Condensed Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the First Quarter Ended March 31, 2017

(Unaudited)

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	**March 31, 2017**	December 31, 2016
ASSETS			
Cash and cash equivalents		**12,741**	15,303
Trade and other receivables		**2,881**	1,856
Prepaid expenses and deposits		**242**	272
Inventories		**1,045**	1,029
Risk management assets	12	**242**	1,480
Assets held for sale	4	**121,745**	120,236
Total current assets		**138,896**	140,176
Property, plant and equipment, net		**54,387**	57,705
Intangible assets, net		**7,137**	7,538
Deferred tax assets		**4,114**	4,114
Other assets		**8,677**	8,650
Total non-current assets		**74,315**	78,007
TOTAL ASSETS		**213,211**	218,183
LIABILITIES			
Trade and other payables		**8,487**	9,428
Liabilities held for sale	4	**33,126**	32,364
Total current liabilities		**41,613**	41,792
Provisions for decommissioning		**12,107**	11,961
Other long-term liability		**3,546**	3,581
Deferred tax liabilities		**3,368**	3,368
Total non-current liabilities		**19,021**	18,910
TOTAL LIABILITIES		**60,634**	60,702
EQUITY			
Share capital		**156,552**	156,482
Contributed surplus		**11,504**	11,423
Accumulated other comprehensive income		**26,731**	28,172
Retained deficit		**(42,375)**	(38,790)
Equity attributable to shareholders		**152,412**	157,287
Non-controlling interest		**165**	194
TOTAL EQUITY		**152,577**	157,481
Subsequent event	13		
Commitments and Contingencies	8,9		
TOTAL LIABILITIES AND EQUITY		**213,211**	218,183

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Loss and Comprehensive Loss

For the three months ended March 31
(in thousands of Canadian dollars)

	Note	**2017**	2016
Revenue		**1,979**	1,883
Expenses			
Operating		**5,686**	12,123
General and administrative		**541**	880
Depreciation and amortization		**1,589**	1,295
Gain on commodity swaps	12	**(975)**	-
Other income, net		**(54)**	(340)
Operating loss		**(4,808)**	(12,075)
Finance income, net	6	**(303)**	(2,069)
Loss before income taxes		**(4,505)**	(10,006)
Income tax expense (benefit)			
Current		**6**	(12)
Net loss from continued operations		**(4,511)**	(9,994)
Discontinued operations			
Net income from discontinued operations (net of tax)	4	**930**	2,076
Net loss		**(3,581)**	(7,918)
Other comprehensive loss, net of tax:			
Items that are or may be reclassified to net income			
Unrealized losses on translation of discontinued foreign operations		**(1,443)**	(9,320)
Total comprehensive loss		**(5,024)**	(17,238)
Net income (loss) attributable to:			
Non-controlling interest		**4**	91
Shareholders		**(3,585)**	(8,009)
Net loss attributable to shareholders per share:			
Basic earnings	7	**(0.07)**	(0.15)
Diluted earnings		**(0.07)**	(0.15)
Net loss attributable to shareholders per share continued operations:			
Basic earnings	7	**(0.08)**	(0.19)
Diluted earnings		**(0.08)**	(0.19)
Comprehensive income (loss) attributable to:			
Non-controlling interest		**2**	70
Shareholders		**(5,026)**	(17,308)

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Changes in Equity

For the three months ended March 31
(in thousands of Canadian dollars, except common share data)

	Common shares (thousands)	Share capital	Contributed surplus	Accumulated other comprehensive gain (loss)	Retained earnings (deficit)	Equity attributable to shareholders	Non-controlling interest	Total
Equity at December 31, 2016	54,301	156,482	11,423	28,172	(38,790)	157,287	194	157,481
Net income (loss)	-	-	-	-	(3,585)	(3,585)	4	(3,581)
Stock options exercised	24	70	(10)	-	-	60	-	60
Share-based compensation	-	-	91	-	-	91	-	91
Translation of foreign operations	-	-	-	(1,441)	-	(1,441)	(2)	(1,443)
Distributions to non-controlling interest	-	-	-	-	-	-	(31)	(31)
Equity at March 31, 2017	**54,325**	**156,552**	**11,504**	**26,731**	**(42,375)**	**152,412**	**165**	**152,577**
Equity at December 31, 2015	54,219	156,248	10,686	34,138	15,010	216,082	705	216,787
Net income (loss)	-	-	-	-	(8,009)	(8,009)	91	(7,918)
Stock options exercised	8	28	(12)	-	-	16	-	16
Share-based compensation	-	-	217	-	-	217	-	217
Translation of foreign operations	-	-	-	(9,299)	-	(9,299)	(21)	(9,320)
Distributions to non-controlling interest	-	-	-	-	-	-	(30)	(30)
Equity at March 31, 2016	54,227	156,276	10,891	24,839	7,001	199,007	745	199,752

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Statements of Cash Flows

For the three months ended March 31
(in thousands of Canadian dollars)

	Note	**2017**	2016
Cash flows from operating activities:			
Net loss from continued operations		**(4,511)**	(9,994)
Adjustments for items not involving cash or operations:			
Depreciation and amortization		**1,589**	1,295
Inventories write-down		**-**	4,761
Share-based compensation		**91**	217
Income tax expense (benefit)		**6**	(12)
Finance income	6	**(303)**	(2,068)
Commodity price call option expired out of the money	12	**378**	-
Approved emission performance credits		**(36)**	(340)
Funds used in continued operating activities before changes in working capital		**(2,786)**	(6,141)
Change in non-cash working capital from continued operations	10	**248**	(219)
Net cash used in operating activities from continued operations		**(2,538)**	(6,360)
Cash flows from financing activities:			
Issuance of loans and borrowings		**-**	4,289
Proceeds from exercise of stock options		**60**	-
Interest paid		**(152)**	(125)
Net cash generated from (used in) financing activities from continued operations		**(92)**	4,164
Cash flows from investing activities:			
Proceeds from insurance recoveries, net of (property, plant and equipment additions)		**1,993**	(278)
Change in non-cash working capital	10	**(1,925)**	(819)
Net cash generated from (used) in investing activities from continued operations		**68**	(1,097)
Decrease in cash and cash equivalents from continued operations		**(2,562)**	(3,293)
Cash and cash equivalents held at discontinued operations, beginning of period		**3,535**	
Net increase (decrease) in cash and cash equivalents from discontinued operations	4	**(1,092)**	7,412
Less: Cash and cash equivalents held at discontinued operations, end of period	4	**(2,443)**	-
Cash and cash equivalents, beginning of period		**15,303**	5,884
Cash and cash equivalents, end of period		**12,741**	10,003

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

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") as at March 31, 2017. The Corporation has presented the result of its operations in the United States as assets and liabilities held for sale and discontinued operations (note 4) and closed the sale of its United States operating segment on April 3, 2017 (note 13). The Corporation's common shares trade on the Toronto Stock Exchange under the symbol "MXG". MAXIM's registered office is Suite 1210, 715 – 5 Avenue S.W., Calgary, Alberta, Canada, T2P 2X6.

2. Basis of preparation and statement of compliance

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

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on May 11, 2017.

3. Significant accounting policies

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

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

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

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

4. Assets and liabilities held for sale and discontinued operations

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

On April 3, 2017, the Corporation closed the sale of the United States operating segment (note 13).

At March 31, 2017, the United States operating segment comprised the following assets and liabilities:

(i) Assets classified as held for sale

	March 31, 2017	December 31, 2016
Cash and cash equivalents	2,443	3,535
Restricted cash	1,242	1,259
Trade and other receivables	6,151	3,465
Prepaid expenses and deposits	815	1,205
Inventories	7,349	7,295
Income taxes recoverable	201	154
Property, plant and equipment, net	102,450	102,118
Intangible assets, net	951	961
Future income tax asset	72	140
Other assets	71	104
Total held for sale	121,745	120,236

(ii) Liabilities classified as held for sale

	March 31, 2017	December 31, 2016
Trade and other payables	7,151	5,783
Loans and borrowings, net of deferred financing costs	21,724	22,349
Provisions for decommissioning	4,251	4,232
Total held for sale	33,126	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 March 31, 2017, Basin Creek had an outstanding balance of US$16,844 thousand (December 31, 2016 – US$17,175 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 5).

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

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

(b) Discontinued operations – United States and France

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

Total Discontinued Operations

	March 31, 2017	March 31, 2016
Revenue	14,246	36,335
Expenses	12,859	32,854
Operating income	1,387	3,481
Finance expense, net	460	948
Income before income taxes	927	2,533
Income tax expense (benefit)		
Current	25	928
Deferred	(28)	(471)
	(3)	457
Net income from discontinued operations	930	2,076
Attributable to:		
Non-controlling interest	4	91
Shareholders	926	1,985
Net income from discontinued operations attributable to shareholders per share:		
Basic earnings	0.01	0.04
Diluted earnings	0.01	0.04

	March 31, 2017	March 31, 2016
Cash flows from (used in) discontinued operations		
Net cash generated from operating activities	100	13,419
Net cash used in financing activities	(843)	(2,869)
Net cash used in investing activities	(310)	(2,740)
Unrealized foreign exchange gain (loss) on cash	(39)	(398)
Net cash flows for the period	(1,092)	7,412

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

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

United States Segment

	March 31, 2017	March 31, 2016
Revenue	14,246	13,169
Expenses	12,859	13,378
Operating income (loss)	1,387	(209)
Finance expense, net	460	511
Income (loss) before income taxes	927	(720)
Income tax expense (benefit)		
Current	25	184
Deferred	(28)	(947)
	(3)	(763)
Net income from discontinued operations	930	43
Attributable to:		
Non-controlling interest	4	22
Shareholders	926	21

France Segment

	March 31, 2017	March 31, 2016
Revenue	-	23,166
Expenses	-	19,476
Operating income	-	3,690
Finance expense, net	-	437
Income before income taxes	-	3,253
Income tax expense		
Current	-	744
Deferred	-	476
	-	1,220
Net income from discontinued operations	-	2,033
Attributable to:		
Non-controlling interest	-	69
Shareholders	-	1,964

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

5. Loans and borrowings

Canadian bank facilities

As at March 31, 2017, Facility A is a $13,500 revolving credit facility ($13,500 – December 31, 2016). 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 March 31, 2017, the carrying amount of the loan was $nil (December 31, 2016 - $nil) and MAXIM has issued letters of credit of $12,559 (December 31, 2016 - $12,534) on the facility. The amount available to draw against Facility A at March 31, 2017 was $941 (December 31, 2016 - $966). On April 3, 2017, after closing the sale of the United States operating segment, the amount available to draw against the facility was $nil and effective May 1, 2017, the Corporation amended and restated its credit agreement (note 13).

As at March 31, 2017, MAXIM breached the following financial covenants in relation to its Canadian bank facilities: DSCR, minimum equity and interest coverage.

On January 3, 2017, management obtained a waiver for the March 31, 2017 covenant breaches from the bank. Accordingly, the issued letters of credit of $12,559 and the $nil drawn against Facility A are unaffected by these covenant breaches as at March 31, 2017.

6. Finance income, net

	March 31, 2017	March 31, 2016
Interest expense	152	105
Accretion of provisions	20	21
Foreign exchange gain	(475)	(2,194)
Finance income	(303)	(2,068)
Interest income	-	(1)
Total finance income, net	(303)	(2,069)

7. Earnings per share

The calculation of basic and diluted earnings per share for the three months ended March 31, 2017 was based on the net loss attributable to common shareholders and net loss attributable to common shareholders from continued operations of $3,585 and $4,511, respectively (March 31, 2016 – $8,009 and $9,994, respectively) and weighted average number of common shares outstanding for the period of 54,319,075 (March 31, 2016 – 54,225,168).

The effects of exercisable stock options on diluted earnings per share were nil for the three months ended March 31, 2017 (March 31, 2016 – nil) as they were antidilutive.

8. 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 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 March 31, 2017. The Corporation has an additional commitment of $798 regarding the service portion of the contract.

(b) Discontinued operations

The Corporation, through its US subsidiaries, has entered into various operating and maintenance 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$9,672 thousand.

9. Contingencies

(a) Contingent liabilities

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

The Corporation has closed the sale of the France operating segment. Under the agreement, the Corporation continues to be subject to the claims received for €1,700 thousand in additional costs from suppliers in France. Costs in relation to these claims and potential claims are only recognized when they become probable and based on the information presently known, it is the view of the Corporation that these claims and potential claims are without merit.

Further under the agreement, the Corporation is subject to performance criteria of certain generating units in the France operating segment until October 31, 2017. The Corporation is responsible to reimburse the buyer of the France operating segment for penalties incurred until that time up to a maximum of €1,500 thousand. In addition, the Corporation is subject to customary closing indemnities until December 2, 2019 to a maximum claim of €3,500 thousand.

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

9. Contingencies (continued)

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.

(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 March 31, 2017, based on calculations established by information currently available on the public record. As at March 31, 2017, 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, 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 March 31, 2017, the timing and amount of compensation cannot be determined.

10. Change in non-cash working capital

	March 31, 2017	March 31, 2016
Operations		
Trade receivables	900	755
Prepaid expenses and deposits	82	62
Inventories	(16)	1,044
Trade payables and other current liabilities	(718)	(2,080)
	248	(219)

	March 31, 2017	March 31, 2016
Investing		
Trade and other payables	(1,925)	(819)
	(1,925)	(819)

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

11. 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. During the three months ended March 31, 2017, the Corporation operated in two reportable segments with power generation facilities located in Canada and the United States. 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 France operating segment ceased to be strategic segment in 2016 as a result of the closed sale of this business segment. The Corporation has modified the composition of the reportable segments.

March 31, 2017	Canada	Corporate amounts	Subtotal	Discontinued operations from United States	Total consolidated
Revenues from external customers	1,979	-	1,979	14,246	16,225
Operating income (loss)	(4,372)	(436)	(4,808)	1,387	(3,421)

March 31, 2016	Canada	Corporate amounts	Subtotal	Discontinued operations from United States	Discontinued operations from France	Total consolidated
Revenues from external customers	1,883	-	1,883	13,169	23,166	38,218
Operating income (loss)	(11,240)	(835)	(12,075)	(209)	3,690	(8,594)

12. Fair value and financial instruments

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

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

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

(a) Commodity risk management swaps and option

	March 31, 2017	March 31, 2016
Realized gain on commodity swaps	1,295	-
Realized loss on commodity option	(378)	-
Net realized gain on commodity swaps and option	917	
Unrealized gain on commodity swaps	58	-
Total gain on commodity swaps and option	975	-

12. Fair value and financial instruments (continued)

The fair value of the commodity swaps are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. MAXIM determined the fair value of the swaps by applying the market approach using market settled forward prices as reported by the Natural Gas Exchange for forward contracts of comparable term at the reporting date. For the three months ended March 31, 2017, the unrealized gain on commodity price swaps was $58 (March 31, 2016 - nil). For the three months ended March 31, 2017, the realized gain on commodity risk management swaps and option was $917 (March 31, 2016 - nil). At March 31, 2017, the Corporation had no commodity swaps or options outstanding.

(b) Foreign exchange risk management swap and options

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

At March 31, 2017, the Corporation has a US$78,000 thousand swap to lock-in a portion of the sales proceeds at an exchange rate at $1.3330 in the Corporation's functional currency. For the three months ended March 31, 2017, the unrealized gain, recognized in discontinued operations, on the foreign currency swap was $242 (March 31, 2016 - $nil).

At March 31, 2017, the Corporation had no put options with expiry dates in the future. For the three months ended March 31, 2017, the Corporation realized a net loss of $1,092 (March 31, 2016 - $nil) upon the expiry of two put options expiring March 24, 2017, consisting of the amortization of premiums paid of $1,378, partially offset by proceeds on exercise of $286. These amounts have been recognized in discontinued operations.

13. Subsequent event

On April 3, 2017, the Corporation closed its previously announced agreement with Hull Street Energy, LLC for the sale of the Corporation's United States operating segment for net proceeds of approximately US$84.0 million. Upon close, the Corporation was required, under its Canadian bank facilities, to fully cash collaterize all outstanding letters of credit (note 5). The amount available to draw against this facility at April 3, 2017 was reduced to $nil. In addition, the Corporation is subject to customary closing indemnities until April 3, 2018 to a maximum claim of US$8.8 million. Costs in relation to these claims and potential claims are only recognized when they become probable and based on the information presently known, it is the view of the Corporation that no liability currently exists.

Effective May 1, 2017, the Corporation amended and restated its credit agreement with the Bank of Montreal to a demand facility that will fully cash collaterize up to $8.0 million of letters of credit. The Corporation currently has $8.0 million of outstanding letters of credit outstanding and this amount was deposited into a restricted bank account maintained by the bank.