

Condensed Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the Three and Nine Months Ended September 30, 2017

(Unaudited)

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

| | Note | September 30, 2017 | December 31, 2016 |
|--|-------|-----------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | 14 | 104,426 | 15,303 |
| Trade and other receivables | | 1,239 | 1,856 |
| Prepaid expenses and deposits | | 285 | 272 |
| Inventories | | - | 1,029 |
| Risk management assets | | - | 1,480 |
| Assets held for sale | 4 | - | 120,236 |
| Total current assets | | 105,950 | 140,176 |
| Property, plant and equipment, net | 6a | 55,275 | 57,705 |
| Intangible assets, net | 6b | 336 | 7,538 |
| Restricted cash | 14 | 7,910 | - |
| Deferred tax assets | | 3,934 | 4,114 |
| Other assets | | 7,831 | 8,650 |
| Total non-current assets | | 75,286 | 78,007 |
| TOTAL ASSETS | | 181,236 | 218,183 |
| LIABILITIES | | | |
| Trade and other payables | 5 | 5,740 | 9,428 |
| Liabilities held for sale | 4 | - | 32,364 |
| Total current liabilities | | 5,740 | 41,792 |
| Provisions for decommissioning | | 11,083 | 11,961 |
| Other long-term liability | 5 | - | 3,581 |
| Deferred tax liabilities | | 3,368 | 3,368 |
| Total non-current liabilities | | 14,451 | 18,910 |
| TOTAL LIABILITIES | | 20,191 | 60,702 |
| EQUITY | | | |
| Share capital | | 157,447 | 156,482 |
| Contributed surplus | | 11,458 | 11,423 |
| Accumulated other comprehensive income | | - | 28,172 |
| Retained deficit | | (7,860) | (38,790) |
| Equity attributable to shareholders | | 161,045 | 157,287 |
| Non-controlling interest | | - | 194 |
| TOTAL EQUITY | | 161,045 | 157,481 |
| <i>Commitments and Contingencies</i> | 10,11 | | |
| TOTAL LIABILITIES AND EQUITY | | 181,236 | 218,183 |

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

On behalf of the Board:

(Signed)

Director

(Signed)

Director

MAXIM POWER CORP.

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

For the three and nine months ended September 30
(in thousands of Canadian dollars)

| | Note | Three months ended September 30 | | Nine months ended September 30 | |
|--|------|---------------------------------|----------|--------------------------------|----------|
| | | 2017 | 2016 | 2017 | 2016 |
| Revenue | | - | 1,581 | 2,024 | 3,644 |
| Expenses | | | | | |
| Operating | | 1,527 | 5,368 | 9,641 | 23,155 |
| General and administrative | | 1,429 | 625 | 3,958 | 2,278 |
| Depreciation and amortization | | 940 | 1,712 | 3,781 | 3,422 |
| Gain on commodity swaps | 14 | - | (5,126) | (975) | (5,357) |
| Asset impairment charges | 6 | - | - | 8,344 | - |
| Other (income) expense, net | 7 | (269) | 1,667 | (3,638) | 2,036 |
| Operating loss | | (3,627) | (2,665) | (19,087) | (21,890) |
| Finance expense (income), net | 8 | (275) | 663 | (55) | (1,748) |
| Loss before income taxes | | (3,352) | (3,328) | (19,032) | (20,142) |
| Income tax expense (benefit) | | | | | |
| Current | | (71) | 6 | 81 | 11 |
| Deferred | | - | - | (842) | - |
| | | (71) | 6 | (761) | 11 |
| Net loss from continued operations | | (3,281) | (3,334) | (18,271) | (20,153) |
| Discontinued operations | | | | | |
| Net income (loss) from discontinued operations (net of tax) | 4 | (2,156) | (16,697) | 49,205 | (16,138) |
| Net income (loss) | | (5,437) | (20,031) | 30,934 | (36,291) |
| Other comprehensive income (loss), net of tax: | | | | | |
| Items that are or may be reclassified to net income: | | | | | |
| Reclassification to net income on disposal of discontinued foreign operation | 4 | - | - | (26,729) | - |
| Translation of discontinued foreign operations | | - | 3,000 | (1,443) | (8,545) |
| Total comprehensive income (loss) | | (5,437) | (17,031) | 2,762 | (44,836) |
| Net income (loss) attributable to: | | | | | |
| Non-controlling interest | | - | 1 | 4 | 98 |
| Shareholders | | (5,437) | (20,032) | 30,930 | (36,389) |
| Net income (loss) attributable to shareholders per share: | | | | | |
| Basic earnings | 9 | (0.10) | (0.37) | 0.57 | (0.67) |
| Diluted earnings | 9 | (0.10) | (0.37) | 0.57 | (0.67) |
| Net loss attributable to shareholders per share continued operations: | | | | | |
| Basic earnings | 9 | (0.06) | (0.06) | (0.34) | (0.37) |
| Diluted earnings | 9 | (0.06) | (0.06) | (0.34) | (0.37) |
| Comprehensive income (loss) attributable to: | | | | | |
| Non-controlling interest | | - | 21 | 2 | 78 |
| Shareholders | | (5,437) | (17,052) | 2,760 | (44,914) |

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Changes in Equity

For the nine months ended September 30
(in thousands of Canadian dollars, except common share data)

| | Common shares (thousands) | Share capital | Contributed surplus | Accumulated other comprehensive gain (loss) | Retained earnings (deficit) | Equity attributable to shareholders | Non- controlling interest | Total |
|---|---------------------------------|------------------|------------------------|--|-----------------------------------|---|---------------------------------|----------------|
| Equity at December 31, 2016 | 54,301 | 156,482 | 11,423 | 28,172 | (38,790) | 157,287 | 194 | 157,481 |
| Net income | - | - | - | - | 30,930 | 30,930 | 4 | 30,934 |
| Stock options exercised | 314 | 965 | (313) | - | - | 652 | - | 652 |
| Share-based compensation | - | - | 348 | - | - | 348 | - | 348 |
| Translation of foreign operations | - | - | - | (1,443) | - | (1,443) | (2) | (1,445) |
| Distributions to non-controlling interest | - | - | - | - | - | - | (31) | (31) |
| Disposal of foreign operation | - | - | - | (26,729) | - | (26,729) | (165) | (26,894) |
| Equity at September 30, 2017 | 54,615 | 157,447 | 11,458 | - | (7,860) | 161,045 | - | 161,045 |
| Equity at December 31, 2015 | 54,219 | 156,248 | 10,686 | 34,138 | 15,010 | 216,082 | 705 | 216,787 |
| Net income (loss) | - | - | - | - | (36,389) | (36,389) | 98 | (36,291) |
| Stock options exercised | 82 | 234 | (41) | - | - | 193 | - | 193 |
| Share-based compensation | - | - | 682 | - | - | 682 | - | 682 |
| Translation of foreign operations | - | - | - | (8,525) | - | (8,525) | (20) | (8,545) |
| Distributions to non-controlling interest | - | - | - | - | - | - | (74) | (74) |
| Equity at September 30, 2016 | 54,301 | 156,482 | 11,327 | 25,613 | (21,379) | 172,043 | 709 | 172,752 |

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Cash Flows

For the nine months ended September 30
(in thousands of Canadian dollars)

| | Note | 2017 | 2016 |
|--|------|----------|----------|
| Cash flows from operating activities: | | | |
| Net loss from continued operations | | (18,271) | (20,153) |
| Adjustments for items not involving cash or operations: | | | |
| Depreciation and amortization | | 3,781 | 3,422 |
| Asset impairment charges | 6 | 8,344 | - |
| Inventories write-down | | - | 6,661 |
| Share-based compensation | | 348 | 682 |
| Unrealized gain on commodity swaps | | - | (1,744) |
| Income tax expense (benefit) | | (761) | 11 |
| Income taxes paid | | (80) | - |
| Finance income, net | 8 | (55) | (1,748) |
| Loss on disposal of equipment | | - | 1,667 |
| Commodity price call option expired out of the money | 14 | 378 | - |
| Cooling tower claims recoveries | 7 | (4,275) | - |
| Approved emission performance credits | | (36) | (340) |
| Funds used in continued operating activities before changes in working capital | | (10,627) | (11,542) |
| Change in non-cash working capital from continued operations | 12 | (6,374) | 6,084 |
| Net cash used in operating activities from continued operations | | (17,001) | (5,458) |
| Cash flows from financing activities: | | | |
| Issuance of loans and borrowings | | - | 9,599 |
| Net proceeds from exercise of stock options | | 652 | 193 |
| Interest and bank charges | | (379) | (478) |
| Net cash generated from financing activities from continued operations | | 273 | 9,314 |
| Cash flows from investing activities: | | | |
| Proceeds on sale of United States operating segment | 4 | 116,644 | - |
| Closing costs on sale of United States operating segment | 4 | (6,176) | - |
| Property, plant and equipment additions | | (2,029) | (841) |
| Proceeds from the cooling tower claims recoveries | 7 | 4,275 | - |
| Interest income | 8 | 688 | 2 |
| Change in non-cash working capital | 12 | (7,551) | (879) |
| Net cash generated from (used) in investing activities from continued operations | | 105,851 | (1,718) |
| Increase in cash and cash equivalents from continued operations | | 89,123 | 2,138 |
| Cash and cash equivalents held at discontinued operations, beginning of period | | 3,535 | - |
| Net decrease in cash and cash equivalents from discontinued operations | 4 | (3,535) | (1,486) |
| Cash and cash equivalents, beginning of period | | 15,303 | 5,884 |
| Cash and cash equivalents, end of period | | 104,426 | 6,536 |

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

MAXIM POWER CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 1

For the three and nine months ended September 30, 2017

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

1. Reporting entity

Maxim Power Corp. is incorporated in the province of Alberta, Canada. Maxim Power Corp. and its subsidiaries (together "MAXIM" or the "Corporation") is an independent power producer, which acquires or develops, owns and operates power and power related projects. The Corporation has power generation facilities in Alberta. The Corporation closed the sale of its United States operating segment on April 3, 2017 and has presented the result of these operations as discontinued operations (note 4). The Corporation's common shares trade on the Toronto Stock Exchange under the symbol "MXG". MAXIM's registered office is Suite 1210, 715 – 5 Avenue S.W., Calgary, Alberta, Canada, T2P 2X6.

2. Basis of preparation and statement of compliance

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

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on November 7, 2017.

3. Significant accounting policies

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

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

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

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 2

For the three and nine months ended September 30, 2017

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

4. Assets and liabilities held for sale and discontinued operations

On April 3, 2017, the Corporation closed its previously announced agreement with Hull Street Energy, LLC for the sale of the Corporation's United States operating segment for net proceeds of approximately US\$83 million after the effect of the final net working capital adjustment. Upon close, the Corporation was required, under its Canadian bank facility, to fully cash collateralize all outstanding letters of credit and the amount available to draw against this facility at April 3, 2017 was reduced to \$nil. In addition, the Corporation is subject to customary closing indemnities until April 3, 2018 to a maximum claim of US\$8.8 million. Costs in relation to these claims and potential claims are only recognized when they become probable and based on the information presently known, it is the view of the Corporation that no liability currently exists.

The following table summarizes the gain on disposal of the United States operating segment for the nine months ended September 30, 2017:

| | September 30, 2017 |
|---|--------------------|
| Cash consideration, net of closing costs | 112,624 |
| Net assets disposed | (90,235) |
| Realized gain on translation on disposal of discontinued operations | 11,380 |
| Working capital adjustment | (2,156) |
| Gain on disposal of United States | 31,613 |

On December 2, 2016, the Corporation closed the sale of the France operating segment.

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

Total Discontinued Operations

| | Three months ended September 30 | | Nine months ended September | |
|--|---------------------------------|-----------------|-----------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenue | - | 21,997 | 14,246 | 69,765 |
| Expenses (income) (i) | 2,156 | 44,606 | (20,065) | 91,141 |
| Operating income (loss) | (2,156) | (22,609) | 34,311 | (21,376) |
| Finance expense (income), net (ii) | - | 864 | (14,891) | 2,677 |
| Income (loss) before income taxes | (2,156) | (23,473) | 49,202 | (24,053) |
| Income tax expense (benefit) | | | | |
| Current | - | (251) | 25 | 402 |
| Deferred | - | (6,525) | (28) | (8,317) |
| | - | (6,776) | (3) | (7,915) |
| Net income (loss) from discontinued operations | (2,156) | (16,697) | 49,205 | (16,138) |
| Attributable to: | | | | |
| Non-controlling interest | - | 1 | 4 | 98 |
| Shareholders | (2,156) | (16,698) | 49,201 | (16,236) |
| Net income (loss) from discontinued operations attributable to shareholders per share: | | | | |
| Basic earnings | (0.04) | (0.31) | 0.91 | (0.30) |
| Diluted earnings | (0.04) | (0.31) | 0.91 | (0.30) |

MAXIM POWER CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 3

For the three and nine months ended September 30, 2017

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

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

- (i) Includes a gain on disposal of the United States operating segment for \$31,613 in the nine months ended September 30, 2017. Includes an impairment charge of \$15,624 for the France operating segment in the three and nine months ended September 30, 2016.
- (ii) Includes a realized gain on translation on disposal of discontinued operations for \$15,349 in the nine months ended September 30, 2017.

| | Nine months ended September | |
|--|-----------------------------|----------------|
| | 2017 | 2016 |
| Cash flows from (used in) discontinued operations | | |
| Net cash generated from operating activities | 87 | 10,923 |
| Net cash used in financing activities | (842) | (8,210) |
| Net cash used in investing activities | (313) | (3,776) |
| Cash component of net assets disposed | (2,443) | - |
| Unrealized foreign exchange loss on cash | (24) | (423) |
| Net cash flows for the period | (3,535) | (1,486) |

United States Segment

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenue | - | 21,262 | 14,246 | 45,131 |
| Expenses (income) | 2,156 | 26,813 | (20,065) | 51,275 |
| Operating income (loss) | (2,156) | (5,551) | 34,311 | (6,144) |
| Finance expense (income), net | - | 468 | (14,891) | 1,450 |
| Income (loss) before income taxes | (2,156) | (6,019) | 49,202 | (7,594) |
| Income tax expense (benefit) | | | | |
| Current | - | (5) | 25 | 179 |
| Deferred | - | (943) | (28) | (2,762) |
| | - | (948) | (3) | (2,583) |
| Net income (loss) from discontinued operations | (2,156) | (5,071) | 49,205 | (5,011) |
| Attributable to: | | | | |
| Non-controlling interest | - | 21 | 4 | 61 |
| Shareholders | (2,156) | (5,092) | 49,201 | (5,072) |

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 4

For the three and nine months ended September 30, 2017

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

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

France Segment

| | Three months ended September | | Nine months ended September 30 | |
|--|------------------------------|----------|--------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenue | - | 735 | - | 24,634 |
| Expenses | - | 17,793 | - | 39,866 |
| Operating loss | - | (17,058) | - | (15,232) |
| Finance expense, net | - | 396 | - | 1,227 |
| Loss before income taxes | - | (17,454) | - | (16,459) |
| Income tax expense (benefit) | | | | |
| Current | - | (246) | - | 223 |
| Deferred | - | (5,582) | - | (5,555) |
| | - | (5,828) | - | (5,332) |
| Net loss from discontinued operations | - | (11,626) | - | (11,127) |
| Attributable to: | | | | |
| Non-controlling interest | - | (20) | - | 37 |
| Shareholders | - | (11,606) | - | (11,164) |

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

Assets classified as held for sale

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

Liabilities classified as held for sale

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

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 5

For the three and nine months ended September 30, 2017

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

5. Other long-term liability

During the third quarter of 2017, the Corporation paid the second of three equal installments in relation to the Federal Energy Regulatory Commission settlement. The third and final installment of \$3,426 is included in trade and other payables.

6. Asset impairment charges

(a) PP&E, net

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

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

(b) Intangible assets, net

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

7. Other income

| | Three months ended | | Nine months ended | |
|--|--------------------|-------|-------------------|-------|
| | September 30 | | September 30 | |
| | 2017 | 2016 | 2017 | 2016 |
| Cooling tower claims recoveries (i) | - | - | (4,275) | - |
| Restructuring of Alberta operations (ii) | 64 | - | 1,390 | 709 |
| Transition service income | (333) | - | (699) | - |
| Approved emission performance credits | - | - | (36) | (340) |
| Loss (gain) on sale of equipment | - | 1,667 | (18) | 1,667 |
| Total other expense (income), net | (269) | 1,667 | (3,638) | 2,036 |

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

(ii) This consists of costs incurred to restructure the Corporation's Alberta operations to reduce ongoing operating costs.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 6

For the three and nine months ended September 30, 2017

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

8. Finance income, net

| | Three months ended September 30 | | Nine months ended September 30 | |
|-------------------------------------|---------------------------------|------|--------------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest expense and bank charges | 36 | 137 | 379 | 432 |
| Accretion of provisions | 24 | 20 | 63 | 59 |
| Foreign exchange loss (gain) | 59 | 506 | 191 | (2,237) |
| Finance expense (income) | 119 | 663 | 633 | (1,746) |
| Interest income (i) | (394) | - | (688) | (2) |
| Total finance expense (income), net | (275) | 663 | (55) | (1,748) |

(i) Includes interest income on cash and cash equivalents and restricted cash.

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the three months ended September 30, 2017 was based on the net loss attributable to common shareholders and net loss attributable to common shareholders from continued operations of (\$5,437) and (\$3,281), respectively (September 30, 2016 – losses of (\$20,032) and (\$3,334), respectively) and weighted average number of common shares outstanding for the period of 54,574,089 (September 30, 2016 – 54,290,487). For the nine months ended September 30, 2017 was based on the net income attributable to common shareholders and net loss attributable to common shareholders from continued operations of \$30,930 and (\$18,271), respectively (September 30, 2016 – losses of (\$36,389) and (\$20,153), respectively) and weighted average number of common shares outstanding for the period of 54,445,342 (September 30, 2016 – 54,253,898).

(b) Dilutive earnings per share

For the nine months ended September 30, 2017 diluted earnings per share calculation, 74,309 shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options. For the three months ended September 30, 2017, and the three and nine months ended September 30, 2016, no shares were added to the average number of common shares outstanding because they were antidilutive.

10. Commitments

- (a) Milner Power Limited Partnership ("MPLP") is responsible for the decommissioning and reclamation of the power station lands at the Milner generating facility and the present value of these amounts have been recorded in provisions. The Balancing Pool has agreed to reimburse MPLP for the first \$15,000 in decommissioning expense, the present value of which has been recorded in other assets, net of amounts billed. As at September 30, 2017, the Corporation has billed the Balancing Pool for \$602 for partial remediation of the power station's lands. Should there be a material breach of environmental laws by MPLP during the period of ownership, then MPLP is required to contribute fully to the incremental costs caused by such material breach.
- (b) The Corporation has entered into a natural gas transportation service agreement from January 1, 2018 to December 31, 2026 for the Deerland peaking station development project whereby it is committed to reimburse out-of-pocket costs of the counterparty for the construction of the project. The maximum authorization of expenditure is \$1,570 and \$15 has been incurred by the counterparty as at September 30, 2017. The Corporation has an additional commitment of \$798 regarding the service portion of the contract.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 7

For the three and nine months ended September 30, 2017

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

11. Contingencies

(a) Contingent liabilities

The Corporation operates in a regulatory and commercial environment that exposes it to regulatory, contractual and litigation risks. As a result, the Corporation is involved in certain disputes and legal proceedings, including litigation, arbitration, and regulatory investigations. Such cases are subject to many uncertainties, and the outcomes are often difficult to predict, including the impact on operations or on the financial statements, particularly in the earlier stages of a case. In certain circumstances, to avoid the expense and distraction of legal proceedings, the Corporation may, based on a cost-benefit analysis, enter into a settlement even though denying any wrongdoing. The Corporation makes provisions for cases brought against it when, in the opinion of management after seeking legal advice, it is probable that a liability exists, and the amount can be reliably estimated.

The Corporation has closed the sale of the France operating segment. Under the agreement, the Corporation continues to be subject to the claims received for €1,700 thousand in additional costs from suppliers in France. Costs in relation to these claims and potential claims are only recognized when they become probable and based on the information presently known, it is the view of the Corporation that these claims and potential claims are without merit. Further under the agreement, the Corporation is subject to performance criteria of certain generating units in the France operating segment until October 31, 2017. The Corporation is responsible to reimburse the buyer of the France operating segment for penalties incurred until that time up to a maximum of €1,500 thousand. Any amounts claimed by the buyer in relation to these two amounts will be reduced by any recoveries attained by the buyer from legal proceedings against third parties which were inherited from the sale by the Corporation. In addition, the Corporation is subject to customary closing indemnities until December 2, 2019 to a maximum claim of €3,500 thousand.

The Corporation has closed the sale of the United States operating segment. Under the sales agreement, the Corporation is subject to customary closing indemnities until April 3, 2018 to a maximum claim of US\$8,841 thousand.

Costs in relation to these claims and potential claims are only recognized when they become probable and based on the information presently known, it is the view of the Corporation that no liability currently exists.

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

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 8

For the three and nine months ended September 30, 2017

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

11. Contingencies (continued)

(b) Contingent assets

Through its Decision 790-D04-2016 ("Decision"), released September 28, 2016, the Alberta Utilities Commission ("AUC") asserted its position on several preliminary matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the Alberta Electric System Operator ("AESO") Line Loss Rule. The Decision confirms the Corporation's view that the AUC's proceedings, the final phase of which is currently underway, will establish compensation to Milner Power Inc. that will include compensation for the time value of money. The Corporation estimates that overpayments of approximately \$42,000 were made by Milner Power Inc. to the AESO for the period January 1, 2006 to December 31, 2016, based on calculations established by information currently available on the public record before accounting for the time value of money. As at September 30, 2017, the amount and timing of compensation under Module C cannot be determined.

Under the agreement for the sale of the France operating segment, the Corporation is eligible for compensation up to €6,000, contingent upon a change in law in France which benefits the Corporation's cogeneration units. The change in law must occur no later than June 1, 2018. As at September 30, 2017, the timing and amount of compensation cannot be determined.

12. Change in non-cash working capital

| | September 30, 2017 | September 30, 2016 |
|-------------------------------|-----------------------|-----------------------|
| Operations | | |
| Trade and other receivables | 617 | (3,287) |
| Prepaid expenses and deposits | (13) | (93) |
| Inventories | (9) | 1,422 |
| Trade and other payables | (6,969) | 8,042 |
| | (6,374) | 6,084 |
| | September 30, 2017 | September 30, 2016 |
| Investing | | |
| Trade and other payables | 359 | (879) |
| Restricted cash | (7,910) | - |
| | (7,551) | (879) |

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

13. Segmented information

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

(a) Three months ended

| September 30, 2017 | Canada | Corporate amounts | Subtotal | Discontinued operations from United States | Discontinued operations from France | Total consolidated |
|----------------------------------|---------|-------------------|----------|--|-------------------------------------|--------------------|
| Revenues from external customers | - | - | - | - | - | - |
| Operating loss | (2,526) | (1,101) | (3,627) | (2,156) | - | (5,783) |

| September 30, 2016 | Canada | Corporate amounts | Subtotal | Discontinued operations from United States | Discontinued operations from France | Total consolidated |
|----------------------------------|---------|-------------------|----------|--|-------------------------------------|--------------------|
| Revenues from external customers | 1,581 | - | 1,581 | 21,262 | 735 | 23,578 |
| Operating loss | (2,539) | (126) | (2,665) | (5,551) | (17,058) | (25,274) |

(b) Nine months ended

| September 30, 2017 | Canada | Corporate amounts | Subtotal | Discontinued operations from United States | Discontinued operations from France | Total consolidated |
|----------------------------------|----------|-------------------|----------|--|-------------------------------------|--------------------|
| Revenues from external customers | 2,024 | - | 2,024 | 14,246 | - | 16,270 |
| Operating income (loss) | (14,218) | (4,869) | (19,087) | 34,311 | - | 15,224 |

| September 30, 2016 | Canada | Corporate amounts | Subtotal | Discontinued operations from United States | Discontinued operations from France | Total consolidated |
|----------------------------------|----------|-------------------|----------|--|-------------------------------------|--------------------|
| Revenues from external customers | 3,644 | - | 3,644 | 45,131 | 24,634 | 73,409 |
| Operating loss | (19,629) | (2,261) | (21,890) | (6,144) | (15,232) | (43,266) |

14. Fair value and financial instruments

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

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

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

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For the three and nine months ended September 30, 2017

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

14. Fair value and financial instruments (continued)

(a) Cash and cash equivalents and restricted cash

The fair value of cash and cash equivalents and restricted cash are classified as Level I under the fair value hierarchy as they are based on active markets for identical assets. All cash balances are invested with one Canadian chartered bank, which is rated A- by Standard and Poor's rating agency.

(b) Commodity risk management swaps and options

The fair value of the commodity swaps are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. MAXIM determined the fair value of the swaps by applying the market approach using market settled forward prices as reported by the Natural Gas Exchange for forward contracts of comparable term at the reporting date. For the three and nine months ended September 30, 2017, the unrealized gain on commodity price swaps was \$nil (September 30, 2016 - \$1,513) and \$58 (September 30, 2016 - \$1,744), respectively. For the three and nine months ended September 30, 2017, the realized gain on commodity risk management swaps and option was \$nil (September 30, 2016 - \$3,613) and \$917 (September 30, 2016 - \$3,613), respectively. At September 30, 2017, the Corporation had no commodity swaps or options outstanding.

(c) Foreign exchange risk management swap and options

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

For the nine months ended September 30, 2017, the Corporation, realized a \$421 thousand loss (September 30, 2016 - \$nil), recognized in discontinued operations, on the US\$78,000 thousand swap to lock-in a portion of the sales proceeds of the United States operating segment.

For the nine months ended September 30, 2017, the Corporation realized a net loss of \$1,092 (September 30, 2016 - \$nil) upon the expiry of two put options expiring March 24, 2017, consisting of the amortization of premiums paid of \$1,378, partially offset by proceeds on exercise of \$286. These amounts have been recognized in discontinued operations.

At September 30, 2017, the Corporation had no outstanding foreign exchange risk management swaps and options.