects
Unplanned outage	Shutdown of a generating unit due to an unanticipated breakdown
U.S. or United States	The United States of America
U.S. EPA	United States Environmental Protection Agency

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