

Consolidated Financial Statements of

MAXIM POWER CORP.

For the Years Ended December 31, 2016 and 2015

(Audited)



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Maxim Power Corp.

We have audited the accompanying consolidated financial statements of Maxim Power Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Maxim Power Corp. as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(a) in the consolidated financial statements which indicates that Maxim Power Corp. has provided \$12.5 million in letters of credit to its suppliers from its credit facility which matures on April 30, 2017. Maxim Power Corp. is dependent on the closing of the sale of the US operating segment, extension of its credit facility, raising of sufficient capital or the sale of other assets to continue as a going concern. These conditions, along with other matters as set forth in Note 2(a) in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Maxim Power Corp.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants

March 16, 2017
Calgary, Canada

MAXIM POWER CORP.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Cash and cash equivalents		15,303	5,884
Trade and other receivables	7	1,856	20,871
Income taxes recoverable		-	1,070
Prepaid expenses and deposits	8	272	2,532
Inventories	9	1,029	19,331
Risk management assets	31,32	1,480	-
Assets held for sale	6	120,236	-
Total current assets		140,176	49,688
Property, plant and equipment, net	10	57,705	257,117
Restricted cash		-	1,405
Intangible assets, net	11	7,538	23,224
Deferred tax assets	26	4,114	5,100
Other assets	12	8,650	10,364
Total non-current assets		78,007	297,210
TOTAL ASSETS		218,183	346,898
LIABILITIES			
Trade and other payables	13,32	9,428	28,906
Deferred revenue		-	330
Loans and borrowings	14	-	7,579
Liabilities held for sale	6	32,364	-
Total current liabilities		41,792	36,815
Loans and borrowings	14	-	61,149
Provisions for decommissioning	15	11,961	16,981
Other long-term liability	6	3,581	-
Deferred tax liabilities	26	3,368	15,166
Total non-current liabilities		18,910	93,296
TOTAL LIABILITIES		60,702	130,111
EQUITY			
Share capital	16	156,482	156,248
Contributed surplus		11,423	10,686
Accumulated other comprehensive income		28,172	34,138
Retained earnings (deficit)		(38,790)	15,010
Equity attributable to shareholders		157,287	216,082
Non-controlling interests		194	705
TOTAL EQUITY		157,481	216,787
<i>Going Concern</i>	2		
<i>Commitments and Contingencies</i>	23,24		
TOTAL LIABILITIES AND EQUITY		218,183	346,898

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

On behalf of the Board:

(Signed)

Director

(Signed)

Director

MAXIM POWER CORP.

Consolidated Statements of Loss

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

	Note	2016	2015
Revenue	18	6,484	19,556
Expenses			
Operating	9,19	32,281	32,236
General and administrative	19	4,435	4,392
Depreciation and amortization		5,238	6,813
Gain on commodity swaps	32	(6,266)	-
(Reversal of) asset impairment charges, net	10,11	(2,754)	37,229
Gain on derivative coal contracts	32	-	(3,719)
Other expense (income), net	20	1,753	(8,992)
Operating loss		(28,203)	(48,403)
Finance expense (income), net	21	(858)	7,001
Loss before income taxes		(27,345)	(55,404)
Income tax expense	26		
Current		289	142
Deferred		2,240	26,276
		2,529	26,418
Net loss from continued operations		(29,874)	(81,822)
Discontinued operations			
Net income (loss) from discontinued operations (net of tax)	6	(23,815)	4,513
Net loss		(53,689)	(77,309)
Attributable to:			
Non-controlling interest		111	109
Shareholders		(53,800)	(77,418)
Net loss attributable to shareholders per share:	22		
Basic earnings		(0.99)	(1.43)
Diluted earnings		(0.99)	(1.43)
Net loss attributable to shareholders per share continued operations:	22		
Basic earnings		(0.55)	(1.51)
Diluted earnings		(0.55)	(1.51)

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

MAXIM POWER CORP.

Consolidated Statements of Comprehensive Income (Loss)

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

	2016	2015
Net loss	(53,689)	(77,309)
Other comprehensive income (loss), net of tax:		
Items that are or may be reclassified to net income		
Unrealized gains (losses) on translation of discontinued foreign operations	(6,988)	25,825
Reclassification of loss on translation on disposal of discontinued foreign operation (note 6)	1,068	-
Total comprehensive loss	(59,609)	(51,484)
Comprehensive income (loss) attributable to:		
Non-controlling interest	157	189
Shareholders	(59,766)	(51,673)

MAXIM POWER CORP.

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars, except common share data)

	Common shares (thousands)	Share capital	Contributed surplus	Accumulated other comprehensive gain (loss)	Retained earnings (deficit)	Equity attributable to shareholders	Non- controlling interest	Total
Equity at December 31, 2015	54,219	156,248	10,686	34,138	15,010	216,082	705	216,787
Net income (loss)	-	-	-	-	(53,800)	(53,800)	111	(53,689)
Stock options exercised	82	234	(41)	-	-	193	-	193
Share-based compensation	-	-	778	-	-	778	-	778
Disposal of foreign operation	-	-	-	1,068	-	1,068	(566)	502
Translation of foreign operations	-	-	-	(7,034)	-	(7,034)	46	(6,988)
Distributions to non-controlling interest	-	-	-	-	-	-	(102)	(102)
Equity at December 31, 2016	54,301	156,482	11,423	28,172	(38,790)	157,287	194	157,481
Equity at December 31, 2014	54,219	156,248	9,908	8,393	92,428	266,977	606	267,583
Net income (loss)	-	-	-	-	(77,418)	(77,418)	109	(77,309)
Share-based compensation	-	-	778	-	-	778	-	778
Translation of foreign operations	-	-	-	25,745	-	25,745	80	25,825
Distributions to non-controlling interest	-	-	-	-	-	-	(90)	(90)
Equity at December 31, 2015	54,219	156,248	10,686	34,138	15,010	216,082	705	216,787

MAXIM POWER CORP.

Consolidated Statements of Cash Flows

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

	Note	2016	2015
Cash flows from operating activities:			
Net loss from continued operations		(29,874)	(81,822)
Adjustments for items not involving cash or operations:			
Depreciation and amortization		5,238	6,813
(Reversal of) asset impairment charges	10,11	(2,754)	37,229
Inventories write-down	9	8,612	4,234
Restructuring of Alberta operations - non-cash consideration	20	-	3,676
Share-based compensation		778	778
Unrealized gain on derivative coal contracts	32	-	(3,719)
Income tax benefit	26	2,529	26,418
Income taxes paid		(255)	(99)
Finance expense (income)	21	(857)	7,011
Loss on disposal of equipment	20	1,667	-
Gain on sale of emission performance credits	20	-	(5,507)
Approved emission performance credits	20	(340)	(10,453)
Funds used in continued operating activities before changes in working capital		(15,256)	(15,441)
Change in non-cash working capital from continued operations	29	1,650	509
Net cash generated used in operating activities from continued operations		(13,606)	(14,932)
Cash flows from financing activities:			
Issuance of loans and borrowings		9,599	3,102
Repayment of loans and borrowings		(9,599)	(3,102)
Proceeds from exercise of stock options		193	-
Interest paid		(582)	(316)
Net cash used in financing activities from continued operations		(389)	(316)
Cash flows from investing activities:			
Proceeds on sale of France operating segment, net of closing costs	6b	24,586	-
Proceeds from insurance recoveries, net of (property, plant and equipment additions)	10	266	(8,157)
Proceeds on sale of emission performance credits	20	-	8,834
Proceeds on sale of equipment	20	2,243	-
Purchase of risk management options	31,32	(1,480)	-
Change in non-cash working capital	29	(835)	741
Net cash from investing activities from continued operations		24,780	1,418
Increase (decrease) in cash and cash equivalents from continued operations		10,785	(13,830)
Net increase in cash and cash equivalents from discontinued operations		2,169	2,572
Less: Cash held at discontinued operations, end of period		(3,535)	-
Cash and cash equivalents, beginning of period		5,884	17,142
Cash and cash equivalents, end of period		15,303	5,884

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 1

For the years ended December 31, 2016 and 2015
(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 and the United States of America ("United States"). The Corporation has presented the result of its operations in the United States as assets and liabilities held for sale and discontinued operations (note 6). The Corporation's common shares trade on the Toronto Stock Exchange under the symbol "MXG". MAXIM's registered office is Suite 1210, 715 – 5 Avenue S.W., Calgary, Alberta, Canada, T2P 2X6.

2. Basis of preparation and statement of compliance

(a) Going Concern

These audited 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 December 31, 2016, MAXIM determined it has breached its debt service coverage ratio ("DSCR"), minimum equity, interest coverage and minimum earnings before interest, taxes, depreciation and amortization ("EBITDA") financial covenants in relation to its Canadian credit facility. Subsequent to year end, management obtained a waiver for these covenant breaches from the bank.

This fiscal quarter is the eighth consecutive quarter MAXIM 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 and has extended the maturity of its credit facility during this time period to April 30, 2017.

At December 31, 2016, the Corporation had cash of \$15,303 and working capital related to continuing operations of \$10,512. At the maturity of the credit facility on April 30, 2017, the Corporation is forecasting unrestricted cash will be less than issued letters of credit (note 14a) in the absence of consummating the sale of the United States operating segment or other assets.

In these circumstances, management believes the going concern assumption is appropriate for these consolidated financial statements, but is dependent upon closing the sale of the United States operating segment (note 6), a further extension of its credit facility, raising of sufficient capital or the sale of other assets, 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 conditions, a material uncertainty that may cast significant doubt about the appropriateness of using the going concern assumption. The Corporation's ability to continue as a going concern is dependent upon its ability to generate sufficient cash to settle its liabilities and commitments and fund its business plan.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 2

For the years ended December 31, 2016 and 2015
(Amounts in thousands of Canadian dollars except as otherwise noted)

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

(b) Statement of compliance

MAXIM prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on March 16, 2017.

(c) Basis of measurement

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

(d) Functional and presentation currency

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

(e) Use of judgments and estimates

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

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

(f) Significant Judgments

(i) Operating leases

MAXIM has entered into long-term tolling arrangements with third parties at two of its facilities whereby MAXIM imposes toll charges as compensation for processing natural gas to produce electricity. The counterparties have the right to nominate all facility output, are responsible for procuring natural gas used for power generation, and own the electricity generated by the facility. The initial terms of these agreements are between ten and twenty years with the twenty year agreement having a lessee option to extend the agreement for an additional five to ten years. MAXIM has made the judgment that these arrangements are operating leases as the Corporation retains the principal risks and rewards of ownership of the facilities. The assets subject to these leases continue to be recorded as property, plant and equipment and were depreciated over their useful lives. As a result of the sale of the United States operating segment these assets ceased depreciation on December 23, 2016, as they were considered assets held for sale.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 3

For the years ended December 31, 2016 and 2015
(Amounts in thousands of Canadian dollars except as otherwise noted)

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

(ii) Contingencies

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

(iii) Assets and liabilities held for sale

Assets and liabilities are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. The Corporation has made the judgment that the United States operating segment met the above criteria as at December 31, 2016.

(iv) Impairment indicators

At the end of each reporting period, management makes a judgment whether there are any indications of impairment of its property, plant and equipment ("PP&E") and intangible assets at the lowest level at which there are separately identifiable cash flows. If there are indications of impairment, MAXIM performs an impairment test on the asset or the cash-generating unit ("CGU"). Intangible assets that are not amortized are tested for impairment annually regardless of indications of impairment.

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

(v) Functional currency

The designation of the functional currency of the Corporation and its foreign operations is a management judgment based on the composition of revenue and costs in the locations in which it operates.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 4

For the years ended December 31, 2016 and 2015
(Amounts in thousands of Canadian dollars except as otherwise noted)

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

(g) Assumptions and Critical Estimates

(i) Decommissioning costs

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

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

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

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

(iii) Impairment of non-financial assets

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 5

For the years ended December 31, 2016 and 2015
(Amounts in thousands of Canadian dollars except as otherwise noted)

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

(iv) Income taxes

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

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

(v) SO2 credits

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

3. Significant accounting policies

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

(a) Basis of consolidation

The financial statements include the accounts of the Corporation and its subsidiaries. Subsidiaries are entities which the Corporation controls by having the power to govern the entity's financial and operating policies. The Corporation consolidates all of its wholly-owned subsidiaries and its 95% interest in Basin Creek Holdco LLC. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances, transactions and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

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

(b) Non-controlling interests

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 6

For the years ended December 31, 2016 and 2015
(Amounts in thousands of Canadian dollars except as otherwise noted)

3. Significant accounting policies (continued)

(c) Foreign currency translation

(i) Foreign operations

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

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

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

(ii) Foreign currency transactions

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

(iii) Foreign exchange management

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

(d) Impairment of non-financial assets

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

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

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 7

For the years ended December 31, 2016 and 2015
(Amounts in thousands of Canadian dollars except as otherwise noted)

3. Significant accounting policies (continued)

(e) Non-financial derivative contracts

Non-financial derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value are recognized in income.

(f) Financial instruments

(i) Recognition

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

(ii) Offsetting financial instruments

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

(iii) Measurement and classification

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

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

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

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

The instruments held by the Corporation classified in this category are commodity and foreign exchange risk management contracts and the RSU and SAR plans.

(v) Loans and receivables

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 8

For the years ended December 31, 2016 and 2015
(Amounts in thousands of Canadian dollars except as otherwise noted)

3. Significant accounting policies (continued)

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

The Corporation's loans and receivables are comprised of trade and other receivables and cash and cash equivalents.

(vi) Other financial liabilities

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

(vii) Derivative financial instruments and hedges

The Corporation periodically uses risk management techniques including the use of derivative instruments to reduce its exposure to movements in energy commodity prices. Derivative instruments include futures contracts, which are used to establish a fixed price for an energy commodity.

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

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

(viii) Impairment of financial assets

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

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

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Notes to Consolidated Financial Statements, Page 9

For the years ended December 31, 2016 and 2015
(Amounts in thousands of Canadian dollars except as otherwise noted)

3. Significant accounting policies (continued)

(g) Cash and cash equivalents

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

(h) Inventories

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

(i) Property, plant and equipment

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

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

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

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

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

Generating facilities	10 - 44 years straight-line
Equipment	20 - 30% declining balance or 2 - 25 years straight-line

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

(j) Other intangible assets

Intangible assets consist of power sales contracts, a ground lease contract, nitrous oxide emission ("NOx") credits, SO₂ Credits and emission performance credits pertaining to Alberta's Greenhouse Gas Reduction Program ("Emission Performance Credits").

The power sales contracts and ground lease contract are initially recorded at cost of acquisition and have finite lives. Any subsequent expenditure that increases the future economic benefit of a specific asset is included as part of the cost. These contracts are amortized over the term of the related contracts.

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 10

For the years ended December 31, 2016 and 2015
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3. Significant accounting policies (continued)

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

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

(k) Borrowing costs

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

(l) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

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

(iii) Share-based compensation

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

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

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Notes to Consolidated Financial Statements, Page 11

For the years ended December 31, 2016 and 2015
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3. Significant accounting policies (continued)

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

(m) Provisions

(i) Decommissioning liabilities

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

(ii) Other provisions

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

(n) Revenue recognition

Revenue is recognized under fixed and variable price contracts for electricity, thermal energy, generation capacity, and availability. For electricity and thermal energy, revenue is recognized upon delivery. Under generation capacity and availability contracts, revenue is recognized over the term of the agreement.

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Notes to Consolidated Financial Statements, Page 12

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3. Significant accounting policies (continued)

(o) Leases

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

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

(p) Finance income and finance expense

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

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

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

(q) Income taxes

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

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

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

- (i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- (ii) Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

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

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 13

For the years ended December 31, 2016 and 2015
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3. Significant accounting policies (continued)

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

(r) Earnings per share

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

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

(s) Segment reporting

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

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

4. Determination of fair value

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

(a) Trade and other accounts receivable

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

(b) Intangible assets

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

MAXIM POWER CORP.

Notes to Consolidated Financial Statements, Page 14

For the years ended December 31, 2016 and 2015
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4. Determination of fair value (continued)

(c) Other assets

The fair value of long-term deposits and the Milner decommissioning reimbursement (note 11) is estimated at the present value of future cash flows, discounted at the risk-free rate specific to the asset.

(d) Other non-derivative financial liabilities

The fair value of other non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(e) Commodity swaps

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

(f) Share-based payment transactions

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

(g) Other non-financial assets

The fair value of the Corporation's Milner generating facility and adjacent lands which include the metallurgical coal development project ("Milner CGU") is estimated using discounted cash flow. This fair value method is corroborated by reference to recent market transactions. A key assumption in the determination of the fair value includes the proven and probable metallurgical coal reserve volumes as estimated by external experts. These estimated volumes are based on the NI 43-101 Technical Report filed on SEDAR on March 21, 2013.

5. New accounting pronouncements

(a) IFRS adoption of new or amended standards

On January 1, 2016, the Corporation adopted the amendments to Consolidated Financial Statements (IFRS 10), Joint Arrangements (IFRS 11), Disclosure of Interest in Other Entities (IFRS 12), Presentation of Financial Statements (IAS 1), Property, Plant and Equipment (IAS 16), Separate Financial Statements (IAS 27), Investments in Associates and Joint Ventures (IAS 28), Intangible Assets (IAS 38) and Agriculture (IAS 41).

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

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

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Notes to Consolidated Financial Statements, Page 15

For the years ended December 31, 2016 and 2015
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5. New accounting pronouncements (continued)

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 has assessed the new standard and determined that there are three key areas of change: classification and measurement, expected credit loss model and hedge accounting. It is expected that there will be no significant impact from the classification and measurements changes based on MAXIM's financial assets and liabilities. In addition, the expected credit loss model will not impact MAXIM as counterparties where credit risk exists are predominantly with entities formed by governments for the purpose of facilitating commerce in the power and utility sector. Finally, there is no impact in the final key area as MAXIM does not have a past practice of utilizing nor does it anticipate commence utilizing hedge accounting. MAXIM will not be early adopting this new standard.

- (ii) IFRS 15, Revenue from Contracts with Customers, was issued in May 2014 and replaces IAS18 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.

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 in the process of assessing the new standard. Based on the preliminary assessment, we do not expect the impact to be material. MAXIM will not be early adopting this new standard.

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Notes to Consolidated Financial Statements, Page 16

For the years ended December 31, 2016 and 2015
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5. New accounting pronouncements (continued)

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.

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

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

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

6. Assets and liabilities held for sale and discontinued operations

- (a) Assets and liabilities held for sale – United States

On December 23, 2016, the Corporation entered into an agreement to sell the United States operating segment for net proceeds after transaction costs of approximately US\$84.0 million.

As such, the assets and liabilities of the United States operating segment were reclassified to assets and liabilities held for sale on the statement of financial position. At the point when these assets and liabilities were reclassified to assets and liabilities held for sale, the Corporation determined that there was no impairment as the carrying amount was less than the anticipated proceeds, less costs to sell, based on the terms of the purchase and sale agreement.

In addition to this, as the segment represents a separate major line of business for the Corporation, the operational results of the United States operating segment have been shown as a discontinued operation on the statement of income.

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

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

(i) 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

(ii) Liabilities classified as held for sale

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

(i) US bank facility

MAXIM's subsidiary, Basin Creek Equity Partners, LLC ("Basin Creek"), has a term loan with fixed interest rate of 6.95% per annum, with quarterly repayments, maturing on June 30, 2026. At December 31, 2016, Basin Creek had an outstanding balance of US\$17,175 thousand (December 31, 2015 – US\$18,423 thousand).

This loan is secured by the PP&E of the Basin Creek facility and has no financial covenants or cross default provisions with the Canadian bank facilities (note 14).

(b) Discontinued operations – United States and France

On September 13, 2016, the Corporation entered into an agreement to sell the France operating segment for €47.1 million including the assumption of €23.4 million of net debt resulting in sales proceeds of €23.7 million, of which €6.0 million is contingent on future events (note 24).

At the point when these assets and liabilities were reclassified to assets and liabilities held for sale, an intangible asset impairment charge of \$10,491 and a PP&E impairment charge of \$12,259 were recognized. The assets were impaired as the carrying amount was greater than the anticipated proceeds, excluding the contingent payment and less costs to sell, based on the terms of the purchase and sales agreement.

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For the years ended December 31, 2016 and 2015

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

On December 2, 2016, the Corporation closed the sale of the France operating segment for proceeds of €17.7 million. These proceeds were used to pay closing costs and the drawn revolving portion of its Canadian bank facilities, with the remainder to be held by MAXIM for strategic corporate purposes. Upon closing this sale, the Corporation recognized a loss on sale of \$1,756, the borrowing limit on MAXIM's Canadian bank facilities was reduced from \$25.0 million to \$13.5 million and incurred contingent obligations disclosed in note 24a.

The following tables summaries the loss on disposal of the France operating segment:

	December 31, 2016
Cash consideration, net	24,586
Less net assets sold	(25,274)
Reclassification of foreign currency translation losses on disposal	(1,068)
Loss on disposal of France	(1,756)

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

United States Segment

	December 31, 2016	December 31, 2015
Revenue	55,639	63,787
Expenses (i)	65,355	57,277
Operating income (loss)	(9,716)	6,510
Finance expense, net	1,932	1,993
Income (loss) before income taxes	(11,648)	4,517
Income tax expense (benefit)		
Current	185	(280)
Deferred	(4,607)	(261)
	(4,422)	(541)
Net income (loss) from discontinued operations	(7,226)	5,058
Attributable to:		
Non-controlling interest	72	47
Shareholders	(7,298)	5,011
	December 31, 2016	December 31, 2015
Cash flows from (used in) discontinued operations		
Net cash generated from operating activities	6,651	13,294
Net cash used in financing activities	(3,330)	(3,277)
Net cash used in investing activities	(4,620)	(9,501)
Unrealized foreign exchange gain on cash	3	1,118
Net cash flows for the period	(1,296)	1,634

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Notes to Consolidated Financial Statements, Page 19

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

- (i) Includes \$10,482 from the Federal Energy Regulatory Commission settlement, of which two equal amounts of \$3,581 is included in trade and other payables and other long-term liability.

France Segment

	December 31, 2016	December 31, 2015
Revenue	32,435	39,702
Expenses (i) (ii)	54,953	38,543
Operating income (loss)	(22,518)	1,159
Finance expense, net	1,466	1,566
Loss before income taxes	(23,984)	(407)
Income tax expense (benefit)		
Current	398	611
Deferred (ii)	(7,793)	(473)
	(7,395)	138
Net loss from discontinued operations	(16,589)	(545)
Attributable to:		
Non-controlling interest	39	62
Shareholders	(16,628)	(607)
	December 31, 2016	December 31, 2015
Cash flows from (used in) discontinued operations		
Net cash generated from operating activities	9,620	10,008
Net cash from (used in) financing activities	(5,023)	5,792
Net cash used in investing activities	(775)	(15,178)
Unrealized foreign exchange gain (loss) on cash	(357)	316
Net cash flows for the period	3,465	938

- (i) Includes impairment charge of \$22,750 and loss on disposal of France of \$1,756 for the year ended December 31, 2016.

- (ii) Includes \$7,126 of income tax benefit related to the impairment charge.

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For the years ended December 31, 2016 and 2015
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6. Assets and liabilities held for sale and discontinued operations (continued)

Total Discontinued Operations

	Note	December 31, 2016	December 31, 2015
Revenue		88,074	103,489
Expenses		120,308	95,820
Operating income (loss)		(32,234)	7,669
Finance expense, net		3,398	3,559
Income (loss) before income taxes		(35,632)	4,110
Income tax expense (benefit)			
Current		583	331
Deferred		(12,400)	(734)
		(11,817)	(403)
Net income (loss) from discontinued operations		(23,815)	4,513
Attributable to:			
Non-controlling interest		111	109
Shareholders		(23,926)	4,404
Net income (loss) from discontinued operations attributable to shareholders per share:	22		
Basic earnings		(0.44)	0.08
Diluted earnings		(0.44)	0.08
		December 31, 2016	December 31, 2015
Cash flows from (used in) discontinued operations			
Net cash generated from operating activities		16,271	23,302
Net cash from (used in) financing activities		(8,353)	2,515
Net cash used in investing activities		(5,395)	(24,679)
Unrealized foreign exchange gain (loss) on cash		(354)	1,434
Net cash flows for the period		2,169	2,572

7. Trade and other receivables

	December 31, 2016	December 31, 2015
Trade receivables	1,856	19,635
Other receivables	-	1,236
Total accounts receivable	1,856	20,871

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For the years ended December 31, 2016 and 2015
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8. Prepaid expenses and deposits

	December 31, 2016	December 31, 2015
Prepaid expenses	272	1,728
Deposit - environmental credit agency	-	804
Total prepaid expenses and deposits	272	2,532

9. Inventories

	December 31, 2016	December 31, 2015
Coal (a)	-	9,946
Fuel oil	-	3,138
Plant parts and stock items (b)	1,029	6,247
Total inventories	1,029	19,331

(a) During 2016 and 2015, coal inventories were written down by \$8,049 and \$4,234, respectively, to net realizable value. The write-down is included in operating expenses on the statements of loss.

(b) The cost of consumable inventories recognized in operating expenses, including write-downs, for the year ended December 31, 2016 was \$15,170 (2015 - \$14,019). During 2016, plant parts and stock items at M1 were written down by \$563 to net realizable value. The write-down is included in operating expense in the statement of loss.

MAXIM POWER CORP.

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For the years ended December 31, 2016 and 2015
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10. Property, plant and equipment, net

	Land	Generating Facilities	Equipment	Assets under Construction (a)	Total
Cost					
Balance, December 31, 2014	8,398	330,815	4,299	50,078	393,590
Additions	61	31,522	104	1,572	33,259
Capitalized interest	-	-	-	44	44
Disposals	-	(832)	-	-	(832)
Transfers to generating facilities	-	2,593	-	(2,593)	-
Revisions to decommissioning provisions	-	(3,827)	-	-	(3,827)
Effect of movements in exchange rates	1,555	35,395	147	454	37,551
Balance, December 31, 2015	10,014	395,666	4,550	49,555	459,785
Additions, net of insurance recoveries	542	3,384	-	713	4,639
Capitalized interest	-	-	-	39	39
Revisions to decommissioning provisions	-	(568)	-	-	(568)
Disposals (c)	(594)	(131,972)	(607)	(3,911)	(137,084)
Effect of movements in exchange rates	(312)	(12,745)	(56)	(18)	(13,131)
Transferred to assets held for sale (d)	(3,147)	(170,581)	(639)	(637)	(175,004)
Balance, December 31, 2016	6,503	83,184	3,248	45,741	138,676
Accumulated depreciation					
Balance, December 31, 2014	-	143,471	3,215	-	146,686
Depreciation	-	22,202	249	-	22,451
Asset impairment charges (e)	-	900	-	20,697	21,597
Reversal of asset impairment charges (f)	-	(1,500)	-	-	(1,500)
Effect of movements in exchange rates	-	13,320	114	-	13,434
Balance, December 31, 2015	-	178,393	3,578	20,697	202,668
Depreciation	-	18,221	128	-	18,349
Asset impairment charges (e)	-	12,259	-	-	12,259
Reversal of asset impairment charges (f)	-	-	-	(4,100)	(4,100)
Disposals (c)	-	(69,850)	(421)	-	(70,271)
Effect of movements in exchange rates	-	(5,007)	(41)	-	(5,048)
Transferred to assets held for sale (d)	-	(72,326)	(560)	-	(72,886)
Balance, December 31, 2016	-	61,690	2,684	16,597	80,971
Property, plant and equipment, net (b)					
December 31, 2015	10,014	217,273	972	28,858	257,117
December 31, 2016	6,503	21,494	564	29,144	57,705

(a) Assets under construction

During the year, the Corporation incurred direct costs for assets under construction totaling \$713 (2015 - \$1,572). Capitalized borrowing costs related to the construction of these projects amounted to \$39 (2015 - \$44), at a weighted average rate of 4.9% (2015 - 5.8%).

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

(b) Security

At December 31, 2016 PP&E with a carrying value of \$159,823, including assets held for sale, (December 31, 2015 - \$257,117) are registered as security against bank loans (note 14).

(c) Disposals

During 2016, the Corporation sold MAXIM Power Europe B.V., whose principal asset was the Comax France S.A.S. (collectively "COMAX") (note 6b).

During 2016, the Corporation sold its coal mining equipment with a carrying value of \$3,910 classified as PP&E (note 20c).

(d) Assets held for sale

During 2016, the Corporation entered into an agreement to sell MAXIM Power USA Inc. As a result all of the PP&E has been reclassified to assets held for sale (note 6a).

(e) Asset impairment charges

- (i) During 2016, when the assets and liabilities of COMAX were reclassified to assets and liabilities held for sale, an asset impairment charge of \$12,259 was recognized against PP&E in the France operating segment. The assets were impaired as the carrying amount was greater than the anticipated net proceeds under the terms of the purchase and sales agreement (note 6b).
- (ii) At December 31, 2015, due to significant adverse changes in the market conditions in Alberta, the Corporation recognized an asset impairment charge of \$900 with respect to coal-fired components at Milner included in Canada operating segment. In the absence of contractual arrangements at December 31, 2015 that would extend Milner's ability to operate as a baseload coal-fired generating facility beyond 2019, the recoverable amount of the coal related components of the generating facility was estimated to be \$494. The recoverable amount was determined using the value in use method using a pre-tax discount rate of 13.8%.
- (iii) At December 31, 2015, due to significant adverse changes in the market conditions for metallurgical coal, the Corporation recognized an asset impairment charge of \$20,697 with respect to its assets under construction for its metallurgical coal development project included in Canada operating segment. The recoverable amount was estimated to be \$15,405. The recoverable amount was determined using fair value less costs of disposal. The fair value measurement was categorized as Level III within the fair value hierarchy. The fair value measurement valuation technique used was discounted cash flow which was corroborated by reference to recent market transactions. The key assumptions used in determination of fair value include a pre-tax discount rate of 24.7% and the proven and probable metallurgical coal reserve volumes as estimated by external experts. These estimated volumes are based on the NI 43-01 Technical Report filed on SEDAR on March 21, 2013.

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

(f) Reversal of asset impairment charge

- (i) During 2016, due to a significant change in market conditions for metallurgical coal, the Corporation partially reversed \$4,100 of a previously recognized asset impairment charge with respect to assets under construction for its metallurgical coal development project included in the Canada operating segment. The recoverable amount was estimated to be \$15,658. The recoverable amount was determined using fair value less costs of disposal. The fair value measurement was categorized as Level III within the fair value hierarchy. The fair value measurement valuation technique used was discounted cash flow which was corroborated by reference to recent market transactions. The key assumptions used in determination of fair value include a pre-tax discount rate of 20.6% and the proven and probable metallurgical coal reserve volumes as estimated by external experts. These estimated volumes are based on the NI 43-01 Technical Report filed on SEDAR on March 21, 2013.
- (ii) During 2015, due to a significant change in fixed capacity rates in future periods in the ISO New England market, the Corporation reversed a previously recognized asset impairment charge of US\$1,190 thousand with respect to a generating facility in the United States operating segment. The recoverable amount was determined using the value in use (present value of the estimated future cash flows) method using a pre-tax discount rate of 11.6%.

11. Intangible assets, net

	Goodwill	Power performance contracts	Emission credits (a)	SO2 credits (b)	NOx credits and other	Total
Cost						
Balance, December 31, 2014	15,632	27,780	1,697	-	4,690	49,799
Additions (note 20)	-	-	1,631	8,822	-	10,453
Disposals	-	-	(3,328)	-	-	(3,328)
Impairment (c)	(15,632)	-	-	-	-	(15,632)
Effect of movements in exchange rates	-	2,468	-	-	67	2,535
Balance, December 31, 2015	-	30,248	-	8,822	4,757	43,827
Additions	-	-	340	-	-	340
Impairment (d)	-	(10,491)	-	(1,346)	-	(11,837)
Effect of movements in exchange rates	-	(1,174)	-	-	(7)	(1,181)
Disposals (f)	-	(13,768)	-	-	-	(13,768)
Transferred to assets held for sale (e)	-	(4,815)	-	-	(403)	(5,218)
Balance, December 31, 2016	-	-	340	7,476	4,347	12,163
Accumulated amortization						
Balance, December 31, 2014	-	14,267	-	-	2,437	16,704
Amortization	-	1,822	-	-	604	2,426
Effect of movements in exchange rates	-	1,463	-	-	10	1,473
Balance, December 31, 2015	-	17,552	-	-	3,051	20,603
Amortization	-	1,311	-	756	894	2,961
Effect of movements in exchange rates	-	(912)	-	-	(2)	(914)
Disposals (f)	-	(13,768)	-	-	-	(13,768)
Transferred to assets held for sale (e)	-	(4,183)	-	-	(74)	(4,257)
Balance, December 31, 2016	-	-	-	756	3,869	4,625
Goodwill and other intangible assets, net						
December 31, 2015	-	12,696	-	8,822	1,706	23,224
December 31, 2016	-	-	340	6,720	478	7,538

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11. Intangible assets, net (continued)

(a) Emission performance credits

During 2016, the Alberta Environment and Sustainable Resource Development approved the 2014 Emission Performance Credits at 17,005 tonnes and MAXIM recognized other income of \$340. During 2015, the Alberta Environment and Sustainable Resource Development approved the 2013 Emission Performance Credits at 115,237 tonnes and MAXIM recognized other income of \$1,631. Subsequent to the approval, during 2015, the Corporation closed the sale of its Emission Performance Credits.

(b) SO2 Credits

On November 3, 2015, the Corporation closed the sale of SO2 Credits for cash consideration of \$5,460 (note 20). As a result, the Corporation's remaining SO2 Credits were recognized at their fair value of \$8,822 (notes 20 and 32) as there is reasonable assurance that the Corporation will receive a future benefit from these assets.

(c) Goodwill impairment test

During 2015, the Corporation has allocated goodwill entirely to the Milner CGU. The Corporation uses the fair value less costs of disposal method as this method yields a higher recoverable amount than the value in use method (present value of the estimated future cash flows). The fair value measurement technique used for the Milner CGU was discounted cash flow. The fair value measurement was categorized as Level III within the fair value hierarchy.

The recoverable amount of the Milner CGU was found to be lower than the carrying amount of the CGU which resulted in an impairment of \$15,632 to goodwill in 2015.

(d) Impairment

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

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

(e) Assets held for sale

During 2016, the Corporation entered into an agreement to sell MAXIM Power USA Inc. As a result all of the Intangibles have been reclassified to assets held for sale (note 6a).

(f) Disposals

During 2016, the Corporation sold MAXIM Power Europe B.V., whose principal asset was COMAX (note 6b).

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12. Other assets

	December 31, 2016	December 31, 2015
Project financing guarantee deposits	-	1,152
Long term prepaid expenses	182	388
Milner decommissioning reimbursement	8,342	8,624
Other long term deposits	126	200
Total other assets	8,650	10,364

13. Trade and other payables

	December 31, 2016	December 31, 2015
Trade payables	1,616	20,449
Accrued liabilities and other payables	7,740	8,335
Risk management liability	58	-
Income taxes payable	14	122
Total trade and other payables	9,428	28,906

14. Loans and borrowings

	December 31, 2016	December 31, 2015
Canadian bank facilities (a)	-	-
French bank facilities (note 6b)	-	42,730
United States facility (note 6a)	-	25,498
Finance leases	-	1,754
	-	69,982
Less: deferred financing costs	-	1,254
Net loans and borrowings	-	68,728
Less: current portion	-	7,579
	-	61,149

(a) Canadian bank facilities

As at December 31, 2016, facility A is a \$13,500 revolving credit facility (\$40,000 – December 31, 2015). 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 North American PP&E. As at December 31, 2016, the carrying amount of the loan was \$nil (December 31, 2015 - \$nil) and MAXIM has issued letters of credit of \$12,534 (December 31, 2015 - \$11,378) on the facility. The amount available to draw against Facility A at December 31, 2016 was \$966 (December 31, 2015 - \$13,622). The facility expired December 31, 2016 and was extended subsequent to year end to a maturity date of April 30, 2017.

As at December 31, 2016, MAXIM breached the following financial covenants in relation to its Canadian bank facilities: DSCR, minimum equity, interest coverage and minimum EBITDA.

Subsequent to year end, management obtained a waiver for the December 31, 2016 covenant breaches from the bank. Accordingly, the issued letters of credit of \$12,534 and the \$nil drawn against Facility A are unaffected by these covenant breaches as at December 31, 2016.

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15. Provisions for decommissioning

The Corporation's provisions are comprised of decommissioning liabilities that relate to the retirement of its electrical generating facilities related to continuing operations. The decommissioning liabilities have been discounted at the risk-free rate, which were 0.6% to 2.3% (December 31, 2015 – 1.2% to 2.2%) depending on the timeframe of when the liability will be settled and inflation rates, which were 1.9% (December 31, 2015 – 2.0%). The Corporation is required to re-measure the provision at each reporting period in order to reflect expected cost, timing and discount rates in effect at that time. The total undiscounted inflation adjusted amounts of estimated obligations related to continuing operations are approximately \$9,071 (December 31, 2015 - \$10,422) and are expected to be incurred in one to forty three years from the date of these consolidated financial statements.

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

Balance, December 31, 2014	22,506
Accretion	438
Change in timing for the decommissioning of Milner as a coal-fired facility	(2,745)
Change in the estimate of decommissioning costs of Milner	(6,634)
Changes in previously estimated liabilities due to discount rate revisions	2,790
Revaluation of foreign currency denominated liabilities	626
Balance, December 31, 2015	16,981
Accretion	301
Changes in previously estimated liabilities due to discount rate revisions	(973)
Revaluation of foreign currency denominated liabilities	(116)
Transferred to liabilities held for sale	(4,232)
Balance, December 31, 2016	11,961

(a) Reimbursement of decommissioning costs

The Corporation is responsible for the decommissioning of the Milner generating facility subject to the Balancing Pool reimbursing MAXIM for the first \$15,000 of costs. At December 31, 2016 the fair value of the reimbursement from the Balancing Pool of \$8,342 (December 31, 2015 - \$8,624) is included in other assets (note 12) and accretion of the asset is included as a credit to finance expense (note 21).

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16. Share capital

	Number of Shares	\$
Common Shares of Maxim Power Corp.		
Common Shares, December 31, 2014 and 2015	54,218,758	156,248
Share options exercised	82,633	234
Common Shares, December 31, 2016	54,301,391	156,482

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

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

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

17. Share-based compensation

- (a) Stock options

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

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

	Year ended December 31, 2016		Year ended December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	2,811,681	\$ 2.67	1,794,420	\$ 3.14
Settled for cash	-	-	(1,500)	(2.05)
Exercised	(82,633)	2.35	-	-
Forfeited	(704,435)	2.53	(40,000)	(3.20)
Granted (i)	465,767	2.63	2,145,422	2.52
Expired	(591,428)	3.20	(1,086,661)	(3.13)
Outstanding, end of year (ii)	1,898,952	\$ 2.56	2,811,681	\$ 2.67
Exercisable	973,892	\$ 2.52	634,594	\$ 3.14

The Corporation recorded non-cash share-based expense of \$778 (December 31, 2015 - \$778) for the year ended December 31, 2016.

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17. Share-based compensation (continued)

- (i) During 2016 and 2015, the Corporation granted options to certain employees and directors. The fair value of each option granted is estimated at the date of grant using the Black-Scholes option pricing model with weighted average assumptions for the grant as follows:

	2016	2015
Fair value of each option (\$)	0.52	0.48
Share price at grant date (\$)	2.63	2.52
Exercise price (\$)	2.63	2.52
Risk-free interest rate (%)	0.56	0.55
Expected life (years)	1.02	1.98
Expected volatility (%) (i)	34.05	30.36
Forefiture rate (%)	-	2.36

- (i) Expected volatility was calculated by using daily volatility of the historical closing value of the Corporation's stock, using the date of the grant as the starting point of the retrospective data capture.
- (ii) As at December 31, 2016, the range of exercise prices was \$2.46 - \$3.24 (December 31, 2015 - \$1.93 - \$3.24) and the weighted average remaining contractual life was 1.11 years (December 31, 2015 - 1.63 years).
- (b) RSU's and SAR's

The Corporation has RSU and SAR plans under which employees have received grants. RSU's granted to employees vest over a three year period in equal amounts. Employees are compensated with the vesting units valued at the weighted average of share prices at which the shares are traded on the exchange for the five days immediately preceding the award payment. SAR's granted to employees vest as a result of the completion of key corporate initiatives. Employees are compensated with the vesting units at the share price at the closing date of the key initiatives. The Corporation recorded non-cash RSU and SAR expense of \$556 (December 31, 2015 - \$162) for the year ended December 31, 2016.

18. Revenue

	December 31, 2016	December 31, 2015
Electricity and power revenue	6,431	17,347
Ancillary and other revenue	53	2,209
Total revenue	6,484	19,556

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19. Expenses by nature

	December 31, 2016	December 31, 2015
Fuel costs	14,098	13,363
Operating and maintenance	8,527	8,654
Wages and employee benefits	14,091	14,611
Depreciation and amortization	5,238	6,813
(Reversal of) asset impairment charges, net	(2,754)	37,229
Gain on commodity swaps	(6,266)	-
Unrealized gain on derivative coal contracts	-	(3,719)
Other expense (income), net (note 20)	1,753	(8,992)
Total expenses	34,687	67,959

20. Other expense (income), net

	December 31, 2016	December 31, 2015
Restructuring of Alberta operations (a)	426	6,968
Approved emission performance credits (note 11)	(340)	(1,631)
Recognition of SO2 credits (note 11)	-	(8,822)
Gain on sale of emission performance credits and SO2 credits (b)	-	(5,507)
Loss on disposal of equipment (c)	1,667	-
Total other expense (income), net	1,753	(8,992)

(a) This consists of costs incurred to restructure the Corporation's Alberta operations to reduce ongoing operating costs. These expenses relate to termination of the Corporation's terminal services agreement, long-term coal supply agreement and coal handling agreement, as well as severance payments to employees.

(b) During 2015, the Corporation closed the sale of SO2 Credits for cash consideration of \$5,460. The SO2 Credits had a carrying value of \$nil and as such, the proceeds of \$5,460 were recognized as other income. The Corporation also closed the sale of the Emission Performance Credits for cash consideration of \$3,374. As a result, the Corporation realized a pre-tax gain of \$47.

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

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21. Finance expense (income), net

	December 31, 2016	December 31, 2015
Interest expense	543	263
Amortization of deferred financing costs	-	110
Accretion of provisions	89	207
Foreign exchange loss (gain)	(1,489)	6,431
Finance expense (income)	(857)	7,011
Interest income	(1)	(10)
Total finance expense (income), net	(858)	7,001

22. Earnings per share

The calculation of basic and diluted earnings per share the year ended December 31, 2016 was based on the net loss attributable to common shareholders and net loss attributable to common shareholders from continued operations of \$53,800 and \$29,874, respectively (December 31, 2015 – \$77,418 and \$81,822, respectively) and weighted average number of common shares outstanding for the period of 54,265,836 (December 31, 2015 – 54,218,758), calculated below:

Weighted average number of common shares (basic):

	2016	2015
Issued common shares at January 1	54,218,758	54,218,758
Effect of stock options exercised	47,078	-
Weighted average number of common shares at December 31	54,265,836	54,218,758

The effects of exercisable stock options on diluted earnings per share were nil for the year ended December 31, 2016 (December 31, 2015 – nil) as they were antidilutive.

23. Commitments

(a) Continuing operations

- (i) 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. 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.
- (ii) 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 ("Deerland") whereby it is committed to reimburse out-of-pocket costs of the counterparty for the construction of the project. The maximum authorization of expenditure is \$1,570 and \$15 has been incurred by the counterparty as at December 31, 2016. The Corporation has an additional commitment of \$798 regarding the service portion of the contract.

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23. Commitments (continued)

(b) Discontinued operations

The Corporation, through its US subsidiaries, has entered into various operating and maintenance ("O&M") contracts for fixed monthly fees which escalate by the amount of inflation on an annual basis. These contracts expire between 2017 and 2026 with commitments totaling US\$9,864 thousand.

24. 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 (note 6b). 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. In addition, the Corporation is subject to customary closing indemnities until December 2, 2019 to a maximum claim of €3,500 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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24. 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 will establish compensation to Milner Power Inc. that will include an accounting 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. As at December 31, 2016, the implementation date of the new rule under Module B and the amount and timing of compensation under Module C cannot be determined.

Under the agreement for the sale of the France operating segment (note 6b), the Corporation is eligible for compensation up to €6.0 million, contingent upon a change in law in France which benefits the Corporation's cogeneration units. The change in law must occur no later than June 1, 2018. As at December 31, 2016, the timing and amount of compensation cannot be determined.

25. Operating leases

Leases as lessee

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

	December 31, 2016	December 31, 2015
Less than one year	97	457
Between one and five years	283	23
More than five years	-	1
Total	380	481

The Corporation leases office space and equipment under operating leases. These leases typically run for a period of one to eight years and office space leases are customarily renegotiated for similar terms, at then-current market rates. During the year ended December 31, 2016, \$358 was recognized as an operating expense in the statements of loss in respect of operating leases related to continuing operations (December 31, 2015 - \$438).

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26. Income taxes

(a) Tax expense recognized in statements of loss

	December 31, 2016	December 31, 2015
Current tax expense (benefit)		
Current year	313	141
Adjustment for prior years tax returns	(24)	1
	289	142
Deferred tax benefit		
Origination and reversal of temporary differences	(8,123)	(7,660)
Changes in tax rates	(38)	(2,916)
Change in recognized deductible temporary differences	10,094	36,846
Adjustment for prior years tax returns	307	6
	2,240	26,276
Total tax expense	2,529	26,418

(b) Tax recognized in other comprehensive income

	December 31, 2016	December 31, 2015
Exchange differences on translation of foreign operations	(792)	1,156
	(792)	1,156

(c) Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at December 31, 2016 of 27% (December 31, 2015 - 26%) to income before income taxes. A reconciliation of this difference is presented below.

A reconciliation of the differences is as follows:

	December 31, 2016	December 31, 2015
Net loss before tax from continuing operations	(27,345)	(55,404)
Statutory tax rate	27.00%	26.00%
Computed income taxes	(7,383)	(14,405)
Increase (decrease) in taxes:		
Change in presentation from discontinued operations	1,260	1,165
Change in recognized deductible temporary differences	10,094	36,846
Effect of tax rates in foreign jurisdictions	(19)	(9)
Changes in tax rates	(38)	(2,916)
Non-deductible expenses (non-taxable income), net	(1,668)	5,673
Over provided in prior years	283	64
Total tax expense	2,529	26,418

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26. Income taxes (continued)

(d) Unrecognized deferred tax assets

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2016, there are non-capital loss carry-forwards of \$170,112 (December 31, 2015 - \$137,163) in Canada. As at December 31, 2016, \$159,095 (December 31, 2015 - \$118,274) of the tax loss carry-forwards are unrecognized. The assets related to the non-capital loss carry-forwards are unrecognized primarily due to losses in recent periods in Canada and low Alberta power prices in the near term resulting in further expected losses in 2017.

As at December 31, 2016 there are net-capital loss carry-forwards of \$18,792 (December 31, 2015 - \$15,122) in Canada. These net-capital loss carry-forwards are unrecognized for both fiscal year ends. While these net capital losses do not expire they are only realizable against future net capital gains in Canada.

(e) Unrecognized deferred tax liabilities

As at December 31, 2016, there are no net taxable temporary differences (December 31, 2015 - \$61,788) related to investments in certain subsidiaries for which no deferred tax liability has been recognized. No deferred tax liability has been recognized in the prior year because the Corporation controlled whether the liability will be incurred and it was satisfied that it will not be incurred in the foreseeable future at that time.

(f) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

December 31,	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Non-capital loss carry forwards	(1,284)	10,497	-	-	(1,284)	10,497
Capital assets	11,352	9,326	(6,375)	(25,138)	4,977	(15,812)
Inventory	-	-	-	(1,583)	-	(1,583)
Other	1,513	1,066	(4,460)	(4,234)	(2,947)	(3,168)
	11,581	20,889	(10,835)	(30,955)	746	(10,066)
Set off of tax	(7,467)	(15,789)	7,467	15,789	-	-
Net tax assets (liabilities)	4,114	5,100	(3,368)	(15,166)	746	(10,066)

As at December 31, 2016, there is a deferred tax asset (net of tax liabilities) of \$2,977 (December 31, 2015 - \$5,100) related to a Canadian legal entity. This deferred tax asset is dependent on future taxable profits within the legal entity and the legal entity suffered a losses in both 2015 and 2016. This deferred tax asset is primarily arises from by deductible temporary differences related to non-capital losses.

As at December 31, 2016, there is also a deferred tax asset (net of tax liabilities) of \$1,137 (December 31, 2015 - \$nil) related to a US legal entity not held for sale. This deferred tax asset is dependent on future taxable profits within the legal entity and the legal entity suffered a losses in both 2015 and 2016. This deferred tax asset is primarily triggered by deductible temporary differences related to non-capital losses.

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26. Income taxes (continued)

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

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

	Net Operating	Capital Assets	Inventory	Other	Total
At December 31, 2014	30,080	(9,616)	(1,325)	(2,507)	16,632
Credited (charged) to income	(22,015)	(3,519)	-	(742)	(26,276)
Credited (charged) to discontinued income	(1,143)	1,729	148	-	734
Credited (charged) to other comprehensive income	3,575	(4,406)	(406)	81	(1,156)
At December 31, 2015	10,497	(15,812)	(1,583)	(3,168)	(10,066)
Credited (charged) to income	(6,639)	4,362	-	37	(2,240)
Credited (charged) to discontinued income	2,668	9,194	27	511	12,400
Credited (charged) to other comprehensive income	118	525	-	149	792
Other credited (charged) to assets held for sale	(7,928)	6,708	1,556	(476)	(140)
At December 31, 2016	(1,284)	4,977	-	(2,947)	746

27. Related party transactions

(a) Compensation of key management personnel:

	December 31, 2016	December 31, 2015
Short-term employee benefits, including wages and benefits	3,883	2,263
Share-based compensation	919	597
Total	4,802	2,860

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

There were no other related party transactions during 2016 or 2015.

(b) Corporate entities:

	Country of Incorporation	Ownership 2016	Interest % 2015
Milner Power Limited Partnership	Canada	100	100
Maxim Power (USA), Inc.	USA	100	100
Comax France S.A.S.	France	-	100
Deerland Power Limited Partnership	Canada	100	100
Summit Coal Limited Partnership	Canada	100	100

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28. Employee benefits

Benefits are based on plan contributions under the defined contribution pension plan. During 2016, the pension expense for this plan was \$214 (2015 - \$288). There has been no change in the contribution rate during 2016.

29. Change in non-cash working capital

	December 31, 2016	December 31, 2015
Operations		
Trade receivables	(409)	641
Prepaid expenses and deposits	180	(329)
Inventories	1,769	(371)
Trade payables and other current liabilities	110	568
	<u>1,650</u>	<u>509</u>
	December 31, 2016	December 31, 2015
Investing		
Trade and other payables	(835)	741
	<u>(835)</u>	<u>741</u>

30. Segmented information

MAXIM is an independent power producer engaged in the development, ownership and operation of power generation facilities and the sale of electricity and heat. The Corporation operates in one reportable segment with power generation facilities located in Canada. For each of the segments, results are reviewed regularly by the Corporation's CEO to make decisions about resources to be allocated to the segments and to assess their performance. The United States and France operating segments ceased to be strategic segments in the second half of 2016 as a result of the pending and closed sale of these business segments. The Corporation has modified the composition of the reportable segments.

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

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

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30. Segmented information (continued)

December 31, 2015	Canada	Corporate amounts	Subtotal	Discontinued operations from United States	Discontinued operations from France	Total consolidated
Revenues from external customers (a)	19,556	-	19,556	63,787	39,702	123,045
Finance expense, net	218	6,783	7,001	1,993	1,566	10,560
Depreciation and amortization	6,787	26	6,813	8,792	9,272	24,877
Operating expense	32,236	-	32,236	48,913	28,382	109,531
Operating income (loss)	(44,648)	(3,755)	(48,403)	6,510	1,159	(40,734)
Other material non-cash items						
Unrealized gain on derivative coal contracts	(3,719)	-	(3,719)	-	-	(3,719)
Capital expenditures	8,157	-	8,157	9,522	15,580	33,259

The Corporation's revenues in Canada are predominantly from entities formed by governments for the purpose of facilitating commerce in the power and utility sector in each of the reportable segments. During 2016, \$6,456 (2015 – \$19,523) of the Corporation's revenue was attributable to one of these entities in Canada.

31. Financial risk management

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

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

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

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

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

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31. Financial risk management (continued)

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

	December 31, 2016	December 31, 2015
Foreign currency put option	1,102	-
Commodity price call option	378	-
Total	1,480	-

(a) Credit risk

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

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

	December 31, 2016	December 31, 2015
Trade and other receivables	1,856	20,871
Risk management assets	1,480	-
Deposits	126	2,156
Milner decommissioning reimbursement (note 12)	8,342	8,624
Cash and cash equivalents	15,303	5,884
Total	27,107	37,535

Trade receivables are predominantly with entities formed by governments for the purpose of facilitating commerce in the power and utility sector (note 30). For trade receivables from customers and deposits to vendors who are not government sponsored entities, the Corporation utilizes regular credit monitoring processes to mitigate credit risk.

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

	2016			2015		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	1,856	-	1,856	18,671	-	18,671
Past due 1-30 days	-	-	-	783	-	783
Past due 31-120 days	-	-	-	637	-	637
Past due more than 120 days	-	-	-	780	-	780
Total	1,856	-	1,856	20,871	-	20,871

Cash and cash equivalents are held with bank counterparties, which are rated A- to A+, based on rating agency Standard & Poor's.

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31. Financial risk management (continued)

(b) Liquidity risk

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

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

December 31, 2016	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2 to 3 years	4 to 5 years	Thereafter
Non-derivative financial instruments							
Trade and other payables	9,428	9,428	5,847	3,581	-	-	-
Other long-term liability	3,581	3,581	-	-	3,581	-	-
	13,009	13,009	5,847	3,581	3,581	-	-
December 31, 2015	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2 to 3 years	4 to 5 years	Thereafter
Non-derivative financial instruments							
Secured bank loans	66,974	83,778	5,034	4,892	18,889	17,641	37,322
Finance lease payments	1,754	1,866	438	418	1,010	-	-
Trade and other payables	28,906	28,906	28,906	-	-	-	-
	97,634	114,550	34,378	5,310	19,899	17,641	37,322

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31. Financial risk management (continued)

(c) Market risk

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

(i) Foreign currency exchange risk

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

At December 31, 2016, the Corporation has monetary assets of US\$103 thousand (December 31, 2015 – liability of US\$1,204 thousand) and other liabilities of US\$5,333 thousand (December 31, 2015 – US\$nil). A strengthening (weakening) of the Canadian dollar by 10% against the United States dollar for the year ended December 31, 2016 would have increased (decreased) income before tax by \$702 (2015 - \$1,204) as a result of these exposures. There is no impact to shareholders equity from the strengthening (weakening) of the Canadian dollar against the United States dollar and European Euro for the intercompany assets and liabilities, as the impacts in income before tax are offset in other comprehensive income.

Principal and interest payments on long-term debt, capital leases and long-term contracts are denominated in currencies that match the cash flows generated by the underlying operations. This provides an economic hedge for these obligations and no derivatives have been entered into.

The Corporation, in the discontinued United States operating segment, is exposed to foreign currency exchange risk from the divestment of operating segments where proceeds are denominated in currencies other than the functional currency of the Corporation. The Corporation manages this exposure by purchasing foreign currency put options, for a portion of the proceeds. At December 31, 2016, the Corporation has procured a US\$55,000 thousand put option to lock-in a portion of the sales proceeds at a minimum exchange rate at \$1.34 in the Corporation's functional currency. This option expires on March 24, 2017.

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31. Financial risk management (continued)

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Corporation. MAXIM partially mitigates its interest rate risk by maintaining fixed rate loans and borrowings and periodically entering into interest rate swap agreements to change floating rate debt to fixed rate debt.

The carrying amounts of the Corporation's interest-bearing financial liabilities were as follows:

	December 31, 2016	December 31, 2015
Fixed rate instruments		
Financial liabilities	-	65,165
Total	-	65,165
Variable rate instruments		
Financial liabilities	-	3,563
Total	-	3,563

As at December 31, 2016, the Corporation maintained a fixed rate loan on its US bank facility, classified as assets and liabilities held for sale (note 6a). As at December 31, 2016, the Corporation maintained \$nil (2015 - \$3,563) variable rate loans and therefore is not exposed to interest rate risk.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity and natural gas. Under certain contracts, the selling price of electricity varies according to changes in natural gas price providing an operating hedge against changes in natural gas price. The Corporation periodically reduces its exposure to commodity price risk by entering into fixed for floating swaps for the selling price of the electricity in Alberta and the United States.

During 2016, the Corporation entered into firm financial swap agreements for net 75 MW to 100 MW of Alberta power at a fixed price beginning July 1, 2016 for terms of six to nine months.

As at December 31, 2016, the Corporation purchased a 50 MW commodity price call option at \$50 per MWh on an average daily basis in order to reduce variable Alberta power price exposure, from the swaps described in the paragraph above, for a term from January 1, 2017 to March 31, 2017.

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31. Financial risk management (continued)

For the year ended December 31, 2016, an appreciation in electricity prices in the Alberta power market by \$1 per MWh would have increased net income by \$72 (2015 - \$222). A weakening of electricity prices by this amount would have the opposite effect on income. This analysis assumes that all other variables, in particular natural gas prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2015.

For the year ended December 31, 2016, an appreciation in realized prices in the ISO-NE power market by US\$1 per MWh would have increased net income by \$157 (2015 - \$161). A weakening of electricity prices by this amount would have the opposite effect on income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices and interest rates remain constant. The analysis is performed on the same basis for 2015.

32. Fair value

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

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

December 31, 2016	Designated at fair value	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	-	15,303	-	15,303	15,303
Trade and other receivables	-	1,856	-	1,856	1,856
Foreign currency put option	1,102	-	-	1,102	1,102
Commodity price call option	378	-	-	378	378
Long-term deposits	126	-	-	126	126
Milner decommissioning reimbursement	8,342	-	-	8,342	8,342
Total assets	9,948	17,159	-	27,107	27,107
Trade and other payables	58	-	9,370	9,428	9,428
Total liabilities	58	-	9,370	9,428	9,428

December 31, 2015	Designated at fair value	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	-	5,884	-	5,884	5,884
Trade and other receivables	-	20,871	-	20,871	20,871
Restricted cash	-	1,405	-	1,405	1,405
Long-term deposits	1,352	-	-	1,352	1,352
Milner decommissioning reimbursement	8,624	-	-	8,624	8,624
Total assets	9,976	28,160	-	38,136	38,136
Trade and other payables	-	-	28,906	28,906	28,906
Loans and borrowings	-	-	68,728	68,728	78,277
Total liabilities	-	-	97,634	97,634	107,183

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32. Fair value (continued)

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

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

The fair value of cash and cash equivalents, trade and other receivables, restricted cash, long-term deposits and trade and other payables approximate their carrying amounts due to their short terms to maturity.

The fair value of the loans and borrowings 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 loans and borrowings using comparable debt instruments with similar maturities. The carrying value of floating rate debt approximates fair value.

During 2016, the Corporation entered into firm financial swap agreements for net 75 MW to 100 MW of Alberta power at a fixed price beginning July 1, 2016 for terms of six to nine months. 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. The year ended December 31, 2016, the unrealized loss on commodity price swaps was \$58 (2015 - nil). For the year ended December 31, 2016, the realized gain on commodity price swaps was \$6,324 (December 31, 2015 - nil).

The fair value for the foreign currency put option and commodity price call option are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. MAXIM determined that the fair value was equal to the cost of the options as they were purchased in December 2016 with inconsequential subsequent changes to quoted prices before the date of the Statement of Financial Position.

The fair value for SO₂ Credits and coal contracts are classified as Level III under the fair value hierarchy as they are determined using inputs for the asset or liability that are not readily observable. Level III fair values for SO₂ Credits have been determined using valuation techniques with inputs that are unobservable such as bilateral quotes obtained from counterparties, previous actual sales prices transacted by the Corporation, or an internally calculated price based on estimated aggregate market supply and demand curves, whichever is deemed by the Corporation as most reliable.

During 2015, the Corporation terminated its long-term coal supply agreement. For the year ended December 31, 2016, unrealized gains on the coal contracts were \$nil (2015 - \$3,719). There were no realized amounts in the current and comparative period. During 2016, the Corporation did not enter into any coal supply agreements.

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33. Capital management

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

The Corporation's objectives when managing capital are:

- (a) to safeguard the Corporation's ability to continue as a going concern and provide returns for shareholders;
- (b) to facilitate the acquisition or development of power projects in Canada.

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

The Corporation considers the following items capital of the Corporation:

- (a) long-term debt and capital lease obligation, net of cash; and
- (b) shareholders' equity

The following table represents the net capital of the Corporation, excluding assets and liabilities held for sale at December 31, 2016:

	December 31, 2016	December 31, 2015
Long-term debt	-	66,974
Capital lease obligation	-	1,754
Less: Unrestricted cash, net of bank indebtedness	(15,303)	(5,884)
Net debt	(15,303)	62,844
Equity attributable to shareholders	157,287	216,082
	141,984	278,926

The Corporation has the following restrictions on its capital as a result of its Canadian credit facilities:

- (a) net funded debt to net earnings before interest, taxes, amortization and depreciation from certain assets shall not be greater than 2.00 to 1;
- (b) interest coverage ratio shall not be less than 8.0 times;
- (c) debt service coverage ratio shall not be less than 1.25 to 1;
- (d) the Corporation's equity balance (defined by the credit facility agreement as the sum of share capital, retained earnings and contributed surplus) shall not be less than \$175,000 for the quarter ended December 31, 2016, increasing (decreasing) from the inception of the credit facility each year by 80% of annual net income (loss); as at December 31, 2016, the minimum equity balance required was \$175,000;
- (e) the funded debt to capital ratio shall not be greater than 0.60 to 1; and
- (f) produce a minimum EBITDA of \$2,978 for the fourth quarter of 2016.

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33. Capital management (continued)

As at December 31, 2016, MAXIM breached the following financial covenants in relation to its Canadian bank facilities: DSCR, minimum equity, interest coverage and minimum EBITDA. Subsequent to year end, management obtained a waiver for the covenant breaches.

The Corporation's objectives when managing capital have changed from the prior year in that capital will currently only be used to facilitate the acquisition or development of power projects in Canada. The proceeds from the sale of the United States and France will be held by MAXIM for strategic corporate purposes, including providing financing for the potential opportunity of MAXIM to invest in projects in Alberta's power market.