

MAXIM RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
PERIOD ENDED MARCH 31, 2016

This management discussion and analysis of financial position and results of operations (“MD&A”) is prepared as at May 30, 2016 and should be read in conjunction with the unaudited consolidated interim financial statements for the period ended March 31, 2016 of Maxim Resources Inc. (“Maxim” or the “Company”) with the related notes thereto. Those unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Readers may also want to refer to the December 31, 2015 audited consolidated financial statements and the accompanying notes. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

Description of Business

The Company is a natural resource company engaged in the acquisition, exploration, and development of resource properties. The Company trades on the TSX Venture Exchange under the symbol MXM, on the Frankfurt Stock Exchange under the symbol M5HA.

Hassi Berkane Block

On May 14, 2014, the Company entered into a Heads of Agreement, with First Sahara Energy Inc, for fees and expenses incurred during the acquisition of the Reconnaissance Contract on the Hassi Berkane Block (formerly Beni Znassen Block) (the “Hasse Berkane Concession”) in the Kingdom of Morocco. The Hassi Berkane Concession is located onshore in the northeast part of Morocco and is approximately 5,000km². The Contract is valid for 12 months from June 18, 2014 and has been extended to July 15, 2016. Upon completion of the work program, the bond will be released back to the Company.

In connection with the Contract, the Company has placed a bond for \$676,490 (US\$483,000) (2015 - \$668,472 (USD\$483,000)) with the National Office of Hydrocarbon and Mines (“ONHYM”) in the Kingdom of Morocco. The Company is committed to undertake a Work Program pursuant to the Contract for an estimated total of USD \$483,000 and contribute up to USD \$50,000 (paid in 2015) to training ONHYM personnel for the duration of the Contract. During the year ended December 31, 2014, the Company issued 2,000,000 common shares as consideration to First Sahara Energy Inc. to acquire its interest in a Reconnaissance Contract.

On October 16, 2014, Maxim announced the completion of an initial N.I. 51-101 Report. Maxim engaged the services of Chapman Petroleum Engineering Ltd. (“Chapman”), to complete the initial N.I. 51-101 compliant technical report. The Chapman work included an evaluation of the Lead resources on the Hassi Berkane Concession in the Kingdom of Morocco and was performed and completed in accordance with the National Instrument 51-101– Standards for Disclosure for Oil and Gas Activities (“NI51- 101”) standards and protocols as well as being compliant with the Petroleum Resources Management System (“PRMS”) Standards.

All material aspects for the evaluation were included including relevant nearby wells or analogous reservoirs and geological structures and formations. Based on the information provided, sourced and analyzed, Chapman believes there is sufficient merit to justify the work program being proposed. As the Work Program is fully defined and commenced, Maxim will engage Chapman and other technical experts to evaluate and update the NI-51-101 report as various stages of the work program are completed. For further details on this report, please refer to the Company’s news release dated October 16, 2014.

The original Reconnaissance Concession Authorization was signed on June 18, 2014 and extended to July 15, 2016. This extension will give Maxim until July 15, 2016 to complete the work program previously agreed to with ONHYM, which work program is currently underway. The extension was requested by Maxim in order to complete the existing work commitment and to expand the analysis using ARKeX gravity / aero-magnetic reinterpretation, attribute analysis of existing seismic data and model input to ARKeX WorldView 2 satellite imagery system.

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A Reconnaissance Concession Authorization is required in order to conduct exploration and review work in Morocco. The work contemplated includes geological, geochemical and geophysical surveys and geotechnical review of already existing data. This work is expected to be completed within next 6 months at which point Maxim will assess the results.

Significant events

The Company announced on October 22, 2015 that it has entered into a Cooperation Agreement (the “Agreement”) effective October 19, 2015 with Dubai based Quest Energy LLC (“QE”). QE is part of the Quest Group which includes Quest Investment LLC and Quest Oil & Gas Ventures Inc.

The Agreement forms the foundation for a strategic relationship between QE and Maxim, enabling the joint evaluation and potential acquisition of oil and gas projects that either company is considering. It is the intention of the Agreement to consider production or near term production opportunities, which may include unconventional oil and gas produced or extracted using techniques other than conventional methods. The intention is that cash flow or near term cash flow will be a strong focus for the opportunities considered under the terms of the Agreement.

On February 10, 2016, the Company announced that Mr. David R. Robinson, of Calgary, AB, will be joining the Board of Directors effective immediately.

Mr. Robinson has over 28 years of experience in the energy sector, with a strong background in finance. He has held Management and Directorship positions in a number of TSX and TSX-V listed companies as well as his tenure as Founder and CEO of an AIM-listed exploration & production company in London, UK. Geographically, Mr. Robinson has managed companies operating all over the world, and ranging from everything between exploration to production.

On February 22, 2016, the Company announced that it signed a further 6-month extension to its Reconnaissance Concession Authorization in respect of the Hassi Berkane Block in the Kingdom of Morocco with both the National Office of Hydrocarbons and Mines (“ONHYM”) and the Ministry of Energy, Mines, Water and Environment of Morocco (“MEMWE”).

The original Reconnaissance Concession Authorization was effective for an Initial Validity Period of 12 months commencing July 15, 2014 and expiring July 15, 2015. On July 15, 2015 ONHYM and MEMWE granted Maxim a First Extension Period for six months ending January 15, 2016.

Maxim requested a Second Extension Period and this was granted on January 15, 2016. The Second Extension Period will expire on July 15, 2016. This Second Extension Period was signed and registered with ONHYM and MEMWE on February 18, 2016.

The further extension was requested by Maxim in order to complete the existing work commitment and to expand the analysis on the Reconnaissance Concession, Hassi Berkane. The work program remains unchanged.

On May 6, 2016, the Company closed a non-brokered private placement offering for aggregate gross proceeds of \$386,400. Pursuant to the Offering, the Company will issue an aggregate of 15,456,000 units at a price of \$0.025 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.05 per share for a period of five years from closing of the offering.

Results of Operations

Three month period ended March 31, 2016

During the three month ended March 31, 2016, the Company incurred a loss before other items of \$118,780 (2015 – \$344,627) and had loss and comprehensive loss of \$139,648 (2015 – \$344,627). Some of the significant amounts are as follows:

- i) Paid or accrued \$66,207 (2015 - \$174,993) in consulting fees during the period. The decrease was as a result of consultants taking reduced fees.

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- ii) Paid or accrued \$891 (2015 - \$41,282) in shareholder relations and promotion. Decrease was due to marketing consultant engaged in prior period and reduced activities in the current period.
- iii) Paid or accrued \$nil (2015 - \$59,302) in travel expenses. The decrease was due to travel expenses related to Company's project in the Kingdom of Morocco in the prior period and reduced activities in the current period.
- iv) Foreign exchange gain of \$5,750 (2015 - \$50,324) was primarily due to foreign exchange effect on expenses incurred in foreign currencies.
- v) Unrealized loss on investment of \$26,618 (2015 - \$53,236) recorded as the investment was revalued to fair value based on market price at the end of the current reporting period.

Selected Annual Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the consolidated financial statements.

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Oil and Gas revenue	\$ -	\$ -	\$ -
Net income (loss)	(1,490,251)	830,692	(750,347)
Basic and diluted earnings (loss) per share	(0.03)	0.02	(0.03)
Total assets	1,487,884	2,273,677	83,368
Cash dividends	-	-	-

Summary of Quarterly Results

	Three Month Period Ended March 31, 2016	Three Month Period Ended December 31, 2015	Three Month Period Ended September 30, 2015	Three Month Period Ended June 30, 2015
Total assets	\$ 1,448,474	\$ 1,487,884	\$ 1,599,031	\$ 1,681,950
Working capital (deficiency)	(1,076,463)	(963,063)	(453,557)	(238,494)
Shareholders' equity	338,418	470,566	956,258	1,147,731
Comprehensive income (loss)	(139,648)	(485,692)	(191,473)	(465,665)
Basic and diluted earnings (loss) per share	(0.00)	(0.01)	(0.00)	(0.01)

	Three Month Period Ended March 31, 2015	Three Month Period Ended December 31, 2014	Three Month Period Ended September 30, 2014	Three Month Period Ended June 30, 2014
Total assets	\$ 1,956,085	\$ 2,273,677	\$ 2,314,337	\$ 2,540,608
Working capital (deficiency)	213,092	742,346	1,006,439	1,287,686
Shareholders' equity	1,613,396	1,917,067	2,091,126	2,329,359
Comprehensive income (loss)	(347,421)	(905,626)	(238,233)	2,185,254
Basic and diluted earnings (loss) per share	(0.01)	(0.02)	(0.01)	0.06

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Liquidity and Capital Resources

The Company has financed its operations primarily through the issuance of common shares, loans proceeds and advances from related parties. The Company continues to seek capital through various means including the issuance of equity and/or debt.

Net cash used in operating activities for the period ended March 31, 2016 was \$7,360 compared to \$339,849 used during the period ended March 31, 2015 and consists primarily of non-cash working capital items.

Net cash used in investing activities for the period ended March 31, 2016 was \$nil compared to \$222,249 used in investing activities during the period ended March 31, 2015 and consists exploration and evaluation expenditures on the Morocco Property.

Net cash provided by financing activities for the period ended March 31, 2016 was \$7,500 compared to \$43,750 during the period ended March 31, 2015 and consists primarily of \$7,500 subscription received.

Related Party Transactions

Related party transactions are as follows:

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly including any director (whether executive or otherwise) of the Company. The Company's key management personnel include the Chief Executive Officer, Chief Financial Officer, VP of Corporate Affairs and Directors.

	Nature of transactions	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
A company controlled by the Chairman	Consulting	\$ 24,314	\$ 44,248
A company controlled by the CEO	Consulting	20,262	36,874
A firm of which the CFO is a partner	Professional fees	15,000	15,000
A company controlled by the CFO	Consulting	7,447	10,500
A company controlled by the VP of Corporate Affairs	Consulting	<u>14,183</u>	<u>25,812</u>
		\$ 81,206	\$ 132,434

The amounts due to/from related parties included in accounts payable and accrued liabilities are as follows:

	March 31, 2016	December 31, 2015
Due to a firm of which the CFO is a partner	\$ 117,913	\$ 102,913
Due to a company controlled by the CFO	43,751	35,501
Due to a company controlled by the Chairman	68,101	42,311
Due to a company controlled by the VP of Corporate Affairs	36,637	23,086
Due to a company of which a director is a shareholder	130,746	128,822
Due to the CEO	<u>20,651</u>	<u>25,000</u>
	\$ 417,799	\$ 357,633

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As at March 31, 2016, the Company had advances of \$25,129 (2015 - \$78,736) recognized in prepaid for directors and officers of the Company.

Transactions with related parties were in the normal course of operations and are measured at the exchange value. Amounts due to related parties are unsecured, non-interest bearing and due on demand; accordingly fair value cannot be reliably determined.

FINANCIAL INSTRUMENTS AND RISK

Capital management

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. In the management of capital, the Company monitors its adjusted capital which comprises all components of shareholders' equity (ie. capital stock, reserves and deficit).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements.

The Company's overall strategy remains unchanged from 2015.

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The carrying value of cash and cash equivalents, long-term investments, long-term bonds, accounts payable and accrued liabilities, and loans payable approximate their fair value because of the short-term nature of these instruments. The Company's cash and cash equivalents and long-term investments are measured at fair value using Level 1 inputs.

Risk factors

Management defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition and/or results of operations of the Company. The following section describes specific and general risks that could affect the Company. The following descriptions of risk do not include all possible risks as there may be other risks of which management is currently unaware. Moreover, the likelihood that a risk will occur or the nature and extent of its consequences if it does occur, is not possible to predict with certainty, and the actual effect of any risk or its consequences on the business could be materially different from those described below.

Exploration and development

The exploration and development of oil and natural gas deposits involve a number of uncertainties that even thorough evaluation, experience and knowledge of the industry cannot eliminate. It is impossible to guarantee that the exploration programs of the Company will generate economically recoverable reserves. The commercial viability of a new hydrocarbon pool is dependent upon a number of factors that are inherent to reserves, such as the content and the proximity of infrastructure, as well as oil and natural gas prices, which are subject to considerable volatility, regulatory issues such as price regulation, royalties, land and other taxes, import and export of oil and natural gas, and environmental protection issues. The individual impact generated by these factors cannot be predicted with any certainty but, once combined, may result in non-economical reserves. In addition to the risks described above, the Company will also remain subject to normal risks inherent to the oil and natural gas industry such as unusual and unexpected geological changes in the parameters and variables of the petroleum system and operations.

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Operating hazards and risks

Exploration for natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks incidental to exploration, development and production of natural resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. Although the Company may obtain liability insurance, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Prices

Prices received for production and associated operating expenses are impacted in varying degrees by factors outside management's control. These factors include, but are not limited to, the following:

- world market forces, including the ability of Organisation of Petroleum Exporting Countries to set limits and maintain production levels and prices for crude oil;
- political conditions, including the risk of hostilities in the Middle East North Africa region and other regions throughout the world;
- increases or decreases in crude oil quality and market differentials;
- market forces, most notably shifts in the balance between supply and demand for the crude oil and natural gas and the implications for the price of crude oil and natural gas;
- global and local weather conditions;
- price and availability of alternative fuels; and
- the effect of energy conservation measures and government regulation.

Oil and gas prices will have a direct impact on the Company's earnings, and are subject to volatile fluctuations. The Company's future revenues are expected to be in large part derived from the extraction and sale of oil and natural gas. The price of oil will be affected by numerous factors beyond the Company's control, including international economic and political trends, expectations of inflation, war, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of oil and gas, and therefore the economic viability of any of the Company's production or exploration projects, cannot be predicted accurately.

Resource estimates

Although the Company has reviewed the estimates related to the potential resource evaluation and probabilities and is of the opinion that the methods used to appraise its estimates are adequate, estimates are not guarantees of actual amounts or measurements, even though they will be calculated or validated by independent appraisers upon the commencement of commercial production. Any resources disclosed by the Company should not be interpreted as assurances of property life or of the profitability of current or future operations given that there are numerous uncertainties inherent in the estimation of economically recoverable oil and natural gas reserves.

Political risk

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Exploration may be affected in varying degrees by social unrest and/or government regulations in the Kingdom of Morocco and the United Arab Emirates with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income and other taxes, expropriation of property, environmental legislation and site safety.

Regulations in the Kingdom of Morocco

The oil and natural gas industry in Morocco is subject to extensive controls and regulations imposed by various levels of government. Compliance with such regulations and controls can require significant expenditures or result in operational restrictions. Failure to comply with the requirements of such controls and regulations may result in suspension or revocation of necessary licences and authorizations, civil liability for pollution damage and imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness.

Regulations in the United Arab Emirates

Each emirate has constitutionally entrenched rights to the natural resources (including oil and natural gas) within that emirate; such resources are deemed the public property of that emirate. As a result, each emirate pursues its own policies regarding the development of oil and natural gas, with the Ruler in each emirate retaining ultimate control over the development of oil and natural gas reserves in that emirate.

The right to explore, develop and produce petroleum is typically granted by way of a concession by the applicable emirate. Concessions are usually granted to state-controlled companies, with the involvement of international oil companies being limited to minority ownership interests in the project companies which are granted the concessions and the provision of technical services to those project companies.

Abu Dhabi does not have comprehensive petroleum legislation governing the granting of exploration and development concession rights; however, a number of laws affect the petroleum industry, including the Abu Dhabi Gas Ownership Law (Abu Dhabi Law No. 4 of 1976), the Abu Dhabi Petroleum Resources Conservation Law (Abu Dhabi Law No. 8 of 1978), the Abu Dhabi Petroleum Ports Law (Abu Dhabi Law No. 12 of 1973, as amended) and the Abu Dhabi Tax Decree of 1965 (as amended). The Supreme Petroleum Council, which was established in 1988, regulates Abu Dhabi's oil and natural gas policy.

Environmental regulations in the Kingdom of Morocco

All phases of the Company's exploration and operations in the Kingdom of Morocco will be subject to environmental regulation in the Kingdom of Morocco. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The exploration, development and production activities of the Company will require certain permits and licences from various governmental authorities and such operations are and will be governed by laws and regulations governing exploration, development and production, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters.

Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all licences and permits, which the Company may require to carry out exploration and development of its projects, will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake.

Environmental regulations in the United Arab Emirates

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The United Arab Emirates (the “UAE”) is a federation of seven emirates comprising Dubai, Abu Dhabi, Ajman, Fujairah, Ras Al Khaimah, Sharjah and Umm Al Quwain and was formed in 1971. The UAE federal constitution provides for an allocation of powers between the federal government and the government of each emirate. Environmental legislation exists both at the federal level and within each Emirate. The relevant authority and regulations will generally depend on the location of the project but the federal environmental law regime will always be applicable. The body of Environmental Law in the UAE comprises Federal Laws and Local Orders issued at municipal level within certain of the Emirates.

The Federal Environmental Law is administered by the Ministry of Environment and Water, together with the Federal Environmental Agency. Any entity seeking to undertake an activity that may have an impact on the environment must obtain a license, usually from the Federal Environmental Agency (although the granting of a license may be delegated to a local authority). A license will only be granted after an impact assessment has been undertaken and approved. Once granted, a licensee must strictly comply with the terms of the license (i.e. this may require the licensee to curtail the discharge of pollutants beyond a particular threshold).

Credit risk

Credit risk is the risk of loss associated with the counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash and cash equivalents. Management believes that the credit risk concentration with cash is remote as it maintains accounts with highly rated financial institutions.

Liquidity risk

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2016, the Company had a cash and cash equivalents balance of \$5,161 (2015 - \$7,289) to settle current liabilities of \$1,110,056 (2015 - \$1,017,318). The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations. All of the Company’s financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms, except for loans payable. The Company has not generated significant revenues from operations and continues to seek capital through various means including the issuance of equity and/or debt. These circumstances lend substantial doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, there is material uncertainty to the Company continuing as a going concern.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

Interest rate risk

The Company has cash balances, and fixed-interest debt and non-interest-bearing debt. The Company is satisfied with the credit ratings of its banks. The Company believes it has no significant interest rate risk.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company’s earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of oil, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company holds shares in Global Resources Investment Trust Plc. which are exposed to price risk.

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The Company is exposed to foreign currency risk on fluctuations related to:

- i) US \$483,000 (\$676,490) of long-term bond;
- ii) GBP \$24,241 (\$22,815) of long-term investments;
- iii) US \$243,433 (\$340,953) of accounts payable and accrued liabilities; and
- iv) GBP \$72,323 (\$134,900) of accounts payable and accrued liabilities.

The Company does not hedge its exposure to foreign currency risk.

Net exposure

Based on the above net exposures as at March 31, 2016, and assuming all other variables remain constant, a 5% change in the value of the US dollar and GBP against the Canadian dollar would impact the Company's comprehensive income by approximately \$58,758.

Changes in Accounting Policies

New accounting standards and recent pronouncements

The following new and amended IFRS pronouncements were adopted during the year ended December 31, 2015 and had no significant impact on the consolidated financial statements:

- Amendment to IFRS 2 - Share-based Payment, clarifies vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition.
- Amendments to IAS 24 – Related Party Disclosures, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation.

Certain new accounting standards and interpretations have been published that are not mandatory for the Company's December 31, 2015 reporting period. These standards and interpretations have not been adopted and have yet to be assessed by the Company unless otherwise stated. The Company plans to adopt these standards and interpretations during the period required.

Effective for annual periods beginning on or after January 1, 2016

- New standard IFRS 9, Financial Instruments, Classification and Measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. This standard is effective for years beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.
- Amendments to IFRS 11 – Joint Arrangements, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to: (a) apply all of the business combinations accounting principles in IFRS 3 and other IFRS standards, except for those principles that conflict with the guidance in IFRS 11; and (b) disclose the information required by IFRS 3 and other IFRS standards for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured). These amendments are effective for reporting periods beginning on or after January 1, 2016.

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- New standard IFRS 16 – Leases, brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The application of this standard is effective for annual periods beginning on or after January 1, 2019.

Current Share Data

As at May 30, 2016, the Company has 58,410,254 common shares issued and outstanding and has the following stock options and warrants outstanding:

Options outstanding: nil

Warrants outstanding: 20,214,000

Total diluted: 78,624,254

Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

Forward Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following:

- status of existing assets;
- expectations regarding the Company's ability to raise capital;

With respect to forward-looking statements listed above and contained in this MD&A, the Company has made assumptions regarding, among other things:

- unpredictable changes to the market prices for oil and natural gas;
- The ability of the Company to keep the Reconnaissance contract for the Hassi Berkane Block in good standing;
- anticipated results of exploration and production activities;
- availability of additional financing and farm-in or joint venture partners; and
- the Company's ability to obtain additional financing in a timely manner and on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- volatility in the market prices for oil and natural gas;
- uncertainties associated with estimating resources;
- geological, technical, drilling and processing problems;
- liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations;

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- fluctuations in currency and interest rates;
- incorrect assessments of the value of acquisitions;
- unanticipated results of exploration activities;
- competition for, among other things, capital, acquisitions of reserves, equipment, undeveloped lands and skilled personnel;
- lack of availability of additional financing and farm-in or joint venture partners;
- unpredictable weather conditions; and
- other factors referred to under "Financial risk factors" in the Company's annual audited consolidated financial statements.