Consolidated Financial Statements of

MAXIM POWER CORP.

Years ended December 31, 2012 and 2011
(Audited)

FORM 52-109F1 - CERTIFICATION OF ANNUAL FILINGS - FULL CERTIFICATE

I, John R. Bobenic, President & CEO, Maxim Power Corp., certify the following:

1. ***Review:*** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of Maxim Power Corp. (the "issuer") for the financial year ended December 31, 2012.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations.

5.2 ***ICFR - material weakness relating to design:*** The issuer has disclosed in its annual MD&A for each material weakness relating to design existing at the financial year end

(a) a description of the material weakness;

(b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and

(c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

5.3 **N/A**

6. ***Evaluation:*** The issuer's other certifying officer(s) and I have

(a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

(b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A

(i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

(ii) for each material weakness relating to operation existing at the financial year end

(A) a description of the material weakness;

(B) the impact of the material weakness on the issuer's financial reporting and its ICFR; and

(C) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness

7. ***Reporting changes in ICFR:*** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1, 2012 and ended on December 31, 2012 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. ***Reporting to the issuer's auditors and board of directors or audit committee:*** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: March 21, 2013

("signed")

John R. Bobenic
President & CEO

FORM 52-109F1 - CERTIFICATION OF ANNUAL FILINGS - FULL CERTIFICATE

I, Michael R. Mayder, Vice President, Finance & CFO, Maxim Power Corp., certify the following:

1. ***Review:*** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of Maxim Power Corp. (the "issuer") for the financial year ended December 31, 2012.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations.

5.2 ***ICFR - material weakness relating to design:*** The issuer has disclosed in its annual MD&A for each material weakness relating to design existing at the financial year end

(a) a description of the material weakness;

(b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and

(c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

5.3 **N/A**

6. ***Evaluation:*** The issuer's other certifying officer(s) and I have

(a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

(b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A

(i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

(ii) for each material weakness relating to operation existing at the financial year end

(A) a description of the material weakness;

(B) the impact of the material weakness on the issuer's financial reporting and its ICFR; and

(C) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness

7. ***Reporting changes in ICFR:*** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on January 1, 2012 and ended on December 31, 2012 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. ***Reporting to the issuer's auditors and board of directors or audit committee:*** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: March 21, 2013

("signed")

Michael R. Mayder
Vice President, Finance & CFO

Chartered Accountants
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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 statement of financial position as at December 31, 2012 and December 31, 2011, the consolidated statements of income, comprehensive income, 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, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
March 21, 2013

Calgary, Canada

MAXIM POWER CORP.

Consolidated Statement of Financial Position

(in thousands of Canadian dollars)

	Note	**December 31, 2012**	December 31, 2011
ASSETS			
Cash and cash equivalents		**11,332**	13,424
Restricted cash		**105**	97
Trade and other receivables	7, 30	**38,540**	29,425
Income taxes recoverable		**504**	464
Prepaid expenses and deposits		**1,090**	1,021
Inventories	8	**16,145**	10,764
Derivative coal contracts	31	**-**	3,538
Assets held for sale	6	**-**	10,284
Total current assets		**67,716**	69,017
Property, plant and equipment, net	9	**230,786**	230,273
Restricted cash		**1,281**	1,299
Goodwill and other intangible assets, net	10	**36,004**	37,374
Deferred tax assets	25	**28,948**	28,761
Other assets	11	**14,744**	13,170
Derivative coal contracts	31	**-**	3,332
Total non-current assets		**311,763**	314,209
TOTAL ASSETS		**379,479**	383,226
LIABILITIES			
Bank indebtedness	30	**1,602**	113
Trade and other payables	12	**30,093**	30,001
Deferred revenue		**285**	250
Loans and borrowings	13	**5,131**	12,092
Derivative coal contracts	31	**413**	-
Liabilities held for sale	6	**-**	682
Total current liabilities		**37,524**	43,138
Loans and borrowings	13	**58,725**	61,552
Provisions for decommissioning	14	**21,564**	21,712
Deferred tax liabilities	25	**13,314**	12,548
Derivative coal contracts	31	**1,784**	-
Total non-current liabilities		**95,387**	95,812
TOTAL LIABILITIES		**132,911**	138,950
EQUITY			
Share capital	15	**155,686**	155,686
Contributed surplus		**10,670**	10,026
Accumulated other comprehensive loss		**(12,197)**	(10,134)
Retained earnings		**91,951**	88,326
Equity attributable to shareholders		**246,110**	243,904
Non-controlling interests		**458**	372
TOTAL EQUITY		**246,568**	244,276
TOTAL LIABILITIES AND EQUITY		**379,479**	383,226

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

On behalf of the Board:

(Signed) (Signed)

MAXIM POWER CORP.

Consolidated Statement of Income

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

	Note	2012	2011
Revenue	17	**156,531**	161,284
Expenses			
Operating	8, 18	**117,799**	116,946
General and administrative	18	**5,137**	4,818
Depreciation and amortization	9, 10	**18,890**	21,698
Loss on commodity swaps	30	**40**	5,994
Loss (gain) on derivative coal contracts	31	**9,065**	(9,440)
Other income	19	**(3,770)**	(2,032)
Operating income		**9,370**	23,300
Finance expense, net	20	**3,663**	4,470
Income before income taxes		**5,707**	18,830
Income tax expense (benefit)	25		
Current		**1,235**	(90)
Deferred		**688**	3,532
		1,923	3,442
Net Income		**3,784**	15,388
Attributable to:			
Non-controlling interest		**159**	72
Shareholders		**3,625**	15,316
Net income attributable to shareholders per share:	21		
Basic earnings		**0.07**	0.28
Diluted earnings		**0.07**	0.28

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

MAXIM POWER CORP.

Consolidated Statement of Comprehensive Income

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

	2012	2011
Net Income	**3,784**	15,388
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on translation of foreign operations	**(2,137)**	1,078
Unrealized gains (losses) on derivative instruments designated as cash flow hedges, net of tax benefit of $2 (2011 - $40 tax benefit)	**5**	(120)
Realized losses on derivative instruments designated as cash flow hedges, included in net gain, net of tax benefit of $22 (2011 - $38 tax benefit)	**66**	193
Total comprehensive income	**1,718**	16,539
Comprehensive income attributable to:		
Non-controlling interest	**156**	72
Shareholders	**1,562**	16,467

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

MAXIM POWER CORP.

Consolidated Statement of Changes in Equity

(in thousands of Canadian dollars)

	Share Capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Equity attributable to shareholders	Non-controlling interest	Total
Equity at December 31, 2011	155,686	10,026	(10,134)	88,326	243,904	372	244,276
Net income	-	-	-	3,625	3,625	159	3,784
Share-based compensation	-	644	-	-	644	-	644
Translation of foreign operations	-	-	(2,134)	-	(2,134)	(3)	(2,137)
Derivative instruments designated as cash flow hedges	-	-	71	-	71	-	71
Distributions to non-controlling interest	-	-	-	-	-	(70)	(70)
Equity at December 31, 2012	**155,686**	**10,670**	**(12,197)**	**91,951**	**246,110**	**458**	**246,568**
Equity at December 31, 2010	155,481	8,990	(11,285)	73,010	226,196	368	226,564
Net income	-	-	-	15,316	15,316	72	15,388
Stock options exercised	205	(74)	-	-	131	-	131
Share-based compensation	-	1,110	-	-	1,110	-	1,110
Translation of foreign operations	-	-	1,078	-	1,078	-	1,078
Derivative instruments designated as cash flow hedges	-	-	73	-	73	-	73
Distributions to non-controlling interest	-	-	-	-	-	(68)	(68)
Equity at December 31, 2011	155,686	10,026	(10,134)	88,326	243,904	372	244,276

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

MAXIM POWER CORP.

Consolidated Statement of Cash Flows

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

	Note	**2012**	2011
Cash flows from operating activities:			
Net income		**3,784**	15,388
Adjustments for items not involving cash or operations:			
Depreciation and amortization		**18,890**	21,698
Long-term contracts		**-**	(126)
Share-based compensation		**644**	1,055
Unrealized loss / (gain) on derivative coal contracts		**9,065**	(6,870)
Unrealized loss / (gain) on commodity swaps		**118**	-
Income tax expense		**1,923**	3,442
Income taxes paid		**(1,143)**	(313)
Finance expense	20	**3,713**	4,527
Gain on sale of generating facility	6	**(3,058)**	-
Funds from operations		**33,936**	38,801
Change in non-cash working capital	28	**(14,619)**	(3,420)
Net cash generated from operating activities		**19,317**	35,381
Cash flows from financing activities:			
Issuance of loans and borrowings		**18,254**	8,059
Repayment of loans and borrowings		**(27,583)**	(18,976)
Bank indebtedness		**1,522**	(364)
Proceeds from common share issuance		**-**	131
Interest paid		**(3,824)**	(3,653)
Net cash used in financing activities		**(11,631)**	(14,803)
Cash flows from investing activities:			
Property, plant and equipment, net of disposals	9	**(22,289)**	(13,503)
Purchase of intangible assets	10	**(258)**	(1,175)
Decrease (increase) in non-current deposits	11	**595**	(3,688)
Change in restricted cash		**(13)**	545
Proceeds on sale of generating facility	6	**12,950**	-
Change in non-cash working capital	28	**(788)**	406
Net cash used in investing activities		**(9,803)**	(17,415)
Unrealized foreign exchange gain on cash and cash equivalents		**25**	387
Increase (decrease) in cash and cash equivalents		**(2,092)**	3,550
Cash and cash equivalents, beginning of year		**13,424**	9,874
Cash and cash equivalents, end of year		**11,332**	13,424

The accompanying notes are an integral part of these consolidated 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 innovative and environmentally responsible power and power related projects. The Corporation has power generation facilities in Western Canada, the United States of America and France. 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) Statement of compliance

MAXIM prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”).

These consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on March 21, 2013.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the derivative coal contracts and the risk management liability in the statement of financial position which are measured at fair value.

(c) 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.

(d) 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.

2. Basis of Preparation and Statement of Compliance (continued)

(e) Significant Judgments

(i) Operating leases

MAXIM has entered into long-term tolling arrangements with third parties at some 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. Initial terms of these agreements are between ten and twenty years with options to extend the agreements for an additional five to fifteen 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 depreciated over their useful lives.

(ii) Contingencies

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.

Estimates are required to measure the potential outcome of future events for contingencies that exist.

(f) 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. Details of decommissioning provisions are included in note 14.

(ii) Useful life and residual value of property, plant and equipment (“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, regular maintenance programs and estimated demand for the products. The facilities are operated within manufacturer’s 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.

2. Basis of Preparation and Statement of Compliance (continued)

Residual value is estimated by management to be the amount that MAXIM would currently 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

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

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

(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 based on forecast cash flows from operations, which depend significantly on future power prices and the application of existing tax laws in each jurisdiction. 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 statement 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.

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 the accounts of its 95% interest in Basin Creek Holdco LLC, and 50% interest in Mirail Cogen SARL. 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 most 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.

Goodwill is measured as the excess of the fair value of the consideration transferred plus the recognized amount of any non-controlling interest in the acquiree, less the recognized amount of identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the statement of income.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

(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 statement of financial position.

(c) Foreign currency translation

(i) Foreign operations

The Corporation's subsidiaries' functional currencies are either the Canadian dollar, United States dollar, or European euro. 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 statement 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 statement of financial position are recognized in other comprehensive income as cumulative translation adjustments.

3. Significant Accounting Policies (continued)

(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 statement of income.

(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 and goodwill are tested for impairment annually regardless of indications of impairment. Goodwill related to the Milner operating segment is tested for impairment as at December 31, 2012.

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 goodwill and intangible assets.

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

(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.

3. Significant Accounting Policies (continued)

(ii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement 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 statement of income. Gains and losses arising from changes in fair value are presented in the statement of income 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 statement of financial position date, which is classified as non-current.

The instruments held by the Corporation classified in this category are derivative coal contracts and commodity swaps.

(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.

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, deferred revenue, loans and borrowings and bank indebtedness. 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.

3. Significant Accounting Policies (continued)

(vii) Derivative financial instruments and hedges

The Corporation uses derivatives in the form of interest rate swaps to manage risks related to its variable rate debt. The Corporation used these derivatives during the current reporting period; however had none outstanding at the end of the reporting period. The Corporation has determined that a designated hedging relationship for these derivatives qualifies for hedge accounting and has elected to apply hedge accounting. For each cash flow hedging relationship, the portion of the change in the fair value of the hedging derivative that was effective in hedging the change in cash flows of the hedged item is recognized in other comprehensive income and the ineffective portion is recognized in net income. For the duration of the hedge, the amounts previously recognized in accumulated other comprehensive income are reclassified to net income when the corresponding fluctuations in cash flow of the hedged item impact net income. If the hedged item is terminated early or sold, or the anticipated hedge transaction is no longer expected to be effective, the gains or losses on the hedging derivatives are reclassified to net income from accumulated other comprehensive income.

(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.

(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. Cash deposits held as collateral to various counterparty agreements to secure credit are recorded separately as current and non-current restricted cash. Bank overdrafts are included in current liabilities as bank indebtedness.

(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.

3. Significant Accounting Policies (continued)

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 statement of income 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:

Coal-fired generating facilities	Units of production
Other generating facilities	3 - 30 years straight-line
Equipment	20 - 40% declining balance or 2-22 years straight-line
Finance leases	3 - 38 years straight-line

Leases that transfer substantially all the risks and rewards of ownership to the Corporation are classified as finance leases, and form part of PP&E. Finance leases are recorded at the lower of fair value and the present value of the minimum lease payments determined at the inception of the lease. Assets under finance leases are depreciated over the lesser of the useful life of the asset and lease term unless it is reasonable that the Corporation will obtain ownership by the end of the lease term.

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) Intangible assets

Intangible assets consist of power sales contracts, a coal supply contract, a ground lease contract, and nitrous oxide emission credits. The power sales contracts, the coal supply contract, 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.

The nitrous oxide (“NOx”) emission credits are internally generated and recorded at cost. All costs directly attributable to creating emission credits are capitalized and will be amortized as the benefits are realized commencing in 2013.

The Corporation will consume the NOx credits at the same rate at which the Milner generating facility produces electricity and as such will use a unit of production method to amortize these assets.

3. Significant Accounting Policies (continued)

(k) Goodwill

Goodwill is the excess of the consideration transferred in a business combination over the sum of the non-controlling interest and the recognized amounts of the identifiable assets acquired less the liabilities assumed at the acquisition date. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

(l) 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 statement of income using the effective interest method.

(m) 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 statement of income 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 short-term cash bonus or profit-sharing plans 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.

3. Significant Accounting Policies (continued)

(n) Provisions

(i) General 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 statement of income 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.

(ii) 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. Decommissioning costs are then amortized over the lives of the respective projects and is included in the statement of income. 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 statement of income 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.

(o) 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.

(p) 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.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. Significant Accounting Policies (continued)

Payments made under operating leases are charged to the statement of income 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 statement of income.

(q) 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 statement of income, using the effective interest method.

Finance expense comprises interest expense on borrowings, amortization of deferred financing costs, unwinding of the discount on provisions and impairment losses recognized on financial assets (other than trade receivables).

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.

(r) Income taxes

Income taxes are comprised of current and deferred taxes. Current tax and deferred tax are recognized in the income statement 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.

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.

(s) 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.

(t) 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 senior management 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 senior management 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) Other assets

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

4. Determination of Fair Value (continued)

(c) Interest rate swaps and 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.

(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. For finance leases, the market interest rate is estimated by adjusting the Government of Canada bond rates and Euribor rates for leases in Canada and France, respectively, since the inception of the lease.

(e) Derivative coal contracts

The fair value of derivative coal contracts is estimated by discounting the difference for future periods between: a) the contracted coal price and b) the futures market coal prices, adjusted for both the foreign exchange forwards between the Canadian and United States dollar and the historical margins on previous coal remarketing agreements.

(f) Share-based payment transactions

The fair value of the employee share options is 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.

5. Accounting Standards and Amendments Issued But Not Yet Adopted

The following revised standards and amendments are effective for annual periods beginning on January 1, 2013, except for IFRS 9 which is expected to be effective for annual periods beginning on January 1, 2015. The Corporation does not anticipate that it will early adopt the revised standards and amendments.

(a) 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. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

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

5. Accounting Standards and Amendments Issued But Not Yet Adopted (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. The Corporation is currently assessing the extent of the impact of this new standard.

(b) IFRS 12, Disclosure of Interests in Other Entities, is a consolidated disclosure standard that requires an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The Corporation is currently assessing the extent of the impact of this new standard.

(c) IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. The Corporation has determined that there will be no impact on the measurement of fair value, however there will be additional disclosures in future quarterly and annual financial statements.

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

During 2012, the Corporation sold the Alberta Power Project (APP) generating facilities for proceeds of $12,950. The sale was effective January 1, 2012 and the transaction closed on February 29, 2012. As a result the Corporation realized a pre-tax gain of $3,058, as disclosed in note 19.

7. Trade and other receivables

	December 31, 2012	December 31, 2011
Trade receivables	36,987	26,629
Other receivables	2,057	2,958
Allowance for doubtful accounts	(504)	(162)
Total accounts receivable	38,540	29,425

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

8. Inventories

	December 31, 2012	December 31, 2011
Coal	9,103	3,862
Fuel oil	2,223	1,995
Plant parts and stock items	4,819	4,907
Total inventories	16,145	10,764

The cost of consumable inventories recognized in operating expense for the year ended December 31, 2012 was $62,637 (2011 - $57,100).

9. Property, Plant and Equipment

	Land	Generating Facilities	Equipment	Assets under Construction	Total
Cost					
Balance, December 31, 2010	7,251	300,502	3,506	19,058	330,317
Additions, net of disposals	-	8,081	69	5,392	13,542
Capitalized interest	-	-	-	265	265
Transfers to generating facilities	-	506	-	(506)	-
Reclassification to assets held for sale (note 6)	-	(12,076)	-	-	(12,076)
Reclassification to intangible assets (note 10)	-	(178)	-	-	(178)
Reclassification to inventory	-	(4,907)	-	-	(4,907)
Additions to decommissioning provisions	-	7,670	-	-	7,670
Revisions to decommissioning provisions	-	(10,743)	-	-	(10,743)
Effect of movements in exchange rates	147	1,884	(116)	-	1,915
Balance, December 31, 2011	7,398	290,739	3,459	24,209	325,805
Additions, net of disposals	-	12,022	239	10,028	22,289
Capitalized interest	-	-	-	579	579
Transfers to generating facilities	-	167	-	(167)	-
Reclassification to intangible assets (note 10)	-	(138)	-	-	(138)
Revisions to decommissioning provisions	-	(2,555)	-	-	(2,555)
Effect of movements in exchange rates	(153)	(2,827)	(12)	-	(2,992)
Balance, December 31, 2012	7,245	297,408	3,686	34,649	342,988
Accumulated Depreciation and Impairments					
Balance, December 31, 2010	-	77,136	2,065	-	79,201
Depreciation	-	17,362	316	-	17,678
Reclassification to assets held for sale (note 6)	-	(1,792)	-	-	(1,792)
Effect of movements in exchange rates	-	457	(12)	-	445
Balance, December 31, 2011	-	93,163	2,369	-	95,532
Depreciation	-	17,022	247	-	17,269
Effect of movements in exchange rates	-	(593)	(6)	-	(599)
Balance, December 31, 2012	-	109,592	2,610	-	112,202
Carrying Amounts					
December 31, 2011	7,398	197,576	1,090	24,209	230,273
December 31, 2012	7,245	187,816	1,076	34,649	230,786

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

9. Property, Plant and Equipment (continued)

(a) Finance leases

The Corporation leases generating facilities and other equipment under a number of finance lease agreements. At December 31, 2012, the net carrying amount of leased generating facilities and other equipment was $11,427 (December 31, 2011 - $12,912).

(b) Assets under construction

During the year, the Corporation incurred costs for assets under construction totaling $10,028 (2011 - $5,392). Capitalized borrowing costs related to the construction of these projects amounted to $579 (2011 - $265), with a capitalization rate of 1.8% (2011 – 2.0%).

(c) Security

At December 31, 2012 property, plant and equipment with a carrying value of $230,674 (December 31, 2011 - $228,840) is subject to registered debentures to secure bank loans (note 13).

(d) Change in estimate

On September 12, 2012, the Government of Canada enacted regulations for coal-fired generation facilities. These new regulations limit carbon dioxide emissions for both existing power plants upon realizing their economic life and new power plants commissioned after July 1, 2015.

The Milner facility is allowed to operate to its full capacity to December 31, 2019, after which it is allowed to operate at 9% of its full capacity until December 31, 2029, based on its current carbon dioxide emission levels. As a result the Milner facility is now depreciated using a units of production method. The effect of these changes on depreciation expense in current and future years is as follows:

	2012	2013	2014	2015	2016	Later
(Decrease) increase in depreciation expense	576	1,727	1,727	1,727	1,727	(7,484)

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

10. Intangible Assets and Goodwill

	Goodwill	Coal contract	Power contracts	NOX credits and other	Total
Cost					
Balance, December 31, 2010	15,632	6,000	26,607	2,891	51,130
Additions	-	-	-	1,175	1,175
Reclassification from PP&E	-	-	-	178	178
Elimination of fully amortized contract	-	-	(625)	-	(625)
Effect of movements in exchange rates	-	-	(132)	7	(125)
Balance, December 31, 2011	15,632	6,000	25,850	4,251	51,733
Additions	-	-	-	258	258
Reclassification from PP&E (note 9)	-	-	-	138	138
Effect of movements in exchange rates	-	-	(205)	(7)	(212)
Balance, December 31, 2012	15,632	6,000	25,645	4,640	51,917
Accumulated Amortization					
Balance, December 31, 2010	-	3,832	7,190	15	11,037
Amortization	-	500	1,846	6	2,352
Elimination of fully amortized contract	-	-	(625)	-	(625)
Write-off due to conversion to derivative contract (a)	-	1,668	-	-	1,668
Effect of movements in exchange rates	-	-	(74)	1	(73)
Balance, December 31, 2011	-	6,000	8,337	22	14,359
Amortization	-	-	1,615	6	1,621
Effect of movements in exchange rates	-	-	(66)	(1)	(67)
Balance, December 31, 2012	-	6,000	9,886	27	15,913
Net Intangible Assets and Goodwill					
December 31, 2011	15,632	-	17,513	4,229	37,374
December 31, 2012	15,632	-	15,759	4,613	36,004

(a) Write-off due to conversion to derivative contract

During the year ended December 31, 2011, MAXIM commenced accounting for its long-term coal supply agreement as a derivative contract at fair value (note 31). Accordingly, the carrying value of the intangible asset related to the coal contract was reduced to $nil and the total unamortized amount of the coal contract, $1,668, was written-off to depreciation and amortization on the statement of income.

(b) Amortization of intangible assets

Amortization for coal contracts, power contracts, acquisition costs and other are recognized in depreciation and amortization on the statement of income.

Amortization for the NOx credits will commence on January 1, 2013, in conjunction with the anticipated use of these credits to satisfy the requirement by Alberta Environment for reduced NOx emissions from generating facilities.

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

10. Intangible Assets and Goodwill (continued)

(c) Goodwill impairment test

The Corporation has allocated goodwill to the Milner generating facility and adjacent lands which include coal leases. The key assumptions used in measuring the recoverable amount of these assets, using the value in use method, were:

- Alberta independent forecast electricity prices until 2026 which averaged $78.97 $/MWh; revenue inflation of 2% where published independent forecast prices were not available
- Independent forecast metallurgical coal prices until 2020 which averaged $163.14 USD$/tonne; revenue inflation of nil where published independent forecast prices were not available
- Price of thermal coal inputs via long-term fixed price contracts; expense inflation of 2% where no long-term fixed price contract existed
- Alberta independent forecast natural gas prices until 2026; expense inflation of 2% where published independent forecast prices were not available
- Capacity factor (defined as generation divided by maximum continuous rating capacity)
- Labor expense inflation
- Goods expense inflation
- Discount rate, using observable market data inputs
- Capital expenditures
- A period greater than five years for projecting cash flow is appropriate due to the availability of independent long term forecasts of items affecting revenue

	2012
Pre-tax discount rate (%)	9.4
Labour expense inflation (%)	3.0
Goods expense inflation (%)	2.0
Capacity factor from 2013-2019 (%)	55.7
Capacity factor from 2020-2029 (%)	9.0

Based on the above inputs, the carrying amount of the Milner operating segment was found to be lower than the recoverable amount and therefore, there is no impairment of goodwill. The estimated recoverable amount of the goodwill related to the Milner operating segment exceeds its carrying amount by approximately $137,140 (2011 – $161,678).

Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that this assumption is required to change, with all other assumptions remaining constant, in order for the estimated recoverable amount to be equal to the carrying amount:

	2012
Average Alberta power prices (%)	(33.9)
Average metallurgical coal prices (%)	(20.6)

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

11. Other Assets

	December 31, 2012	December 31, 2011
Deposits and other	25	540
Long term prepaid expenses	4,027	4,131
Milner decommissioning reimbursement (note 14)	10,692	8,499
Total other assets	14,744	13,170

12. Trade and Other Payables

	December 31, 2012	December 31, 2011
Trade payables	14,046	15,362
Accrued liabilities and other payables	15,760	14,527
Risk management liabilitity - commodity swap	118	-
Risk management liabilitity - interest rate swap	-	71
Income taxes payable	169	41
Total trade and other payables	30,093	30,001

13. Loans and Borrowings

	December 31, 2012	December 31, 2011
Canadian bank facilities (a)	13,588	20,750
French bank facilities (b)	24,603	22,910
United States facility	21,966	23,559
Finance leases	4,914	7,792
	65,071	75,011
Less: deferred financing costs	1,215	1,367
Net loans and borrowings	63,856	73,644
Less: current portion	5,131	12,092
	58,725	61,552

(a) Canadian bank facilities

Effective May 18, 2012, the Corporation amended its existing credit facility with a Canadian bank ("bank"). This amended agreement matures on May 31, 2015 and is comprised of two facilities.

Facility A is a $40,000 revolving facility that has borrowing limits based on net book value of certain North American property, plant and equipment plus accounts receivable balances and bears interest at the bank's prime interest rate plus 1.25% or the bank's US base interest rate plus 1.25%. Bankers' acceptances under this facility bear a stamping fee of 2.50% per annum and letters of credit and letters of guarantee bear interest at 1.25% per annum. As at December 31, 2012, MAXIM had issued letters of credit of $9,133 against Facility A (December 31, 2011 - $6,797). The amount available to draw against Facility A at December 31, 2012 was $17,279.

Facility B is a $3,500 risk management facility, for interest rate swaps and foreign exchange. As at December 31, 2012, the amount drawn on facility B was $nil.

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

13. Loans and Borrowings (continued)

In conjunction with the aforementioned amended credit facility the previously designated Facility B and Facility C were repaid, and the previously designated Facility D became Facility B in the amended agreement.

In conjunction with the amendment, the bank now requires that the interest coverage ratio shall not be less than 8.0 times for the quarter ending December 31, 2012 and thereafter (note 33).

(b) French bank facilities

The Corporation has eighteen bank term loans associated with projects in France at December 31, 2012 with an aggregate balance of EUR 18,755 thousand (2011 – EUR 17,366 thousand). Loan obligations of EUR 7,226 bear variable interest at Euribor plus 1.4% to 2.6%, and obligations of EUR 11,529 bear fixed interest in the range of 4.4% - 5.1%, with either quarterly or monthly repayments, and expire between November 2014 and October 2024.

These loans are secured by assignment of key contracts and facilities or life insurance on certain officers of Comax.

(c) 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, 2012, Basin Creek had an outstanding balance of US$22,079 thousand (December 31, 2011 – US$23,165 thousand).

(d) Finance leases

Finance lease liabilities are payable as follows:

	December 31, 2012			December 31, 2011		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	1,293	216	1,077	3,296	446	2,850
Between one and five years	3,565	461	3,104	4,140	619	3,521
More than five years	804	71	733	1,548	127	1,421
	5,662	748	4,914	8,984	1,192	7,792

(e) Debt Covenants

As at December 31, 2012, MAXIM is in compliance with all debt covenants.

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

14. Provisions for Decommissioning

The Corporation's provisions are comprised of decommissioning liabilities that relate to the retirement of its electrical generating facilities. The decommissioning liabilities have been discounted at the risk-free rate, excluding credit risk of the Corporation, which ranges from 1.8% to 3.4% (December 31, 2011 – 1.9% to 3.3%) depending on the timeframe of when the liability will be settled. The Corporation is required to re-measure the provision at each reporting period in order to reflect rates in effect at that time. The total undiscounted amounts of estimated obligations are approximately $31,656 (December 31, 2011 - $37,298) and are expected to be incurred in nine to forty-one 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, 2010	16,198
Additions to estimated liabilities	13,848
Accretion	734
Changes in previously estimated liabilities due primarily to cost estimate revisions	(8,422)
Reclassification to liabilities held for sale	(682)
Revaluation of foreign currency denominated liabilities	36
Balance, December 31, 2011	21,712
Accretion	466
Changes in previously estimated liabilities due primarily to abandonment date revision (a) (b)	(557)
Revaluation of foreign currency denominated liabilities	(57)
Balance, December 31, 2012	21,564

(a) As a result of the new coal-fired regulations (note 9(d)), the abandonment date of the Milner facility decreased by six years from 2035 to 2029.

(b) The Corporation is responsible for the decommissioning of the Milner Power Station subject to the Balancing Pool reimbursing MAXIM for the first $15,000 of costs. The fair value of the reimbursement from the Balancing Pool for the year ended December 31, 2012 is included in other assets (note 11).

15. Share Capital

	Number of Shares	$
Common Shares of Maxim Power Corp.		
Opening balance, December 31, 2010	54,034,758	155,481
Share options exercised	49,000	205
Common Shares, December 31, 2011 and December 31, 2012	54,083,758	155,686

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

15. Share Capital (continued)

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.

16. Share-based Compensation

The Corporation has an employee stock option plan under which employees, directors and key consultants are eligible to receive grants. An "evergreen" policy was adopted by the Corporation in the second quarter of 2011. This policy applies to all new stock options granted on or after April 27, 2011. All options granted prior to this date are not be impacted by the adoption of this policy. The "evergreen" approach ensures that subject to continued employment with the Corporation, disregarding changes for merit, a comparable number of stock options will be granted as at the expiry date of the stock options, regardless of whether or not those stock options have been exercised.

Stock options granted under the evergreen policy 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, 2012			Year ended December 31, 2011		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of year	4,026,600	$	3.09	3,400,117	$	4.32
Exercised (b)	-		-	(49,000)		(2.67)
Forfeited	(534,129)		(2.94)	(171,167)		(4.39)
Granted (a)	102,500		2.00	2,491,983		3.11
Cancelled	-		-	(949,000)		(6.43)
Expired	(116,867)		(6.70)	(696,333)		(4.34)
Outstanding, end of year (c)	3,478,104	$	2.95	4,026,600	$	3.09
Exercisable	1,895,129	$	2.89	1,200,617	$	3.18

The Corporation recorded non-cash share-based compensation of $644 (December 31, 2011 - $1,055) for the year ended December 31, 2012.

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

16. Share-based Compensation (continued)

(a) 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 grants during the years ended December 31, 2012 and 2011 as follows:

	2012	2011
Fair value of each option ($)	0.66	1.01
Share price at grant date ($)	2.00	3.11
Exercise price ($)	2.00	3.11
Risk-free interest rate (%)	1.31	2.32
Expected life (years)	3.00	4.00
Expected volatility (%) (i)	47.66	44.86

(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.

(b) During the year ended December 31, 2012, there were no options exercised. The weighted average share price at the date of exercise for options exercised in 2011 was $2.99.

(c) As at December 31, 2012, the range of exercise prices was $1.93 - $5.89 (December 31, 2011 - $2.30 - $7.76) and the weighted average remaining contractual life was 1.39 years (December 31, 2011 – 2.31 years).

17. Revenue

	December 31, 2012	December 31, 2011
Electricity / power revenue	105,739	122,089
Capacity revenue	38,621	24,250
Thermal heat revenue	8,379	8,039
Ancillary and other revenue	3,792	6,906
Total revenue	156,531	161,284

18. Expenses by Nature

	December 31, 2012	December 31, 2011
Fuel cost	61,255	55,702
Operating and maintenance	40,040	43,147
Office and administrative	4,528	6,000
Wages and employee benefits	17,113	16,915
Depreciation and amortization	18,890	21,698
Loss on commodity swaps	40	5,994
(Loss) gain on derivative coal contracts	9,065	(9,440)
Other income	(3,770)	(2,032)
Total expenses	147,161	137,984

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

19. Other Income

	December 31, 2012	December 31, 2011
Gain on sale of generating facility (note 6)	3,058	-
Loss on sale of generating equipment	(34)	-
Penalty income and insurance proceeds (a)	1,097	2,032
Allowance for doubtful accounts (a)	(351)	-
Total other income	3,770	2,032

(a) This consists of performance penalties and insurance proceeds from France service providers. These payments compensate MAXIM for out-of-pocket costs and lost revenue. A portion of these penalties have been contested by the counterparty in conjunction with ongoing disputes related to the capital program in France (note 23). Therefore, the Corporation has provided an allowance for these amounts due to concerns with potential collectability.

20. Finance Expense

	December 31, 2012	December 31, 2011
Interest expense	3,245	3,793
Amortization of deferred financing costs	314	394
Accretion of provisions	271	592
Foreign exchange gain	(117)	(252)
Finance expense	3,713	4,527
Interest income	(50)	(57)
Total finance expense, net	3,663	4,470

21. Earnings per Share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2012 was based on the earnings attributable to common shareholders of $3,625 (2011 – $15,316), and weighted average number of common shares outstanding for the year of 54,083,758 (2011 – 54,070,550), calculated as follows:

Weighted average number of common shares (basic):

	2012	2011
Issued common shares at January 1	54,083,758	54,034,758
Effect of stock options exercised	-	35,792
Weighted average number of common shares at December 31	54,083,758	54,070,550

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

21. Earnings per Share (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2012 was based on the earnings attributable to common shareholders of $3,625 (December 31, 2011 – $15,316), and weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares for the year of 54,086,032 (December 31, 2011 – 54,070,550).

For the 2012 diluted income per share calculation, 2,274 (December 31, 2011 – nil) shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options. Weighted average number of common shares (diluted):

	2012	2011
Weighted average number of common shares (basic)	54,083,758	54,070,550
Effect of exercisable stock options	2,274	-
Weighted average number of common shares (diluted) at December 31	54,086,032	54,070,550

The average market value of the Corporation's shares for the purposes of calculating the dilutive effect of exercisable stock options was based on the quoted market prices for the period during which the stock options were outstanding.

22. Commitments

(a) Canada

(i) Milner Power Limited Partnership ("MPLP") has assumed the responsibility for the decommissioning and reclamation of the power station lands at the HR 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) On November 8, 2012, MPLP amended one of its long-term coal supply agreements. The amended agreement and previous coal supply agreements will expire by the end of 2015, and based on the current price in the agreements the purchase commitment for all coal supply agreements remaining to December 31, 2015 is $34,297, including transportation costs.

(iii) The Corporation entered into a terminal services agreement for port capacity relating to coal exports in British Columbia. The contract commences January 1, 2015 for a ten year term with an option to renew for an additional two years. The commitment for this contract for 2015 is $4,725 and $5,670 for each of 2016 through 2024.

(iv) The Corporation entered into various operating and maintenance ("O&M") contracts to supply services for the operation of certain Canadian facilities. These contracts expire on December 31, 2015 with commitments totaling $491.

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

22. Commitments (continued)

(v) The Corporation has entered into a natural gas transportation service agreement 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 $1,290 and $3 has been incurred by the counterparty as at December 31, 2012.

The Corporation has the option to cancel the agreement up to January 1, 2014, and would only have a commitment to reimburse out-of-pocket costs of the counterparty. If the agreement is cancelled after January 1, 2014 the Corporation has an additional commitment of $798 regarding the service portion of the contract.

(b) United States

The Corporation, through its US subsidiaries, has entered into various O&M contracts for fixed monthly fees which escalate by the amount of inflation on an annual basis. These contracts expire between 2013 and 2026 with commitments totaling US$11,485 thousand.

(c) France

The Corporation has operating and maintenance service contracts with two service providers for its facilities in France. These contracts expire between 2014 and 2024 with commitments totaling EUR 13,173 thousand.

23. Contingencies

The Corporation, through its France subsidiary, is disputing a request for payment from a provider of services and equipment for the Corporation's capital program. The Corporation's view is that the request is invalid under an existing fixed-price agreement for capital expenditures. However, if the Corporation is unsuccessful in defending its position, then amounts could potentially be payable up to EUR 1,704. The Corporation does not expect the outcome of the dispute to have a material effect on its financial position.

24. Operating Leases

(a) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2012	December 31, 2011
Less than one year	772	641
Between one and five years	2,618	2,636
More than five years	119	-
Total	3,509	3,277

The Corporation leases office space and equipment under operating leases. These leases typically run for a period of 1 - 8 years and office space leases are customarily renegotiated for similar terms, at then-current market rates. During the year ended December 31, 2012, $713 was recognized as an expense in the statement of income in respect of operating leases (December 31, 2011 - $637).

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

24. Operating Leases (continued)

(b) Leases as lessor

The Corporation leases assets under tolling agreements in the normal course of business. Tolling agreements are present at one generating facility in Canada and two generating facilities in the United States. All three of these agreements are cancellable under the terms and conditions of the lease.

25. Income Taxes

(a) Tax expense (benefit) recognized in statement of income

	December 31, 2012	December 31, 2011
Current tax expense (benefit)		
Current year	1,220	(89)
Adjustment for prior years tax returns	15	(1)
	1,235	(90)
Deferrred tax expense (benefit)		
Origination and reversal of temporary differences	536	3,971
Changes in tax rates	(29)	67
Change in previously unrecognised tax losses	96	-
Change in tax provision related to transfer pricing	-	(726)
Adjustment for prior years tax returns	85	220
	688	3,532
Total tax expense	1,923	3,442

(b) Tax recognized in other comprehensive income

	December 31, 2012	December 31, 2011
Unrealized losses on derivatives designated as cash flow	(2)	(40)
Realized losses on derivative instruments designated as cash flow hedges, included in net income	22	38
Exchange differences on translation of foreign operations	89	41
	109	39

(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, 2012 of 25.00% to income before income taxes. A reconciliation of this difference is presented below. This statutory rate differs from the statutory rate in 2011 of 26.50%, based on a substantive enactment of legislation to reduce the statutory federal tax rate by 1.5% on January 1, 2012.

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

25. Income Taxes (continued)

A reconciliation of the differences is as follows:

	December 31, 2012	December 31, 2011
Net Income before tax	5,707	18,830
Tax Rate	25.00%	26.50%
Computed income taxes	1,427	4,990
Increase (decrease) in taxes:		
Effect of tax rates in foreign jurisdictions	1,236	(448)
Changes in tax rates	(29)	53
Non-deductible expenses	252	116
Tax exempt income	(985)	(947)
Foreign withholding taxes	76	27
EarthFirst tax basis subsequent to asset acquisition	-	101
Change in previously unrecognised tax losses	143	-
Change in tax provision related to transfer pricing	-	(484)
Under (over) provided in prior years	(197)	34
Total tax expense	1,923	3,442

(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, 2012 there are net-capital loss carry-forwards of $3,150 (December 31, 2011- $3,150) 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. At the current time Maxim does not anticipate capital gains in excess of these unrecognized net-capital losses.

As at December 31, 2012 there are non-capital loss carry-forwards of $983 (December 31, 2011 - $1,780) in the Netherlands. These non-capital loss carry-forwards are unrecognized as at December 31, 2012. These non-capital loss carry-forwards were recognized as at December 31, 2011. At the current time Maxim does not anticipate income in excess of these unrecognized non-capital losses before expiry. Given the change in recognition a tax provision was booked in 2012 for the tax-effected amount of non-capital losses outstanding at December 31, 2012.

(e) Unrecognized deferred tax liabilities

Deferred income tax liabilities of $416 as at December 31, 2012 (December 31, 2011 - $169) have not been recognized for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are reinvested for the foreseeable future and therefore no deferred tax liability or expense has been recorded. Unremitted earnings subject to this withholding tax totaled $8,318 at December 31, 2012 (December 31, 2011 - $3,379).

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

25. Income Taxes (continued)

There are taxable temporary differences of $11,580 as at December 31, 2012 (December 31, 2011 - $502) related to investments in certain subsidiaries for which no deferred tax liability has been recognized. No deferred tax liability has been recognized because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

(f) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
December 31,	2012	2011	2012	2011	2012	2011
Non-capital loss carry forwards	33,277	38,421	-	(2,320)	33,277	36,101
Capital assets	10,040	10,102	(24,308)	(23,882)	(14,268)	(13,780)
Inventory	-	-	(1,139)	(1,106)	(1,139)	(1,106)
Other	1,495	329	(3,731)	(5,331)	(2,236)	(5,002)
	44,812	48,852	(29,178)	(32,639)	15,634	16,213
Set off of tax	(15,864)	(20,091)	15,864	20,091	-	-
Net tax assets (liabilities)	28,948	28,761	(13,314)	(12,548)	15,634	16,213

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

	Net Operating	Capital Assets	Inventory	Other	Total
At December 31, 2010	35,505	(13,110)	(1,094)	(1,693)	19,608
Charged(credited) to income	807	(926)	(16)	(3,397)	(3,532)
Charged(credited) to other comprehensive income	(211)	256	4	(10)	39
Other	-	-	-	98	98
At December 31, 2011	36,101	(13,780)	(1,106)	(5,002)	16,213
Charged(credited) to income	(2,764)	(627)	(34)	2,737	(688)
Charged(credited) to other comprehensive income	(60)	139	1	29	109
At December 31, 2012	33,277	(14,268)	(1,139)	(2,236)	15,634

26. Related Party Transactions

(a) Compensation of key management personnel:

	December 31, 2012	December 31, 2011
Short-term employee benefits, including wages and benefits	1,801	1,998
Share-based payments	31	1,627
Total	1,832	3,625

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

There were no other related party transactions during 2012 or 2011.

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

26. Related Party Transactions (continued)

(b) Corporate entities:

	Country of Incorporation	Ownership Interest % 2012	2011
Milner Power Limited Partnership	Canada	100	100
Maxim Power (B.C.) Inc.	Canada	100	100
Maxim Power (USA), Inc.	USA	100	100
Comax France S.A.S.	France	100	100
Summit Coal Limited Partnership	Canada	100	100

27. Employee Benefits

Benefits are based on plan contributions under the defined contribution pension plan. During 2012, the pension expense for this plan was $316 (2011 - $296). There has been no change in the contribution rate during 2012.

28. Change in Non-Cash Working Capital

	December 31, 2012	December 31, 2011
Operations		
Trade receivables	(8,943)	(5,538)
Prepaid expenses and deposits	(82)	133
Inventories	(5,514)	376
Trade and other payables	(123)	1,609
Deferred revenue	43	-
	(14,619)	(3,420)

	December 31, 2012	December 31, 2011
Investing		
Trade and other payables	(788)	406
	(788)	406

29. 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 four reportable segments with power generation facilities located in Canada, United States of America and France. The Corporation has chosen to organize the entity around geographic areas. In Canada, the Corporation has further organized the segments due to a difference in revenue volatility and generation technology of the facilities. For each of the segments, results are reviewed regularly by the Corporation's senior management to make decisions about resources to be allocated to the segment and to assess its performance.

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

29. Segmented Information (continued)

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, 2012	Canada - Milner	Canada - Other	USA	France	Total	Other Corporate Amounts	Total Consolidated
Revenues from external customers	57,546	2,814	54,835	41,336	156,531	-	156,531
Finance expense, net	218	70	1,747	(3,550)	(1,515)	5,178	3,663
Depreciation and amortization	3,394	629	5,633	9,171	18,827	63	18,890
Operating expense	46,055	3,879	36,060	31,805	117,799	-	117,799
Operating income (loss)	(892)	1,363	13,145	107	13,723	(4,353)	9,370
Other material non-cash items							
Unrealized loss on derivative coal contracts	9,065	-	-	-	9,065	-	9,065
Capital expenditure	10,333	1,890	2,509	8,077	22,809	75	22,884

December 31, 2011	Canada - Milner	Canada - Other	USA	France	Total	Other Corporate Amounts	Total Consolidated
Revenues from external customers	69,150	6,882	49,230	36,022	161,284	-	161,284
Finance expense, net	107	(170)	2,100	(3,018)	(981)	5,451	4,470
Depreciation and amortization	5,948	794	6,352	8,522	21,616	82	21,698
Operating expense	49,821	4,432	35,967	26,726	116,946	-	116,946
Operating income (loss)	18,994	1,656	6,910	1,242	28,802	(5,502)	23,300
Other material non-cash items							
Unrealized gain on derivative coal contracts	6,870	-	-	-	6,870	-	6,870
Capital expenditure	7,304	460	471	5,572	13,807	16	13,823

The Corporation's revenues are predominantly from entities formed by governments for the purpose of facilitating commerce in the utility sector in each of the reportable segments. During 2012, $56,345 (2011 – $62,427) of the Corporation's revenue was attributable to one of these entities in Canada – Milner and $2,277 (2011 - $4,347) and for two entities in Canada – Other. In France, $41,336 (2011 – $36,022) of the Corporation's revenue in 2012 was attributable to one of these entities and in the United States, $38,415 (2011 – $30,160) of the Corporation's revenue in 2012 was attributable to one of these entities.

30. 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

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

30. Financial Risk Management (continued)

This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, polices 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.

(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 service.

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, 2012	December 31, 2011
Trade and other receivables	38,540	29,425
Cash and cash equivalents	11,332	13,424
Total	49,872	42,849

Trade receivables are predominantly with entities formed by governments for the purpose of facilitating commerce in the utility sector (note 29). For trade receivables from customers who are not government sponsored entities, the Corporation obtains letters of credit or other security such as guarantees where appropriate. The Corporation utilizes regular credit monitoring processes to mitigate credit risk.

The aging of trade receivables at the reporting date was:

	2012			2011		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	36,956	161	36,795	26,180	-	26,180
Past due 1-30 days	516	-	516	579	-	579
Past due 31-120 days	445	-	445	1,912	-	1,912
Past due more than 120 days	1,127	343	784	916	162	754
Total	39,044	504	38,540	29,587	162	29,425

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

30. Financial Risk Management (continued)

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

(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 Corporation maintains a revolving credit facility with a maximum draw of 90% of allowable Canadian accounts receivable and 75% of allowable US accounts receivable balance plus 50% of the net book value ("NBV") of Canadian PP&E plus the lesser of $20,000 and 50% of the NBV of US PP&E, up to a maximum of $40,000. At December 31, 2012, MAXIM had available $17,279 and had drawn $9,133 as letters of credit against this facility. At December 31, 2011, MAXIM had available $8,269 and had drawn $6,797 as letters of credit against previous facilities.

Through its French subsidiaries the Corporation has overdraft authorization to a maximum of EUR 1,600 as at December 31, 2012 (2011 – EUR 1,800). As at December 31, 2012, the French subsidiary had drawn EUR nil (2011 - EUR 86) against the facilities.

Through its French subsidiaries, the Corporation has credit facilities with a French bank for an amount of EUR 1,320. The facility provides working capital financing and is secured by certain accounts receivable balances. The facility expiries in April 2013, is repayable upon collection of accounts receivable and is due upon demand. As at December 31, 2012, EUR 1,221 (2011 – nil) has been drawn on this facility.

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

December 31, 2012	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	58,942	76,384	3,389	3,094	26,117	11,188	32,596
Finance lease payments	4,914	6,523	872	566	2,252	1,998	835
Bank indebtedness	1,602	1,602	1,602	-	-	-	-
Trade and other payables	29,924	29,924	29,924	-	-	-	-
	95,382	114,433	35,787	3,660	28,369	13,186	33,431
Derivative financial instruments							
Interest rate swaps	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

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

30. Financial Risk Management (continued)

December 31, 2011	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	65,852	91,937	6,530	5,831	23,472	15,186	40,918
Finance lease payments	7,792	8,878	1,166	2,090	2,256	1,831	1,535
Bank indebtedness	113	113	113	-	-	-	-
Trade and other payables	29,960	29,960	29,960	-	-	-	-
	103,717	130,888	37,769	7,921	25,728	17,017	42,453
Derivative financial instruments							
Interest rate swaps	71	71	71	-	-	-	-
	71	71	71	-	-	-	-

(c) 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 transactions in foreign currencies other than the functional currency of the respective entity. Balances in entities denominated in currencies other than the Canadian dollar generate foreign currency translation gains and losses, which are included in other comprehensive income. The Corporation does not hedge this exposure other than as described below.

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.

A strengthening or weakening of the Canadian dollar against the United States dollar and European euro would have an insignificant impact on profit or loss.

(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 entering into interest rate swap agreements to change floating rate debt to fixed rate debt. Project financing for Basin Creek and seven capital lease obligations are at a fixed rate. The remaining debt and capital leases are at variable rates of interest. The carrying amounts of the Corporation's interest-bearing financial liabilities were as follows:

	December 31, 2012	December 31, 2011
Fixed rate instruments		
Financial liabilities	38,065	41,949
Total	38,065	41,949
Variable rate instruments		
Financial liabilities	27,006	33,062
Total	27,006	33,062

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

30. Financial Risk Management (continued)

An increase of interest rates of 100 basis points, as indicated below, would have decreased pre-tax profit or loss by the amounts shown below. A decrease of interest rates by this amount would have the opposite effect on pre-tax profit or loss.

	Profit or loss		Equity	
	Interest rates increase	Interest rates decrease	Interest rates increase	Interest rates decrease
December 31, 2012				
Variable rate instruments	(217)	217	-	-
Interest rate swap	82	(82)	-	-
Cash flow sensitivity (net)	(135)	135	-	-
December 31, 2011				
Variable rate instruments	(328)	328	-	-
Interest rate swap	233	(233)	67	(67)
Cash flow sensitivity (net)	(95)	95	67	(67)

This analysis assumes that all other variables, in particular foreign currency rates and commodity prices, remain constant. The analysis is performed on the same basis for 2011.

During 2012, MAXIM's interest rate swap agreements expired. MAXIM is now exposed to interest rate fluctuations on its Canadian facilities.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity, natural gas and coal. 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. The Corporation manages the risk of coal price fluctuation through a long-term coal supply contract to purchase a significant portion of its coal requirements at a fixed price.

For the year ended December 31, 2012, an appreciation in electricity prices by $1 per MWh would have increased net income by $664 (2011 - $436). A weakening of electricity prices by this amount would have the opposite effect on other comprehensive income and net income. This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2011.

The Corporation, through its Milner subsidiary, entered into energy derivative contracts to economically hedge the sale of power generation. MAXIM entered into multiple fixed for floating commodity swap agreements in 2012 that effectively fixed the price of a portion of the production of the Milner generating facility.

For the year ended December 31, 2012, the realized gains on commodity price swaps were $78 (2011 – $5,994 loss).

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

31. Derivative Coal Contracts

The following table indicates the carrying value and the fair value of derivative coal contracts:

December 31, 2012	Carrying amount	Fair value
Derivative coal contracts - assets	-	-
Derivative coal contracts - liabilities	2,197	2,197

December 31, 2011	Carrying amount	Fair value
Derivative coal contracts - assets	6,870	6,870
Derivative coal contracts - liabilities	-	-

The Corporation, through a subsidiary, has a long-term contract expiring December 2015 to purchase coal at a fixed price for the Milner generating facility. During 2011, the Corporation entered into agreements with the supplier to remarket fixed volumes of coal at a fixed price. As a result the Corporation's long-term coal supply agreement is now accounted for as a derivative contract.

For the year ended December 31, 2012, realized gains on the coal contracts were $nil (2011 – $2,570). For the year ended December 31, 2012, unrealized losses on the coal contracts were $9,065 (2011 – $6,870 gain).

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 statement of financial position, are as follows:

December 31, 2012	Designated at fair value	Fair value - hedging instruments	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	-	-	11,332	-	11,332	11,332
Trade and other receivables	-	-	38,540	-	38,540	38,540
Total	-	-	49,872	-	49,872	49,872
Trade payables	-	-	-	29,806	29,806	29,806
Deferred revenue	-	-	-	285	285	285
Bank indebtedness	-	-	-	1,602	1,602	1,602
Loans and borrowings	-	-	-	63,856	63,856	72,925
Coal contract	2,197	-	-	-	2,197	2,197
Commodity swap (a)	118	-	-	-	118	118
Total	2,315	-	-	95,549	97,864	106,933

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

32. Fair Value (continued)

December 31, 2011	Designated at fair value	Fair value - hedging instruments	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	-	-	13,424	-	13,424	13,424
Trade and other receivables	-	-	29,425	-	29,425	29,425
Coal contract	6,870	-	-	-	6,870	6,870
Total	6,870	-	42,849	-	49,719	49,719
Trade payables	-	-	-	29,889	29,889	29,889
Deferred revenue	-	-	-	250	250	250
Bank indebtedness	-	-	-	113	113	113
Loans and borrowings	-	-	-	73,644	73,644	79,850
Interest rate swaps (a)	-	71	-	-	71	71
Total	-	71	-	103,896	103,967	110,173

(a) Included in trade and other payables on the statement of financial position.

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 derivatives or risk management contracts are all classified as Level 1 under the fair value hierarchy as they are based on unadjusted quoted prices in active markets for identical instruments.

The fair value of interest rate and commodity swaps are classified as Level II under the fair value hierarchy as the fair values are based on observable inputs (rate based on bankers’ acceptances) adjusted for the Corporation’s risk profile. MAXIM determined the fair value of the swaps using a counterparty quote specific to the Corporation. The fair value for coal agreements is 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 coal agreements have been determined using valuation techniques with inputs that are observable such as Newcastle coal futures prices and Canadian to United States dollar foreign exchange forward prices, as well as unobservable inputs such as historical margins on previous coal remarketing agreements. Due to the long-term nature of the coal supply agreement, the Corporation used an annualized discount rate of 1.21% in 2012 (2011 - 0.95%) for future cash flows based on Government of Canada Bond Rates.

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

32. Fair Value (continued)

The fair value of the Corporation's risk management assets and (liabilities) and derivative coal contracts are as follows:

As at December 31, 2012

	Level I	Level II	Level III	Total
Commodity swap	-	(118)	-	(118)
Coal purchase contract	-	-	(2,197)	(2,197)
	-	(118)	(2,197)	(2,315)

As at December 31, 2011

	Level I	Level II	Level III	Total
Interest rate swaps	-	(71)	-	(71)
Coal purchase contract	-	-	6,870	6,870
	-	(71)	6,870	6,799

The following table summarizes the key factors impacting the Corporation's Level III fair value of derivative coal contracts during the year ended December 31, 2012:

	Level III
Derivative coal contracts at December 31, 2011	6,870
Changes attributable to:	
Amendment to existing contract	2,479
Market price changes on contract during 2012	(8,008)
Contracts settled	(3,538)
Derivative coal contracts at December 31, 2012	(2,197)
Additional Level III information:	
Realized loss included in earnings before income taxes	-
Unrealized loss included in earnings before income taxes	9,065

The effect of using reasonably possible alternative assumptions as inputs to valuation techniques from which the Level III coal contract derivatives fair values are determined at December 31, 2012 is estimated to be +/- $943 (December 31, 2011 - $2,826). The Corporation has considered a +/- 5% change of the profit margin on the coal remarketing agreements as a reasonably possible alternative assumption.

The total change in Level III financial assets and liabilities and derivative contracts held at December 31, 2011 that was recognized in pre-tax earnings for the year ended December 31, 2012 was $9,065 loss (December 31, 2010 - $9,440 gain), included in loss (gain) on derivative coal contracts on the statement of income.

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

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 United States and France consistent with the growth strategy of the Corporation.

The Corporation is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential acquisitions, 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:

	December 31, 2012	December 31, 2011
Long-term debt	58,942	65,852
Capital lease obligation	4,914	7,792
Less: Unrestricted cash, net of bank indebtedness	(9,730)	(13,311)
Net debt	54,126	60,333
Equity attributable to shareholders	246,110	243,904
Add back: Cash flow hedge reducing equity	-	71
	300,236	304,308

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

(a) net funded debt to net earnings before interest, taxes, amortization and depreciation from certain assets shall not be greater than 2 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 $192,000 at the inception of the amended credit facility, increasing each year by 80% of annual net income; as at December 31, 2012, the minimum equity balance required was $195,027; and

(e) the funded debt to capital ratio shall not be greater than 0.60 to 1.

During the year, the Corporation complied with all of the above debt covenants.

There have been no changes in the Corporation's approach to capital management from the previous years.

34. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial presentation adopted for the present year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated March 21, 2013 and should be read in conjunction with the audited consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the year ended December 31, 2012. MAXIM prepares its audited consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("GAAP"). In this MD&A, MAXIM also reports certain non-GAAP measures. See page 22 for an explanation of non-GAAP measures.

Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in the Glossary of Terms. Throughout this MD&A, dollar amounts within tables are in thousands of Canadian dollars unless otherwise noted.

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FORWARD-LOOKING INFORMATION

Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include the ability of the Corporation to implement its strategic initiatives, the availability and price of energy commodities, government and regulatory decisions, plant availability, competitive factors in the power industry and prevailing economic conditions in the regions that the Corporation operates. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Corporation believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements speak only to the date of this MD&A. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws.

Readers are cautioned that management's expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. With respect to forward-looking statements contained within this MD&A, MAXIM has made the following assumptions:

- Future capital expenditures are estimated based upon planned maintenance projects and generation levels at each facility.
- Development projects, including SUMMIT Coal (“SUMMIT”), Milner expansion, Deerland, and Buffalo Atlee, are based upon current estimates of capital cost, projected returns on investment, the duration of the regulatory approval process, and the ability to obtain the necessary financing.
- Management estimates that cash flows from operations will meet commitments and scheduled maintenance programs throughout 2013. This estimate is based upon current budgets and forecasts. Interruptions to generation, higher than anticipated operating costs, lower realized electricity prices, unfavorable moves in interest rates and foreign exchange rates, failure of counterparties to meet their obligations, and various other factors may inhibit the Corporation from meeting its obligations.
- MAXIM has credit facilities to support liquidity requirements of the Corporation. The facilities are margined on accounts receivable and property, plant and equipment; therefore, the ability to draw on these facilities is dependent upon operating performance.
- MAXIM estimates total capital expenditures of $26.0 million to be incurred in 2013. These costs are based upon estimates and may differ from the actual costs to complete. MAXIM further estimates that $14.1 million of these expenditures will be financed from French debt facilities and the remainder will be financed from operating cash flows.
- In determining potential development sites, management estimates future electricity demand and power prices in these areas. The actual future demand and power prices in these areas may be different from expected.
- MAXIM anticipates all necessary provincial, state and federal regulations for environmental emissions legislation will be met. Changes to environmental legislation may affect the ability of MAXIM to comply with regulations.
- MAXIM was in compliance with all financial covenants on its credit facilities as at December 31, 2012 and anticipates meeting these covenants throughout the next twelve months.

BUSINESS OF MAXIM

MAXIM is an Independent Power Producer ("IPP") engaged in the acquisition and development, ownership and operation of power generation facilities and the resultant sale of generating capacity, electricity and thermal energy. At December 31, 2012 and as at the date of this MD&A, MAXIM had forty-one power plants with 804 MW of electric and 118 MW of thermal net generating capacity operating in Canada, the United States and France. The Corporation operates in four reportable business segments as follows:

Canada – Milner

MAXIM's H.R. Milner generating facility ("Milner") is a 150 MW coal-fired power station located near the town of Grande Cache, Alberta, which has been in continuous operation since 1972. Milner operates as a merchant power facility by selling electricity to the Alberta Electric Systems Operator ("AESO") at spot market prices. Management at times will use strategic hedging, to varying degrees, to reduce price risk during periods in which extreme price volatility is expected to persist.

Canada - Other

In addition to its Milner coal plant, at December 31, 2012 MAXIM's Canadian operations included one waste heat facility and two methane gas-fired facilities with an aggregate 16 MW of electric and 9 MW of thermal generating capacity. These facilities, combined with MAXIM's corporate activities comprise the "Canada – Other" reporting segment.

The Gold Creek facility is located in close proximity to Grande Prairie, Alberta and utilizes waste heat from a TransCanada Pipelines mainline compressor to generate power. Gold Creek sells its generation to the AESO at spot market prices.

The Hartland and Vancouver Landfill ("VLF") facilities are located in British Columbia. These facilities each have twenty year Electricity Purchase Agreements ("EPA") with BC Hydro, which expire in 2024 and 2023, respectively. These facilities are fueled by methane gas supplied by the Capital Region District landfill and the City of Vancouver landfill, respectively.

MAXIM has received licenses, permits and regulatory approvals for SUMMIT's Mine 14 development project, which consists of an underground metallurgical coal mine ("Mine 14") located near Grande Cache, Alberta. Current estimates of the Mine 14 resource resources are 18.9 million tonnes of low-mid volatile metallurgical coal reserves with a mine life of 17 years. Refer to the Overall Performance section on page 4 for further information in respect to the technical report that was prepared by Golder Associates. MAXIM has also received the required licenses, permits and regulatory approvals to construct a 190 MW natural gas-fired peaking station ("Deerland") located near Bruderheim, Alberta. The Corporation is also proposing to develop a generating facility ("M2") to be located on the site of its Milner facility. The original M2 design is a 500 MW coal-fired generating facility, which MAXIM has received licenses, permits and regulatory approvals to construct. On September 12, 2012, the Government of Canada enacted new greenhouse gas legislation that limits the amount of carbon dioxide emitted by coal-fired generation facilities. As a result of the newly enacted regulatory requirements, management is reviewing alternative strategies for its Milner expansion project. Refer to the Acquisitions and Development Initiatives section on page 18 for updates on these projects.

United States

MAXIM owns five natural gas-fired facilities with a combined net generating capacity of 446 MW in its United States segment.

The Capitol District Energy Centre Cogeneration Associates ("CDECCA"), Pittsfield and Pawtucket facilities are located in the North East United States in the ISO New England ("ISO-NE") market. All three of these facilities currently receive monthly capacity payments along with electrical generation revenue at the spot price from the ISO-NE. The CDECCA facility also provides steam and chilled water under a long-term contract with the State of Connecticut until 2019.

The Forked River and Basin Creek facilities are located in New Jersey and Montana, respectively. The facilities operate under long-term tolling agreements for which they receive monthly capacity payments until 2018 and 2026, respectively.

France

The France segment consists of thirty-two natural gas-fired facilities with a combined 192 MW of electrical and 109 MW of thermal net generating capacity.

MAXIM's wholly-owned subsidiary COMAX France S.A.S. ("COMAX") operates cogeneration facilities operating under twelve year contracts with Electricité de France ("EdF"). Under these contracts, electricity is sold to EdF and thermal energy is sold to local businesses such as greenhouses. COMAX has an annual option to choose the method of operation, either dispatch, in which EdF calls upon the facility for production, or continuous cogeneration, in which the facility produces electricity and thermal energy for the full season. The operating season under these contracts runs from November 1 to March 31. At the end of an EdF contract, COMAX can renew the cogeneration contract for an additional twelve years upon obtaining a thermal energy contract and upgrading the facility to current efficiency standards. All cogeneration facilities have agreements to supply thermal energy to various third parties for the same term as the EdF contract.

COMAX also provides electrical peaking services to EdF. Under the peaking contracts, which have eight-year terms, peaking operations are provided during the entire year rather than restricted to a five-month operating season. The provision of peaking services represents an important diversification of services for COMAX. There were eleven plants providing peaking services in 2012 and three additional plants are scheduled to begin providing peaking services in 2013.

OVERALL PERFORMANCE

Highlights and notable events

On January 25, 2012, MAXIM agreed to sell its 26 MW Alberta Power Project facilities for $13.0 million. The sale was effective January 1, 2012 and the transaction closed on February 29, 2012, whereby MAXIM recognized a $3.1 million gain on sale. MAXIM utilized the sales proceeds to advance its development projects in Alberta, including Deerland, SUMMIT, and M2.

On March 21, 2013, MAXIM issued updated Technical Report for its Mine 14 project, which is prepared by Golder Associates in accordance with National Instrument 43-101 Standards of Disclosures for Mineral Projects. Measured and Indicated Resources are 121.1 million tonnes and Inferred Resources are 67.5 million tonnes. Proven and Probable Reserves, which are included in the Resource estimate, are 18.9 million tonnes of low-mid volatile metallurgical coal. As a result, the estimated mine life of Mine 14 is 17 years, which is based on the currently planned mining program. Refer to the March 2013 Technical Report, which has been filed on MAXIM's SEDAR profile (www.sedar.com), for further information.

On May 18, 2012, MAXIM entered into an amended credit agreement that provides a $40 million, three-year-committed revolving credit facility and a $3.5 million interest rate swap and foreign exchange facility. These facilities mature on May 31, 2015. MAXIM will use the revolving credit facility to support growth initiatives.

During the fourth quarter of 2012, MAXIM appointed financial advisors to review the Corporation's investments in the United States and France in order to identify options to maximize shareholder value. Credit Suisse Securities (USA) LLC has been engaged as financial advisor with respect to MAXIM's investments in the United States and HSBC Bank plc has been engaged as financial advisor with respect to MAXIM's investments in France. The evaluation of these initiatives is ongoing.

On April 19, 2012, the Alberta Utilities Commission ("AUC") upheld the complaint made by MAXIM that the ISO Line Loss Rules contravened the Transmission Regulation for the periods from 2006 to 2008. The AUC made further findings that the present rule, which has been in place since 2009 does not succeed under the new standard of review. The AUC is seeking submissions from all of the parties on how best to proceed. The Corporation anticipates that these proceedings will have a positive impact on MAXIM by establishing compensation owing to MAXIM.

On September 12, 2012, the Government of Canada enacted regulations for coal-fired generation facilities. These new regulations limit carbon dioxide emissions for both existing power plants upon realizing their economic life and new power plants commissioned after July 1, 2015. As a result of the newly enacted regulatory requirements, management is reviewing alternative strategies for its Milner expansion project. In addition to this, the existing Milner facility is allowed to operate at an annual capacity factor of up to 9% or less, which is approximately 113,500 MWh per annum, effective January 1, 2020 and discontinue operations by December 31, 2029.

MAXIM's results were negatively impacted by lower Alberta power prices in 2012 when compared to 2011. Alberta power prices averaged $64.31 per MWh in 2012, representing an $11.90 per MWh or 16% decrease from the $76.21 per MWh average price of 2011.

SELECTED ANNUAL FINANCIAL INFORMATION

Key performance indicators	2012	2011	2010
Net revenue(1)	156,609	155,290	151,249
Adjusted EBITDA(1)	34,901	38,826	36,102
Adjusted net income (1)	10,513	10,164	1,796
Net income attributable to shareholders	3,625	15,316	24,249
Basic and diluted net income per share ($ per share)	0.07	0.28	0.45
Funds from operations(2)	33,936	38,801	30,107
Total assets	379,479	383,226	367,841
Loans and borrowings (non-current)	58,725	61,552	69,209
Generation (MWh)	1,156,522	1,203,227	1,322,038
Average Alberta power price – market ($ per MWh)	64.31	76.21	50.88
Average Alberta power price – Milner realized ($ per MWh)	90.78	80.12	57.52

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

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

Financial results

Net revenue and adjusted net income have improved in 2012 when compared to the prior years of 2011 and 2010. The increases in these financial measures are primarily due to increased demand for electricity in the Northeast U.S. as well as continued growth in France.

Adjusted EBITDA and funds from operations do not follow the positive three year-trend noted above. The decrease from 2011 to 2012 in adjusted EBITDA of $3.9 million and funds from operations of $4.5 million is primarily due to recognizing a realized gain on the derivative coal contract of $2.6 million in 2011 as opposed to nil in 2012. Further reducing funds from operations are income taxes paid of $1.1 million in 2012 as opposed to $0.3 million in 2011.

Net income attributable to shareholders fluctuates over the three-year period due to the impact of taxes and non-cash items. Net income attributable to shareholders decreased by $11.7 million in 2012 when compared to 2011, primarily due to a $9.1 million loss recognized in 2012 on the derivative coal contract as opposed to a $9.3 million gain in 2011. This decrease in net income was partially offset by a nominal loss on commodity swaps in 2012 as opposed to a $6.0 million loss in 2011 as well as the gain on sale of APP for $3.1 million in 2012.

RESULTS OF OPERATIONS

Summary of generation by segment:

	2012		2011	
Segment	MWh	% of Total	MWh	% of Total
Canada - Milner	634,441	55	787,430	65
Canada - Other	41,591	4	72,564	6
United States	321,257	28	222,061	19
France	159,233	13	121,172	10
Total MWh Generation	1,156,522	100	1,203,227	100

The above tables exclude Forked River and Basin Creek as these facilities provide capacity in exchange for monthly capacity payments. In addition, the table excludes the Alberta Power Project ("APP"), which also provided capacity in exchange for monthly capacity payments until it was sold by MAXIM with a closing date of February 29, 2012.

Revenue

Summary of net revenue by segment:

Segment ($000`s)	2012	2011
Canada - Milner	57,546	69,150
Realized gain (loss) on commodity price swaps	78	(5,994)
Canada - Milner - net revenue	57,624	63,156
Canada - Other	2,814	6,882
United States	54,835	49,230
France	41,336	36,022
Net revenue[1]	156,609	155,290

[1] Net revenue is provided to highlight revenue net of any gains or losses realized on commodity swaps. Net revenue does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Refer to the Non-GAAP measures section of this MD&A for reconciliations between non-GAAP financial measures and comparable measures calculated in accordance with GAAP.

Net revenue earned by MAXIM increased from $155.3 million in 2011 to $156.6 million in 2012. The $1.3 million increase is primarily attributable to higher generation resulting in higher revenue in the Northeast U.S. and France. This increase is partially offset by lower average Alberta power prices, and therefore revenues, at Milner as well as a reduction in revenue following the sale of the APP facility, which closed on February 29, 2012.

Canada - Milner:

Milner generated net revenue of $57.6 million, which is a decrease of $5.6 million or 9% as compared to $63.2 million in 2011. The decrease in net revenue was due to lower Alberta power prices and reduced generation of 152,989 MW. Milner was derated (ran less often or at lower output levels) during certain periods when the average pool price was below Milner's marginal cost. Milner's realized power price, however, averaged $90.78 per MWh of generation during 2012, which represents a $10.66 per MWh or 13% increase from prices realized by Milner in 2011. Realized prices fluctuate based on Alberta power prices as established by the Alberta Power Pool for the actual hours run, forward contract prices, and floating for fixed price commodity swaps. The decline in pool prices as well as generation was partially offset by a realized gain on commodity swaps in 2012 as opposed to a realized loss in 2011. Milner was more exposed to average pool prices in 2012 as it engaged in less fixed price swaps than 2011 as noted on page 7.

Canada - Other:

Revenue earned from other Canadian operations decreased from $6.9 million in 2011 to $2.8 million in 2012, which is a decrease of $4.1 million or 59%. The decline was primarily due to the sale of APP during the first quarter of 2012 as well as plant outages at Gold Creek and VLF. Gold Creek has not been operating in the fourth quarter of 2012 and is not expected to operate in 2013. This is due to the counterparty of the operating agreement installing and commissioning a new gas compressor, which Gold Creek is not connected to. As a result, the Gold Creek facility is operating as a standby facility. Management is currently reviewing solutions to build a connection to the new compressor. In addition to this, MAXIM's VLF facility was not operating at full capacity for the majority of the third quarter of 2012, which was due to high siloxane levels contained in the landfill gas. VLF resumed normal operations early in the fourth quarter of 2012.

United States:

Revenue earned from the United States segment increased from $49.2 million in 2011 to $54.8 million in 2012, which is an increase of $5.6 million or 11%. The increase in revenue is primarily due to the Northeast U.S., specifically at Pittsfield, which had an increase in generation during the year, due to higher weather based demand and transmission constraints in the region. This was partially offset by lower revenue at Pawtucket, which is primarily due to reduced generation from laying-up the facility.

France:

Revenue earned from the France segment increased from $36.0 million in 2011 to $41.3 million in 2012, which is an increase of $5.3 million or 15%. The increase is primarily due to an increase in generation from operating certain facilities in cogeneration mode versus dispatch mode. In addition to this, there were two facilities operating in 2012 that had undergone renovations during 2011. Partially offsetting the improvement is a 4% depreciation of the Euro relative to the Canadian dollar in 2012 as compared to 2011.

Summary of revenue by form of sales contract:

Form of contract ($000`s)	2012	2011
Electricity and capacity sales at fixed prices (1)	70,084	99,276
Impact realized on commodity price swaps	78	(5,994)
Net electricity revenue and capacity sales at fixed prices (1)	70,162	93,282
Electricity sales at spot prices	86,447	62,008
Net revenue (2)	156,609	155,290

(1) Includes revenue earned at market rates but subject to fixed price swap agreements.

(2) Net revenue is provided to highlight revenue net of any gains or losses realized on commodity swaps. Net revenue does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Refer to the Non-GAAP measures section of this MD&A for reconciliations between non-GAAP financial measures and comparable measures calculated in accordance with GAAP.

Net fixed price revenue decreased from $93.3 million in 2011 to $70.2 million in 2012, which is a decrease of $23.1 million or 25%. The decrease is primarily attributable to Milner having 13,435 MWh contracted volumes related to a commodity swap in 2012, as opposed to 409,606 MWh of contracted volumes sold at fixed prices in 2011. Partially offsetting this decrease is a small realized gain on commodity price swaps in 2012 as compared to a realized loss of $6.0 million in 2011.

Electricity sales at spot prices increased from $62.0 million in 2011 to $86.4 million, which is an increase of $24.4 million or 39%. The increase is primarily a result of Milner selling the majority of its volume at spot prices as well as higher generation at Pittsfield.

Plant operations

Summary of plant operations expense by type and segment:

	2012			2011		
	Fuel	O&M	Total	Fuel	O&M	Total
Canada - Milner	25,044	21,011	46,055	27,091	22,730	49,821
Canada - Other	49	3,830	3,879	118	4,314	4,432
United States	17,529	18,531	36,060	15,144	20,823	35,967
France	18,633	13,172	31,805	13,349	13,377	26,726
Total	61,255	56,544	117,799	55,702	61,244	116,946
Percent	52%	48%	100%	48%	52%	100%

Total plant operations expense increased $0.9 million in 2012 in comparison to 2011. An increase in United States and France operating expenses was partially offset by operating costs in Canada - Milner and Canada - Other.

Canada – Milner:

Milner O&M costs decreased $1.7 million or 7% to $21.0 million incurred in 2012 from $22.7 million in 2011. The decrease is primarily due to lower interconnection fees due to a change in transmission loss factor rates in 2012, partially offset by an increase in maintenance costs from the longer turnaround of 36 days in 2012 versus 25 days in 2011.

Milner fuel costs decreased $2.1 million or 8% to $25.0 million incurred in 2012 from $27.1 million in 2011. The decrease is primarily due to a decrease in generation. In addition to this, the Milner plant has reduced coal consumption and increased natural gas consumption at certain times during 2012. Natural gas, a less expensive fuel source than coal in 2012, was consumed when the facility operated in a derated (lower output) mode. Milner is derated during certain periods of lower power prices in order to maximize profitability, and this was done more frequently in 2012 than in 2011 due to lower baseload Alberta power prices. The decline in fuel costs was partially offset by the standard escalation of coal costs under one of Milner's long-term coal supply agreements.

Canada – Other:

Other Canadian plant operating expenses decreased $0.5 million or 11% to $3.9 million incurred in 2012 from $4.4 million in 2011. The decrease is primarily the result of the sale of APP during the first quarter of 2012, partially offset by higher service contract costs at Gold Creek.

United States:

Operating and maintenance costs in the United States decreased $2.3 million or 11% to $18.5 million incurred in 2012 from $20.8 million in 2011. The decrease is primarily attributable to cost saving measures implemented at Pawtucket as well as lower power consumption charges at CDECCA. These decreases are further augmented by the impact of a slight depreciation in the U.S. dollar in 2012 as compared to 2011.

U.S. fuel costs increased $2.4 million or 16% to $17.5 million incurred in 2012 from $15.1 million in 2011. The increase is primarily due to higher generation at Pittsfield from weather based demand as well as demand for voltage support due to local transmission work in the region. This is partially offset by a decrease in fuel costs at Pawtucket due to lower generation at the facility as a result of the lay-up plan, as well as a slight depreciation in the U.S. dollar in 2012 as compared to 2011.

France:

France operating and maintenance costs in 2012 were comparable to the results in 2011.

Fuel costs in France increased $5.2 million or 39% to $18.6 million incurred in 2012 from $13.4 million in 2011. The higher fuel costs are primarily due to an increase in the unit price of natural gas in France under annual gas purchase contracts as well as higher generation. This increase in fuel expense was partially offset by the declining value of the Euro relative to the Canadian dollar during 2012 as compared to the same period in 2011.

General and administrative expense

($000's)	2012	2011
Total general and administrative expense	5,137	4,818

In 2012, general and administration expense increased by $0.3 million or 6% in comparison to 2012. The increase is primarily attributable to higher business development costs as a result of MAXIM reviewing strategic alternatives for the U.S. and France segments. This increase is partially offset by lower stock-based compensation expense due to the full vesting of certain issuances of stock options as well as one-time consulting costs that were incurred in 2011 that related to the implementation of IFRS.

Depreciation and amortization expense

($000's)	2012	2011
Depreciation and amortization	18,890	20,030
Write off of intangible assets	-	1,668
Total depreciation and amortization expense	18,890	21,698

Total depreciation and amortization expense decreased by $2.8 million or 13% to $18.9 million incurred in 2012 as compared to $21.7 million in 2011. The decrease is primarily a result of MAXIM writing off the remaining carrying value of an intangible asset related to MAXIM's long-term coal supply contract in 2011, which occurred when MAXIM began to account for this agreement as a derivative contract. In addition to this, depreciation expense further decreased from the sale of the APP facility effective February 29, 2012 as well as two changes to the estimated useful life of Milner that occurred in the first quarter of 2011 and the third quarter of 2012.

On a quarterly basis, MAXIM reviews each cash-generating unit ("CGU") for indicators of impairment and tests for impairment when indicators are present. In 2012, MAXIM reviewed each CGU for indicators of impairment and assessed that there were indicators present for the Gold Creek facility. Management noted that there were significant adverse changes to the facility as well as indicators that economic performance will be worse than expected. As a result, an impairment test was performed on the Gold Creek facility as at December 31, 2012. The net present value of the facility's future cash flows exceeded carrying value of the assets; therefore, management determined that no impairment had occurred. No other indicators of impairment were present during the fourth quarter of 2012.

MAXIM also reviewed two previously impaired CGU's for indicators of reversals of impairment. Management noted no indicators of potential reversals of impairments during 2012.

Loss (gain) on commodity swaps

($000's)	2012	2011
Realized loss (gain) on commodity swaps	(78)	5,994
Unrealized loss (gain) on commodity swaps	118	-
Total loss (gain) on commodity swaps	40	5,994

MAXIM had a $0.1 million realized gain on a fixed for floating physical commodity price swap during 2012 as compared to a realized loss of $6.0 million in 2011. During 2012, MAXIM financially hedged 5 MW of Milner's electricity generation for 5 months in order to reduce its exposure to commodity price risk by entering into financial commodity swaps on Milner's generating capacity. On average, in 2012, Alberta power prices have been lower than the fixed swap price, which resulted in a $0.1 million realized gain. In 2011, MAXIM entered into similar financial commodity price swaps for 50 MW for 6 months; however, on average, Alberta power prices in 2011 were higher than the fixed swap price, which resulted in a $6.0 million realized loss. See net revenue analysis on page 6 for further detail.

MAXIM had a $0.1 million unrealized loss on a fixed for floating financial commodity price swap in 2012 through a firm financial swap agreement for the period of January to December 2013 for 25 MW of power. This swap requires MAXIM to pay the counterparty a fixed price per MWh for 25 MW of power and in turn, MAXIM will receive a floating price based on the Alberta Power Pool price. Since the inception of the contract, Alberta forward power prices have been lower than the fixed swap price, which resulted in an unrealized loss. In 2013, MAXIM anticipates that any unrealized amounts relating to this agreement will settle and be realized by the conclusion of the year.

Loss (gain) on derivative coal contracts

($000's)	2012	2011
Realized loss (gain) on derivative coal contracts	-	(2,570)
Unrealized loss (gain) on derivative coal contracts	9,065	(6,870)
Total loss (gain) on derivative coal contract	9,065	(9,440)

MAXIM had a $9.1 million unrealized loss on derivative coal contracts during 2012 as compared to a $6.9 million gain in 2011. The unrealized loss in 2012 relates to MAXIM's long-term coal supply agreement. The loss is a non-cash accounting item caused by a decline in the fair value of the derivative coal contract, which is due primarily to a decrease in the futures price for thermal coal. By the expiry of the recently amended coal supply contract on December 31, 2015, any unrealized gains or losses previously recorded will have fully reversed. Moreover, the corresponding derivative coal contract liability will not likely result in a cash settlement because MAXIM has no obligation to resell the coal received under the contract. MAXIM currently intends to use the coal in the normal course of operations.

During 2011, MAXIM entered into agreements to resell surplus coal at a point in time when thermal coal prices were higher, which resulted in a $2.6 million realized gain. MAXIM did not resell coal during 2012.

This derivative coal contract is a Level III liability under IFRS, which arose from MAXIM reselling excess coal. The level III fair value for the coal agreement has been determined using valuation techniques with inputs that are observable such as Newcastle coal futures prices and Canadian to United States dollar foreign exchange forward prices, as well as unobservable inputs such as historical margins on previous coal remarketing agreements. Refer to Note 30 and 31 in the consolidated financial statements.

Other income

($000's)	2012	2011
Other income	3,770	2,032

Other income in 2012 is $3.8 million, which primarily relates to the $3.1 million gain on sale from the APP facility as well as $1.1 million for performance penalties and insurance proceeds from France service providers. These payments compensate MAXIM for out-of-pocket costs and lost revenue. A portion of these penalties have been contested by the counterparty in conjunction with ongoing disputes related to the capital program in France. Therefore, the Corporation has provided an allowance for these amounts due to concerns with potential collectability. See page 15 for further discussion on contingencies.

Other income in 2011 was $2.0 million, which primarily relates to France operator penalties and various insurance settlements throughout the year for operating performance deficiencies at certain plants and delays in repowering work at other facilities.

Finance expense, net

($000's)	2012	2011
Interest expense	3,245	3,793
Amortization of deferred financing costs	314	394
Accretion of provisions, net	271	592
Foreign exchange (gain) loss	(117)	(252)
Finance expense	3,713	4,527
Interest income	(50)	(57)
Total finance expense, net	3,663	4,470

Net finance expense incurred during 2012 decreased $0.8 million or 18% to $3.7 million incurred in 2012 as compared to $4.5 million in 2011. The variance is primarily due to a $0.6 million decrease in interest expense, which is due to MAXIM's reduction in net debt. In addition to this, there was a $0.3 million decrease in the accretion of provisions for decommissioning costs that related to the full year effect of downward revisions in U.S. cost estimates made in the fourth quarter of 2011.

Income taxes

($000's)	2012	2011
Current tax expense (benefit)	1,235	(90)
Deferred tax expense (benefit)	688	3,532
Total income tax expense (benefit)	1,923	3,442

MAXIM's income tax expense decreased $1.5 million or 44% to $1.9 million incurred in 2012 as compared to $3.4 million in 2011. The decrease is primarily due to a decrease in earnings before tax. The remaining difference relates to a change in effective tax rates. The effective tax rate is higher in 2012 versus 2011 as the proportion of earnings in each geographic region differed between the two years. This is due to greater portions of earnings are attributed to the U.S. segment, which has a higher statutory tax rates than all other geographic regions.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

MAXIM utilizes existing cash, cash flows from operations and revolving credit facilities to provide liquidity to the Corporation, to finance maintenance-of-business capital expenditures, and to finance development initiatives up to the permit stage. MAXIM plans for major maintenance initiatives and preserves cash and credit through its revolving credit facilities to finance these initiatives. In certain years, it is possible that capital requirements will exceed these sources of financing. In these situations, MAXIM will arrange for debt financing.

On May 18, 2012, MAXIM entered into an amended credit agreement that provides a $40 million, three-year-committed revolving credit facility and a $3.5 million interest rate swap and foreign exchange facility. These facilities mature on May 31, 2015.

MAXIM has up to $40.0 million in borrowing capacity under its revolving BMO credit facility, under which the Corporation may draw up to $40.0 million margined against its accounts receivable balance and property, plant and equipment. As at December 31, 2012 this facility had an outstanding balance of $22.7 million, comprised of $9.1 million letters of credit and $13.6 million in drawn credit. An additional $1.0 million letter of credit was subsequently drawn on this line prior to the date of this MD&A. As at December 31, 2011, the Corporation had $6.8 million in letters of credit and a balance of $20.8 million drawn on a committed amortizing term loan facility, under a previous credit facility.

In France, MAXIM has a temporary working capital facility with a French bank to provide financing up to EUR 1.3 million, repayable upon collection of certain accounts receivable balances. As at December 31, 2012, this facility had an outstanding balance of EUR 1.2 million (December 31, 2011 – nil). This working capital facility will expire in April 2013.

In addition to the working capital facility noted above, France also has overdraft authorization with French banks up to an aggregate of EUR 1.6 million. No amounts were drawn on these overdraft facilities as at December 31, 2012 (December 31, 2011 – nil). At the date of this MD&A, the France segment has up to an aggregate of EUR 1.2 million of undrawn overdraft authorizations, as EUR 0.4 million expired in January 2013. The remaining overdraft authorizations expire on May 2013.

Cash flow summary:

Year ended December 31 ($000's)	2012	2011
Cash on hand, unrestricted, January 1	13,424	9,874
Cash flow from operations:		
• Funds from operations	33,936	38,801
• Changes in working capital	(14,619)	(3,420)
Cash flow used in financing	(11,631)	(14,803)
Available for investments	21,110	30,452
Cash flow used in investing		
• Proceeds from disposal of APP	12,950	-
• Cash used for investing activities	(22,753)	(17,415)
Effect of foreign exchange rates on cash	25	387
Cash on hand, unrestricted, December 31	11,332	13,424
Undrawn revolving credit facility(1)	17,279	0
Net liquidity available, December 31	28,611	13,424

(1) The undrawn revolving credit facility in 2012 relates to MAXIM's new credit agreement that was entered into on May 18, 2012. The balance in 2011 relates to MAXIM's previous credit facility.

Funds from operations decreased $4.9 million when compared to the prior year. The decrease is primarily due to lower average Alberta pool prices and lower generation at the Milner plant as well as the sale of APP, which closed on February 28, 2012. Milner was derated during certain periods when the average pool price was below Milner's marginal cost. This was partially offset by higher generation, which resulted in higher revenue in the Northeast U.S. and France.

Fluctuations in working capital represented a cash outflow of $14.6 million in 2012 compared to a cash outflow of $3.4 million in 2011. See page 13 for further discussion of working capital.

During 2012, MAXIM's debt and capital lease repayments exceeded financing cash inflows, resulting in a net financing outflow of $11.6 million during the year. Cash outflows in 2012 included repayment of MAXIM's BMO term loan of $19.1 million, $5.7 million in scheduled debt repayments, $2.8 million in capital lease payments, and $3.8 million in interest payments. Partially offsetting these outflows were $13.6 million debt issuances drawn on the new BMO North America credit facility, $4.7 million in long-term debt financing for plant renovations in France, and a $1.5 million increase in bank indebtedness.

During 2011, MAXIM's debt and capital lease repayments exceeded financing cash inflows, resulting in a net financing outflow of $14.8 million during the year. Debt issuances included $4.1 million in long-term debt financing for plant renovations in France and share issuances due to the exercise of options during the second quarter resulted in an additional $0.1 million cash inflow. More than offsetting these inflows were scheduled debt and lease repayments of $9.8 million and $3.2 million respectively, net repayments of $2.0 million which had been drawn under revolving credit facilities, $3.6 million in interest payments, and a $0.4 million reduction in bank indebtedness.

MAXIM's 2012 investing activities represented a cash outflow of $9.8 million, which consisted of $22.3 million in property plant and equipment additions, $0.3 million in intangible asset additions, and a $0.8 million decrease in accounts payable related to property, plant, and equipment. These outflows are partially offset by $13.0 million from the sale of APP, and a $0.6 million increase in non-current deposits.

The $22.3 million in PP&E expenditures is comprised of $8.1 million of facility renovations in France, $7.8 million on the development of SUMMIT, $1.8 million on improvements to Milner, $2.5 million on MAXIM's facilities in the Northeast U.S., $1.8 million on the development of Deerland and $0.3 million on other North American facilities. Additions to intangibles represent $0.3 million in costs incurred to reduce Milner's current nitrous oxide emissions to generate credits against emission limits reductions taking effect on January 1, 2013.

MAXIM's 2011 investing activities represented a cash outflow of $17.4 million, which consisted of $13.5 million in property plant and equipment purchases, $1.1 million in intangible asset purchases, and a $3.7 million increase in non-current deposits. These outflows are partially offset by a $0.5 million decrease in restricted cash held as security for ISO New England transactions and a $0.4 million increase in accounts payable related to property, plant, and equipment ("PP&E").

The $13.5 million in 2011 PP&E expenditures is comprised of France capital spending, which included $3.7 million on renovations of cogeneration power plants and $1.6 million for completing final peaker plant renovations, as well as $4.9 million on development projects in North America, primarily SUMMIT. The remaining expenditures included $2.0 million on Milner's June turnaround, $0.3 million on the fourth quarter turnaround at MAXIM's Hartland facility, $0.3 million on other France spending, and $0.7 million on improvements to other North American facilities. Additions to intangibles represent $1.1 million in costs incurred on the reduction of Milner's current nitrous oxide emissions to generate credits against emission limits reductions taking effect on January 1, 2013.

The following table represents the net capital of the Corporation:

As at ($000`s)	December 31, 2012	December 31, 2011
Long-term debt	58,942	65,852
Capital lease obligation	4,914	7,792
Less: Unrestricted cash (net of bank indebtedness)	(9,730)	(13,311)
Net debt	54,126	60,333
Shareholders' equity	246,110	243,904
Net capital	300,236	304,237
Net debt to capital	18.0%	19.8%

The Corporation uses net debt to capital to monitor leverage. Net debt to capital has decreased from 19.8% as at December 31, 2011 to 18.0% as at December 31, 2012, primarily due to the repayment of loans and borrowings, both scheduled and unscheduled.

The decrease in long-term debt and unrestricted cash is primarily due to MAXIM paying off its term loan under a previous credit facility, with a revolving credit facility as well as the proceeds from the sale of APP. In addition to this, the increase in total shareholders' equity is the result of 2012 net income, partially offset by a decrease in accumulated other comprehensive income due to an unrealized loss on translation of net foreign operations. MAXIM receives payments for electricity generation from the AESO every twenty business days. In 2011, MAXIM received November 2011 Milner revenues during the 2011 fiscal year. However, in 2012 MAXIM did not receive cash related to Milner's November 2012 electricity generation revenue until January 2, 2013, which amounted to $7.5 million. If the company received this amount on the 20th business day of December, then the net debt to capital ratio would have been 15.9%.

MAXIM complied with all financial covenants on its credit facilities as at December 31, 2012 and anticipates meeting these covenants throughout the next twelve months. MAXIM's current business activities and development initiatives up to construction are expected to be funded by future operating cash flow.

Working Capital

The Corporation's working capital surplus of $30.2 million at December 31, 2012 represents a $4.3 million increase from the working capital surplus of $25.9 million at December 31, 2011. The total increase was due to a $5.6 million decrease in current liabilities, offset by a $1.3 million decrease in current assets.

The decrease in current assets is primarily due to a $10.3 million decrease in assets held for sale, which is due to the sale of APP, a $2.1 million decrease in unrestricted cash, and a decrease of $3.5 million in the current portion of a derivative contract asset recorded in 2011 in relation to coal remarketing. See the cash flow statement and the "Gain on derivative coal contracts" section of this MD&A for further detail. Partially offsetting these decreases were a $9.1 million increase in accounts receivable due to an increase in revenue earned in France and the Northeast U.S. as well as an additional month of Milner revenue, which relates to November, included in accounts receivable due to the timing of cash collected from AESO. In addition to this, inventory increased $5.4 million due to Milner burning more natural gas than coal, and prepaid expenses and deposits increased $0.1 million.

The decrease in current liabilities is due to an aggregate decrease of $6.9 million in the current portions of long-term debt and capital leases as well as a $0.7 million decrease in liabilities held for sale, which is due to the sale of APP. Partially offsetting these decreases were a $1.5 million increase in bank indebtedness, a $0.4 million increase to the derivative coal contract liability, and a $0.1 million increase in trade and other payables,.

MAXIM anticipates that it will continue to maintain a working capital surplus over the next twelve months.

Financial Covenants

MAXIM's BMO credit facility agreement is subject to a number of financial covenants. Under the terms of the Company's credit facility, the following ratios are monitored: net funded debt to EBITDA, interest coverage, debt service coverage, equity, and funded debt to capital.

Net Funded Debt to EBITDA Ratio

Net funded debt includes all obligations related to MAXIM's revolving credit agreement with BMO, and capital lease obligations in Canada, net of unencumbered cash held by the Canadian subsidiaries and select U.S. subsidiaries divided by traditional EBITDA. Traditional EBITDA includes all of MAXIM's Canadian generating facilities as well as the 25MW firm financial swap, and excludes select U.S. subsidiaries and the France operating segment.

Interest Coverage Ratio

Interest coverage is calculated as the ratio of traditional EBITDA, as described above, divided by the sum of interest expense incurred on MAXIM's revolving credit facility with BMO and the capital lease in Canada.

Debt Service Coverage Ratio

Debt service coverage is calculated as the ratio of consolidated EBITDA less unfunded capital expenditures and cash taxes divided by the sum of all debt and capital lease payments of the Company including all U.S. subsidiaries and France as well as interest expense.

Equity

MAXIM`s equity balance, which is calculated as the sum of share capital, retained earnings and contributed surplus, shall not be less than $192 million at the inception of the amended credit facility, increasing each year by 80% of annual net income. As at December 31, 2012, the minimum equity balance required was $195 million.

Funded Debt to Capital Ratio

Funded debt includes all interest bearing liabilities. Funded debt to capital is calculated as the ratio of funded debt divided by the sum of funded debt, share capital, retained earnings and contributed surplus.

As at December 31, 2012, the Company complied with all credit agreement financial covenants, as follows:

Ratio	Covenant	2012
Net Funded Debt to EBITDA	Maximum 2.00:1	0.62:1
Interest Coverage	Minimum 8.00:1	35.85:1
Debt Service Coverage	Minimum 1.25:1	3.50:1
Equity ($000's)	Minimum $195,027	$258,307
Funded Debt to Capital	Maximum 0.60:1	0.21:1

All financial covenants, except for equity, are calculated quarterly based on the latest rolling four quarter period completed. Equity is calculated as at the end of each fiscal quarter.

Contractual obligations

In the normal course of operations, MAXIM assumes various contractual obligations and commitments. MAXIM considers these obligations and commitments in its assessment of liquidity.

As at December 31, 2012 *($000's)*	Total	2013	2014-2015	2016-2017	Thereafter
Long-term debt(1)	76,384	6,483	26,117	11,188	32,596
Finance leases(2)	6,523	1,438	2,252	1,998	835
Purchase obligations(3)	124,454	15,303	33,806	16,943	58,402
Operating leases(4)	3,509	772	1,582	1,036	119
Total	210,870	23,996	63,757	31,166	91,953

(1) Long-term debt obligations are comprised of the principal and interest payments.

(2) Finance leases consist of leases on various production facilities. These amounts are comprised of both the interest and principal payments.

(3) Purchase obligations include commitments with suppliers to purchase coal for the Milner facility, a terminal services agreement for port capacity related to coal exports in British Columbia, and O&M service contracts in place to provide operating and maintenance services to the majority of MAXIM.

(4) Operating leases include the Pawtucket land lease, electricity interconnection lease for France facilities as well as office space and equipment.

Contingencies

The Corporation, through its France subsidiary, is disputing a request for payment from a provider of services and equipment for the Corporation's capital program. The Corporation's view is that the request is invalid under an existing fixed-price agreement for capital expenditures. However, if the Corporation is unsuccessful in defending its position, then amounts could potentially be payable up to EUR 1,704. The Corporation does not expect the outcome of the dispute to have a material effect on its financial position.

Capital Resources

The Corporation is currently estimating capital and development expenditures of approximately $26.0 million for 2013. These expenditures include $17.7 million for renovating cogeneration and peaking facilities in France, $4.0 million on development projects, $2.9 million on the 2013 Milner turnaround and other facility improvements, and $1.4 million on capital projects at other North American facilities. Management plans to fund the France renovations with approximately 80% debt financing. Remaining expenditures will be financed through cash flows from operations and existing cash balances.

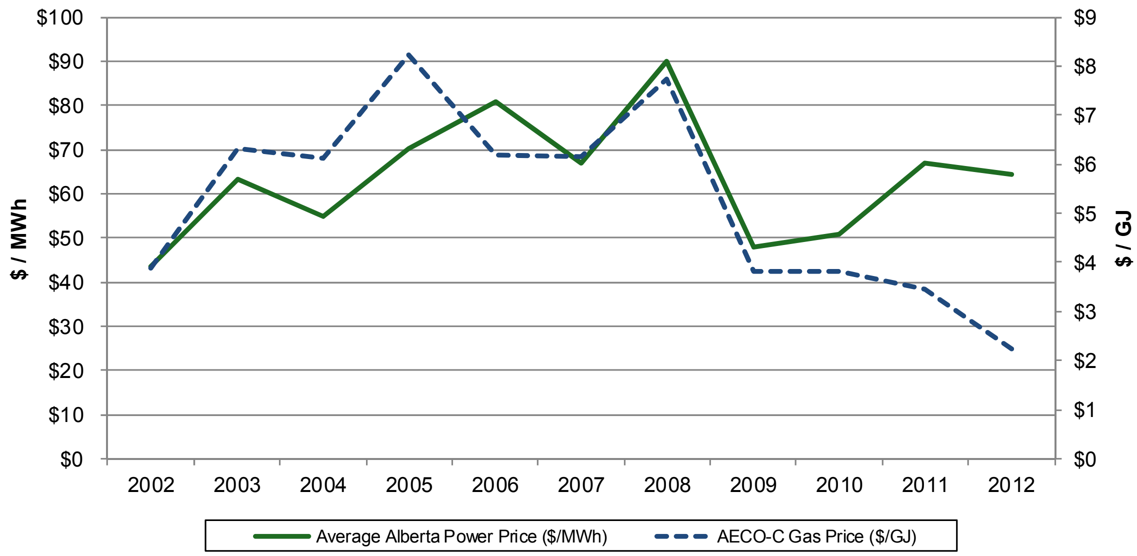
OUTLOOK

U.S. and France Assets

During the fourth quarter of 2012, MAXIM appointed financial advisors to review the Corporation’s investments in the United States and France in order to identify options to maximize shareholder value. Credit Suisse Securities (USA) LLC has been engaged as financial advisor with respect to MAXIM’s investments in the United States and HSBC Bank plc has been engaged as financial advisor with respect to MAXIM’s investments in France. The evaluation of these initiatives is ongoing.

Power and Fuel Prices

The Corporation's outlook is impacted by Alberta electricity and fuel prices. Alberta electricity prices are a key revenue determinant for MAXIM's Milner and Gold Creek facilities. Alberta electricity prices fluctuate based on the supply of and demand for electricity within Alberta, the cost of key inputs such as natural gas, and other market factors. The following chart compares the average annual Alberta electricity price to Alberta natural gas price since deregulation of the electric industry in Alberta. The recent break in correlation is the result of tighter generation capacity relative to demand starting in 2011, which led to higher power prices.



MAXIM has operated in a low-priced natural gas environment relative to coal since December 2011. Low natural gas prices have a positive impact on the Milner facility through fuel cost savings. Further savings are realized through lower environmental compliance costs and lower maintenance costs. Despite the low-priced natural gas environment in 2012, independent forecasts indicate an increase in natural gas prices during 2013. If this trend were to continue to the point where gas becomes less cost effective than coal, the Milner facility would return to coal as a primary fuel source.

The low natural gas price environment in the Northeast U.S. is expected to have a neutral impact on MAXIM's power plants. MAXIM's energy margins are positively correlated to natural gas prices, resulting in decreased margins at lower gas prices. This downward pressure on margins is counterbalanced by a displacement of coal fired power plants that do not have fuel switching capabilities, by natural gas power plants including those owned by MAXIM, which should translate into more frequent dispatches and increased generation for MAXIM's power plants. In addition to this, the growing demand for natural gas has resulted in local pipeline constraints, increasing the volatility in regional gas prices. Given the positive relationship between gas prices and margins, pipeline constraints may result in increased natural gas prices, providing upward support to energy margins. Should gas prices strengthen as indicated by independent forecast, MAXIM would expect a decrease in the number of dispatches, which would lead to a decline in generation.

2012 Results to 2012 Guidance

The following table compares the 2012 results to the guidance issued on November 8, 2012 guidance.

Select guidance KPI's	Recorded 2012	Guidance provided on November 8, 2012	Difference
Adjusted EBITDA[(1)]	34,900	37,200	(2,300)
Funds from operations[(1)]	33,900	37,700	(3,800)
Funds from operations per share – basic and diluted ($ per share)[(2)]	0.63	0.70	(0.07)
Adjusted net income[(1)]	10,500	14,200	(3,700)
Adjusted net income per share – basic and diluted ($ per share)[(2)]	0.19	0.26	(0.07)
Net income attributable to shareholders	3,600	8,000	(4,400)
Net income attributable to shareholders per share– basic and diluted ($ per share)[(2)]	0.07	0.15	(0.08)

(1) Adjusted EBITDA, funds from operations, and adjusted net income are not measures under GAAP and may not be comparable to similar measures presented by other companies. Refer to 'Non-GAAP measures' for additional detail.

(2) Per share amounts are calculated using average weighted shares outstanding consistent with the assumptions table below.

The $2.3 million and $3.8 million negative variances in adjusted EBITDA and funds from operations are primarily due to lower average Alberta pool prices in December than forecasted, which contributed to reduced output, as well as an increase in the fuel cost at Milner. In addition to this, Milner had an unplanned outage for one day in November during a period of high priced hours. Further contributing to lower adjusted EBITDA and funds from operations were higher business development costs related to MAXIM hiring financial advisors (see page 15) and lower than forecasted generation, which resulted in lower earnings. This was partially offset by higher earnings at Pittsfield due to additional November and December dispatches to support the reliability of the transmission system. Net income attributable to shareholders decreased by $4.4 million from guidance, primarily due to the factors noted above as well as the net impact of a higher unrealized loss on the derivative coal contract, an increase to finance expense due to a lower foreign exchange gain, partially offset by lower deprecation and income tax expense than forecast.

The Corporation's 2012 guidance was based on the following assumptions, which are compared to results recorded at December 31, 2012:

Guidance Assumptions	Recorded 2012	Guidance provided on November 8, 2012	Difference
Electricity deliveries (MWh):			
• HR Milner	634,441	645,550	(11,109)
• Other facilities	522,081	557,898	(35,817)
Total electricity deliveries	1,156,522	1,203,448	(46,926)
Net generation capacity at year end (MW)	806	796	10
Capital expenditures (excluding acquisitions):			
• France repowering and peaking facilities	8,100	9,100	(1,000)
• Development projects	10,100	8,900	1,200
• Other assets	2,800	3,500	(700)
• HR Milner	1,800	2,100	(300)
Total capital expenditures	22,800	23,600	(800)
Average Alberta spot electricity price ($/MWh)	64.31	63.86	0.45
Average annual foreign exchange rates:			
• C$/USD	1.00	1.00	(0.00)
• C$/Euro	1.29	1.25	0.04
Weighted average shares outstanding - basic (000's)	54,084	54,084	(0)
Weighted average shares outstanding - diluted (000's)	54,086	54,085	1

ACQUISITION AND DEVELOPMENT INITIATIVES

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

Deerland

As previously reported, MAXIM received regulatory approvals to construct and operate the Deerland Peaking Station, a 190 MW natural gas-fired peaking facility. Deerland is the only permitted peaking development project in the province of Alberta as at the date of this MD&A. On May 15, 2012, MAXIM entered into agreements to secure firm natural gas transportation service for the Deerland peaking station. MAXIM still expects that construction of the facility will commence in 2013 pending commercial arrangements, which the Corporation is actively pursuing. The Corporation incurred costs in 2012 related to the design, permitting and engineering of the Deerland facility. Additional funds will be incurred in 2013 on AESO studies, additional engineering work, and a potential expansion of this project. Despite changes in climate change legislation, these new regulations will not have an effect on the value of the project.

SUMMIT

During 2012, SUMMIT acquired two additional coal leases adjacent to its Mine 14 project, which is located north of Grande Cache, Alberta, advanced the development all of the Mine 14 project, and acquired an additional coal lease for a potential new property, Mine 16S. SUMMIT's lease holdings increased by 140% to 6,669 hectares following these additions. SUMMIT has since completed the 2012 exploration program for Mine 14 and reported the results in an updated NI 43-101 Technical Report filed on SEDAR on March 21, 2013. Current estimates for Mine 14, which includes the two additional adjacent leases, are 18.9 million tonnes of low-mid volatile metallurgical coal reserves with a mine life of 17 years. Mine 16S is located 30 kilometers northwest of the Mine 14 leases and represents 1,792 hectares or 29% of SUMMIT's total area of leases. An NI 43-101 Technical Report has not been prepared for the Mine 16S property.

SUMMIT has previously entered into a ten-year terminal services agreement with Ridley Terminals Inc., commencing January 1, 2015. This agreement provides SUMMIT with firm terminal capacity and terminal processing services to enable SUMMIT's proposed coal production to access the valuable seaborne metallurgical coal market. Signing this agreement reduces development risk as SUMMIT advances to the construction phase of its Mine 14 project. In addition to this, SUMMIT has secured firm 2014 delivery dates for critical mining equipment. During the fourth quarter of 2012, SUMMIT amended the agreement with the mining equipment supplier to allow for an extension for delivery to 2014.

SUMMIT plans to spend additional funds in 2013 on a further deposit for mining equipment and approvals to construct and operate a coal beneficiation plant as well as amend the existing ERCB mine license in order to increase annual coal production. SUMMIT anticipates receiving the mine license amendment and coal beneficiation plant approvals in the second quarter of 2013.

The Corporation considers the advancement of the M14 and M16S development projects strategic for MAXIM in part because of the value of metallurgical coal and in part due to Milner’s ability to utilize tailings and lower quality fuels, which are by-products of the beneficiation of coal, to produce electricity. Despite the recent drop in quarterly pricing for metallurgical coal, the long-run average price forecast is expected to remain strong, which will allow for the economically viable development of SUMMIT.

Milner Expansion ("M2")

The AUC has granted MAXIM approval to develop a new 500 MW generating facility adjacent to the existing 150 MW generating facility ("M1"). A lengthy public consultation and regulatory process culminated in the project's final approval by the AUC on August 10, 2011. On September 12, 2012, the Government of Canada enacted new greenhouse gas legislation that limits the amount of carbon dioxide emitted by coal-fired generation facilities. Refer to the Environmental Emissions Legislation section of this MD&A, below, for further discussion. MAXIM is examining ways to meet the new standards including development of a natural gas-fired facility. All aspects are presently being studied to determine the most viable and effective course of action. The Corporation incurred costs in 2012 related to engineering studies and consulting costs for the Milner expansion. Additional funds will be incurred in 2013 on AESO studies, consulting costs, and permit amendments.

Financing and Accounting

MAXIM requires capital (debt and equity) to finance development initiatives beyond the permit stage and for larger acquisitions. MAXIM maintains the flexibility to manage the timing of its acquisition and development initiatives. MAXIM accounts for its development projects as assets under construction included in property, plant, and equipment. Capitalization of costs associated with these projects commences once technical and economic feasibility is established. If a project no longer meets these criteria, any capitalized costs for the project are expensed in the period.

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

On September 12, 2012, the Government of Canada enacted regulations to reduce carbon dioxide emissions from coal-fired generation facilities. These new regulations limit carbon dioxide emissions for power plants commissioned after July 1, 2015 to 420 tonnes of carbon dioxide for each gigawatt hour produced. In addition to this, power plants built before 1975 are able to operate at full capacity until the earlier of 50 years after the commissioning date and December 31, 2019. Moreover, power plants built after 1974 are able to operate until the earlier of 50 years after the commissioning date and December 31, 2029. The Milner facility was commissioned in 1972, and accordingly, is allowed to operate to its full capacity to December 31, 2019. After December 31, 2019, Milner is allowed to operate at an annual capacity factor of up to 9% or less, which is approximately 113,500 MWh per annum, until December 31, 2029, based on its current carbon dioxide emission levels. As previously mentioned, MAXIM is determining the impact of the enacted regulations on the development of M2.

In 2012, and previous to that year, MAXIM was able to procure and generate nitrogen oxide ("NOx") credits at the Milner facility. As of January 1, 2013, MAXIM has commenced consumption of these credits. Under current legislation, MAXIM anticipates fully consuming these credits by the fourth quarter of 2014 and will identify alternative options of mitigation thereafter. The rate of consumption of these credits is driven by coal-fired generation and as such may fluctuate given changes in the levels of production and the fuel source used for production at Milner.

MAXIM also has been able to generate sulphur dioxide ("SO2") credits at the Milner facility between 2006-2012. Under current legislation, MAXIM anticipates that these credits would not be exhausted until beyond 2020. Similar to the NOx credits, the consumption of these credits is driven by coal-fired generation and as such may fluctuate given changes in the levels of production and the fuel source used for production.

The state of environmental regulation in the U.S. remains fluid. In the U.S. Congress, various pieces of federal legislation that would limit GHG emissions have been introduced, but Congress has not enacted such climate change legislation to date, and is not expected to do so in 2013. Thereafter, the prospect for enactment of legislation mandating reductions in GHG emissions is uncertain.

Regulations promulgated and proposed by the U.S. Environmental Protection Agency limit GHG emissions from new and expanded power plants. Such regulations could apply to certain future modifications of MAXIM's U.S. facilities, although no such modifications are currently planned. The U.S. Environmental Protection Agency has announced that it may propose additional GHG regulations under existing law applicable to existing power plants, although the timing and scope of such a proposal is uncertain.

MAXIM is in compliance with currently enacted environmental legislation. Such legislation includes the Climate Change and Emissions Act (Alberta) and the Regional Greenhouse Gas Initiative, which limit carbon dioxide production of facilities located in Alberta and the Northeast U.S., respectively. In the European Union, MAXIM's France operating segment meets all current emission guidelines.

Until proposed Canadian and U.S. regulations have been finalized, management does not have sufficient information to assess and quantify their future implications on the finances and competitive position of the Corporation. Management is not aware of any new legislation or environmental policies affecting current European Union regulations.

SELECTED QUARTERLY FINANCIAL INFORMATION

Key performance indicators

Quarter ended: *(unaudited) ($000`s)*	31-Dec 2012	30-Sep 2012	30-Jun 2012	31-Mar 2012	31-Dec 2011	30-Sep 2011	30-Jun 2011	31-Mar 2011
Revenue	51,180	41,607	17,961	45,783	46,474	41,929	17,884	54,997
Net revenue (1)	51,155	41,620	17,961	45,873	44,816	37,593	17,884	54,997
Adjusted EBITDA(1)	9,642	16,612	(1,313)	9,960	11,303	13,690	(1,987)	15,820
Adjusted net income (loss)(1)	566	9,766	(3,658)	3,839	4,191	5,404	(3,990)	4,559
Net income (loss) attributable to shareholders	1,372	8,343	(8,991)	2,901	(1,555)	17,787	(5,475)	4,559
Basic income (loss) per share	0.03	0.15	(0.17)	0.05	(0.03)	0.33	(0.10)	0.08
Diluted income (loss) per share	0.03	0.15	(0.17)	0.05	(0.03)	0.33	(0.10)	0.08
Funds from operations(2)	8,270	16,700	(1,212)	10,178	11,488	13,618	(2,124)	15,819
Total assets	379,479	360,014	353,125	385,429	383,226	396,545	362,353	378,238
Average Alberta electricity price ($ per MWh)	79	78	40	60	76	95	52	82
Average Milner realized electricity price ($ per MWh)	98	135	67	57	89	95	54	70

(1) Net revenue, adjusted EBITDA and adjusted net income (loss) are not measures under GAAP and may not be comparable to similar measures presented by other companies. Refer to the Non-GAAP measures section of this MD&A for reconciliation of these non-GAAP measures from comparable measures calculated in accordance with GAAP.

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

Quarter over quarter net revenue and adjusted EBITDA are affected by planned and unplanned outages, market demand, market prices, timing of acquisitions and divestitures, and weather conditions. Net revenue and adjusted EBITDA are generally higher in the first and fourth quarters as a result of the seasonal operations of the French facilities as the French cogeneration season operates from the start of November through to the end of March. Net revenue and adjusted EBITDA are also affected by seasonal Alberta power prices as well as the turnaround at the Milner facility. Alberta power prices tend to be higher during winter and summer peak load months and are further affected by supply constraints such as outages at other Alberta generation facilities.

In addition to the factors noted above, adjusted net income (loss) and net income (loss) attributable to shareholders are also affected by non-cash, non-recurring transactions. In the third quarter of 2011, an unrealized gain of $16.0 million was recorded in conjunction with the recognition of a coal derivative contract. The fourth quarter of 2011 had a non-recurring $1.5 million loss on a fixed for floating commodity price swap as well as a $9.1 million gain on the coal derivative contract. In the first quarter of

2012, the sale of APP resulted in a non-recurring gain of $3.1 million. The second quarter of 2012 had a $7.1 million unrealized loss on derivative coal contract, which was not included in the same quarter of 2011. The third and fourth quarter of 2012, respectively, had a further $2.0 million and $1.3 million unrealized loss on the derivative coal contract.

2012 FOURTH QUARTER

Selected fourth quarter financial information:

Three months ended December 31	2012	2011
Net revenue(1)	51,155	44,816
Adjusted EBITDA(1)	9,642	11,303
Adjusted net income(1)	566	4,191
Net income (loss) attributable to shareholders	1,372	(1,555)
Basic and diluted net income per share ($ per share)	0.03	(0.03)
Funds from operations(2)	8,270	11,488
Generation (MWh)	321,530	295,419
Average Alberta power price – market ($ per MWh)	78.70	76.07
Average Alberta power price – Milner realized ($ per MWh)	98.21	89.12

(1) Net revenue, adjusted EBITDA and adjusted net income are not measures under GAAP and may not be comparable to similar measures presented by other companies. Refer to the Non-GAAP measures section of this MD&A for reconciliations between Non-GAAP financial measures and comparable measures calculated in accordance with GAAP.

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

Net revenue earned in the fourth quarter of 2012 increased by $6.3 million or 14% when compared to the same period in 2011. The variance is due to a $4.4 million increase in the United States, primarily at Pittsfield, as well as a $1.9 million increase in France and a $0.7 million increase at Milner. Net revenue earned at Pittsfield increased due to increased generation during the quarter, which is a result of an increased number of reliability dispatches related to voltage support for local transmission work in the region. The increase in the Milner segment is primarily due to a nominal realized loss on commodity swaps in the fourth quarter of 2012 as opposed to a $1.6 million loss in the same period of 2011, partially offset by a $0.9 million decrease in revenue earned at the facility. Revenue at the Milner facility was lower in the fourth quarter primarily due to less generation, partially offset by a $2.63 per MWh or 3% increase in the Alberta pool price. Offsetting these increases is a decrease in the Canada – Other segment of $0.7 million, primarily due to the sale of the APP facility, which was effective on February 29, 2012 as well as Gold Creek not operating in the fourth quarter of 2012.

Adjusted EBITDA and funds from operations decreased by $1.7 million and $3.2 million, respectively, from 2011 to 2012. The decrease in these financial measures is primarily due to MAXIM recognizing a realized gain of $3.6 million on the derivative coal contract in the fourth quarter of 2011 as opposed to nil during the same period in 2012. Furthermore, MAXIM had a decrease in gross margin of $1.3 million from the fourth quarter of 2011 to 2012. These decreases to Adjusted EBITDA and funds from operations are partially offset by a decrease in operating and maintenance expense of $3.2 million. Further reducing funds from operations are income taxes paid of $1.1 million in the fourth quarter of 2012 as opposed to nil in the fourth quarter of 2011.

Net income attributable to shareholders in the fourth quarter of 2012 has increased by $2.9 million when compared to the same period in 2011. The increase is primarily due to recognizing a $1.3 million gain on the derivative coal contract in the fourth quarter of 2012 as opposed to a $7.6 million loss in 2011, as well as a decrease to operating and maintenance expense of $3.2 million. The increase in net income attributable to shareholders is partially offset by a decrease in gross margin of $1.3 million, an increase in finance expense of $1.1 million primarily due to depreciation in the U.S. dollar in the fourth quarter of 2012 as opposed to an appreciation in 2011 on U.S. denominated intercompany liabilities held in Canada.

In addition to this, there was an increase in general and administrative costs of $0.9 million due to higher business development costs and an increase in income tax expense of $1.4 million due to higher earnings before tax in the fourth quarter of 2012.

NON-GAAP MEASURES

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

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

Net Revenue

($000's)	2012	2011
Revenue	156,531	161,284
Realized gains (losses) on commodity price swaps	78	(5,994)
Net revenue	156,609	155,290

Net revenue is provided to assist management and investors in determining revenue earned after adding or subtracting the realized gain or loss, respectively, from power price swaps. The realized impact of floating for fixed price commodity financial swaps is included in the loss on commodity swaps line of MAXIM's consolidated statement of income, while gains or losses on physical hedges or fixed price sales are presented as part of the revenue line.

Adjusted EBITDA

($000's)	2012	2011
GAAP Measures from Consolidated Statement of Income		
Net income	3,785	15,388
Income tax expense	1,923	3,442
Finance expense, net	3,663	4,470
Depreciation and	18,890	21,698
Adjustments:		
Share-based compensation	644	1,055
Unrealized loss (gain) on derivative coal contracts	9,065	(6,870)
Unrealized loss (gain) on commodity swaps	118	-
Gain on sale of assets	(3,058)	-
Allowance for doubtful accounts	351	-
EBITDA from non-controlling interests	(480)	(357)
Adjusted EBITDA	34,901	38,826

Adjusted EBITDA is calculated as described above, adjusted for specific items that are not reflective of the Corporation's underlying operations. Adjustment of these specific items is subjective; however, management uses its judgment and informed decision-making when identifying items for adjustment.

Adjusted EBITDA is provided to assist management and investors in determining the Corporation's approximate operating cash flows attributable to shareholders before finance expense, income taxes, depreciation and amortization, and certain other income and expenses. Financing expense, income taxes, depreciation and amortization are excluded from the EBITDA calculation, as they do not represent cash expenditures that directly affect operations. Furthermore, EBITDA is used in MAXIM's bank covenant calculations, which requires these items to be omitted. Management believes that presentation of this non-GAAP measure provides useful information to investors and shareholders as it provides predictive value and assists in the evaluation of performance trends. Management uses adjusted EBITDA to compare financial results among reporting periods and to evaluate MAXIM's operating performance and ability to generate funds from operations.

In calculating adjusted EBITDA, for the year ended December 31, 2012 management excluded non-cash and non-recurring transactions. Adjusted EBITDA excludes non-cash expenses related to share-based compensation, a $9.0 million unrealized loss on the derivative coal contract, a $0.1 million unrealized loss on commodity swap, a $3.1 million gain on sale of assets, a $0.4 million allowance for doubtful accounts and adjusted EBITDA attributable to non-controlling interest.

Adjusted Net Income (Loss)

($000's)	2012	2011
Net income attributable to shareholders	3,625	15,316
Unrealized losses (gains)	9,184	(6,870)
Tax effect of unrealized gains (losses)	(2,296)	1,718
Adjusted net income (loss)	10,513	10,164

Adjusted net income provides management and investors with information on net income excluding unrealized, non-cash, items. Adjusted net income excludes a $9.1 million loss on the derivative coal contract million and a $0.1 million loss on a fixed for floating commodity price swap, as well as the tax effect of unrealized losses on MAXIM's results.

Non-GAAP measures – 2012 Fourth Quarter

Net revenue

($000's)	2012	2011
Revenue	51,180	46,474
Impact realized on commodity price swaps	(25)	(1,658)
Net revenue	51,155	44,816

Adjusted EBITDA

($000's)	2012	2011
GAAP Measures from Consolidated Statement of Income		
Net income (loss)	1,398	(1,526)
Income tax expense	1,400	(1,483)
Finance expense, net	1,481	430
Depreciation and amortization	6,110	5,982
Adjustments:		
Share-based compensation	77	379
Unrealized loss (gain) on derivative coal contracts	(1,300)	9,162
Unrealized loss (gain) on commodity swaps	225	(1,501)
Allowance for doubtful accounts	351	-
EBITDA from non-controlling interests	(100)	(140)
Adjusted EBITDA	9,642	11,303

Adjusted Net Income (Loss)

($000's)	2012	2011
Net income (loss) attributable to shareholders	1,372	(1,555)
Unrealized losses (gains)	(1,075)	7,661
Tax effect of unrealized gains (losses)	269	(1,915)
Adjusted net income (loss)	566	4,191

ADDITIONAL GAAP MEASURES

Operating income

MAXIM's consolidated statement of income includes a subtotal, income from operations, which is not required under IAS 1 - *Presentation of financial statements*. This additional GAAP measure is included in the statement of income to increase the usefulness and understandability of the Corporation's financial results.

Income from operations reflects revenues less expenses related to the operations of the Corporation. This additional GAAP measure can be used to assess the operating efficiency of the Corporation, which excludes the impact of financing and taxes. Management reviews operating income on a monthly basis as part of their assessment of operations in order to monitor MAXIM's performance.

Funds from operations

MAXIM's consolidated statement of cash flows includes a subtotal, funds from operations, which is not required under IAS 1 - *Presentation of financial statements*. This additional GAAP measure is included in the statement of cash flows to increase the usefulness and understandability of the Corporation's financial results.

Funds from operations reflect cash generated from operations before changes in non-cash working capital. This additional GAAP measure can be used to assist management and investors in determining cash generated from operations before the impact of working capital fluctuations, which vary based upon timing of receipts and payments and are not considered representative of underlying operating performance. Management reviews funds from operations on a monthly basis.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, assumptions and judgments, based on its experience, that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The following outlines the accounting policies and practices involving the use of estimates that are critical in determining the financial results of the Corporation.

Decommissioning costs

Decommissioning costs are expected to be incurred at the end of the operating life of many of MAXIM's facilities as the Corporation has an obligation to restore project sites to an acceptable level upon abandonment. 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. Management bases these estimates on its best knowledge, experience in similar circumstances and in some cases reports from independent experts.

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, adjustments to the provisions established may be required, which could affect future financial results. Adjustments to provisions would be offset by an equivalent change in PP&E and net income would be impacted by changes to depreciation and amortization expense and finance expense, as it includes accretion of provisions. All reporting segments are impacted by decommissioning cost estimates, with the exception of France, where COMAX is not legally required to decommission its facilities.

On September 12, 2012, the Government of Canada enacted regulations for coal-fired generation facilities. These new regulations limit carbon dioxide emissions for both existing power plants upon realizing their economic life and new power plants commissioned after July 1, 2015. The Milner facility is allowed to operate to its full capacity to December 31, 2019, after which it is allowed to operate at 9% of its full capacity until December 31, 2029, based on its current carbon dioxide emission levels. As a result of the new coal-fired regulations, the abandonment date of the Milner facility decreased by six years from 2035 to 2029.

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, and takes into consideration specific contracts, agreements, condition of the asset, technology, production and use of the asset, regular maintenance programs and estimated demand for the products. The facilities are operated within manufacturer's specifications to realize the expected useful life of each asset. Residual value is estimated by management to be the amount that MAXIM would currently 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. The actual useful life and residual value received for equipment may vary from that which is currently estimated by management.

Changes in estimated useful lives and residual values can affect the PP&E balance and depreciation and amortization expense for each of MAXIM's reporting segments. Given the long-term nature of the majority of MAXIM's assets, changes to PP&E resulting from revising estimated useful lives would not normally be significant as a percentage of total PP&E.

As noted above, the Government of Canada enacted new regulations for coal-fired generation facilities, which has allowed the Milner facility to operate to its full capacity to December 31, 2019, after which it is allowed to operate at 9% of its full capacity until December 31, 2029. As a result, the Milner facility is now depreciated using a unit of production method. This change in estimate has resulted in an increase to depreciation expense related to Milner by $0.6 million in 2012.

Impairment of non-financial assets

At the end of each reporting period, management determines whether there are any indications of impairment of its PP&E and intangible assets. If indications of impairment are present, MAXIM performs an impairment test on the CGU. Goodwill and intangible assets not subject to amortization are tested for impairment annually regardless of indications of impairment.

The impairment test compares the recoverable amount of the asset to its carrying amount. For the purpose of the test, the recoverable amount is assumed to be 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. Estimated fair value less costs to sell is only used in the event that a third party appraisal or other reasonable third party evidence is available.

In order to calculate the present value of estimated future cash flows, management is required to make assumptions about factors affecting future cash flows, including production, fuel costs, operating expenses, power prices and capital programs. Future cash flow assumptions may change. This may affect the estimated fair value of the associated asset and may require material adjustment to the carrying value of the asset and an equivalent adjustment in depreciation and amortization expense, or separate income statement line item if considered material to report separately. Each of MAXIM's reporting segments could be subject to material adjustments if its CGUs' estimated future cash flows change.

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

Goodwill is assessed for impairment together with the assets and liabilities of the related operating segment annually.

The Corporation has allocated goodwill to the Milner generating facility and adjacent lands, which include coal leases. Goodwill related to Milner was tested for impairment as at December 31, 2012. The carrying amount of the Milner operating segment was found to be lower than the recoverable amount and therefore, there is no impairment of goodwill. The estimated recoverable amount of the goodwill related to the Milner operating segment exceeds its carrying amount by approximately $137.1 million.

Income taxes

The Corporation recognizes the net deferred 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. Management bases estimates of future taxable income on forecast cash flows from operations, which depend on future power prices and other factors, and on the application of existing tax laws in each jurisdiction. The Corporation’s ability to realize the net deferred tax assets recorded at the balance sheet date could be impacted to the extent that future cash flows and taxable income differ significantly from estimates.

Contingencies

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 judgment of the existence of contingencies inherently involves the exercise of significant assumptions.

Estimates on the part of management are required to measure the potential outcome of future events.

NEW ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board (“IASB”) and IFRS Interpretations Committee (“IFRIC“) have issued the following new standards to March 22, 2012. These standards have not been applied in preparing MAXIM’s annual 2012 consolidated financial statements as their effective dates fall in subsequent periods.

There are no other standards that have been issued, but are not yet effective, that the Corporation anticipates will have a material effect on the consolidated financial statements once adopted. The Corporation does not anticipate that it will early adopt any of the revised standards.

IFRS Standards

Financial instruments

IFRS 9, Financial Instruments, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

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. The Corporation is currently assessing the extent of the impact of this new standard.

The new standard is effective for annual periods beginning on or after January 1, 2015 and must be applied retrospectively. MAXIM intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 has not yet been determined.

Disclosure of Interests in Other Entities

IFRS 12, Disclosure of Interests in Other Entities, is a consolidated disclosure standard that requires an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The Corporation is currently assessing the extent of the impact of this new standard.

Fair value measurement

IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. The Corporation has determined that there will be no impact on the measurement of fair value, however there will be additional disclosures in the first quarterly financial statements of 2013.

The standard is effective for annual periods beginning on or after January 1, 2013. MAXIM intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Corporation has determined that there will be no impact on the measurement of fair value, however there will be additional disclosures in future quarterly and annual financial statements.

Future accounting changes

The IASB have issued the following amendments to March 22, 2013. These amendments have not been applied in preparing MAXIM's annual 2012 consolidated financial statements as their effective dates fall in subsequent periods.

Standard amended	Effective Date[1]	Impact on MAXIM
IAS 1 *Presentation of financial statements*	July 1, 2012	No significant impact
IAS 19 *Employee benefits*	January 1, 2013	Not applicable to MAXIM
IAS 27 *Separate financial statements*	January 1. 2013	Not applicable to MAXIM
IAS 28 *Investments in associates and joint ventures*	January 1, 2013	Not applicable to MAXIM
IFRS 1 *First-time adoption of IFRS*	January 1, 2013	Not applicable to MAXIM
IFRS 7 *Financial instruments: Disclosures*	January 1, 2013	Not applicable to MAXIM
IAS 32 *Financial instruments: Presentation*	January 1, 2014	Not applicable to MAXIM

(1) The amendments will take effect for annual periods beginning on or after effective date.

The Corporation does not anticipate that it will early adopt any of the amendments.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk is inherent in all business activities and cannot be entirely eliminated. However, shareholder value can be maintained and enhanced by identifying, mitigating, and where possible, insuring against these risks. The following section addresses some, but not all, risk factors that could affect MAXIM's future results, as well as activities used to mitigate such risks. These risks do not occur in isolation, but must be considered in conjunction with each other.

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 Audit and Risk Management 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.

Financial risks and financial instruments

The Corporation's financial instruments consist primarily of cash and cash equivalents, restricted cash, trade and other receivables, deposits, trade and other payables, loans and borrowings, and derivatives.

The fair value of a financial instrument is a point in time estimate of 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. MAXIM faces the risk that fair values of financial instruments will fluctuate or that estimates used regarding fair values will be inaccurate.

The carrying amount of cash and cash equivalents, restricted cash, trade and other receivables, deposits, and trade and other payables included in MAXIM's statement of financial position approximate their fair values because of the short-term nature of the instruments.

MAXIM may utilize derivative financial instruments to manage market risk arising from volatile commodity prices, floating interest rates and changes in foreign currency rates. Derivative financial instruments are not used for speculative purposes.

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

(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 service. At December 31, 2012, MAXIM's credit exposure consisted primarily of the carrying amounts of cash and cash equivalents, trade and other receivables, income taxes recoverable, and deposits.

Trade receivables are predominantly with entities formed by governments for the purpose of facilitating commerce in the utility sector. For trade receivables from customers who are not government-sponsored entities, the Corporation obtains letters of credit or other security such as guarantees where appropriate. MAXIM utilizes regular credit monitoring processes to mitigate credit risk.

When appropriate, MAXIM uses commodity and interest rate swaps to mitigate the impact of changes in commodity prices and interest rates. A risk associated with using swaps includes credit risk of the counterparty, as they are transacted with a specific counterparty as opposed to a broker, dealer or clearing exchange. The credit risk from commodity swaps is managed in the same respect as trade accounts receivable would be as swap counterparties are assessed for credit-worthiness in the same process as customers.

In the fourth quarter of 2012, MAXIM entered into a 25 MW, one-year firm financial swap agreement as a fixed price payer, which commences on January 1, 2013. Credit risk from this swap is minimized based on the monthly settlement feature of the swap. MAXIM will continually monitor the creditworthiness of the counterparty during 2013 to ensure any obligations by the counterparty will be satisfied.

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they come due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. MAXIM utilizes a $40 million three year committed revolving credit facility to manage short-term working capital requirements as well as the timing of development capital. There are no assurances that MAXIM will be able to comply at all times with the covenants applicable under these borrowings. Refer to the Liquidity and capital resources section on page 11 of this MD&A for discussion on various lines of credit maintained to protect the Corporation from liquidity risk.

(c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Corporation's income and cash flows 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:

MAXIM is exposed to the risk of foreign currency fluctuations as a major portion of its sales, purchases, and borrowings are denominated in U.S. dollars and Euros. The carrying values of the assets and liabilities fluctuate with changes in foreign currency exchange rates. The Corporation does not hedge this exposure other than as described below.

Cash outflows for principal and interest payments on long-term debt and financing leases are denominated in currencies that match the cash flows generated by the underlying operations, thereby forming a "natural" economic hedge between cash flows from operations and obligations. No derivatives have been entered into during the year to further manage risks associated with cash flow fluctuations arising from foreign currency risk.

In respect of other monetary assets and liabilities denominated in foreign currencies, MAXIM ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

A strengthening or weakening of the Canadian dollar against the United States dollar and European euro would have an insignificant impact on profit or loss.

(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 and floating rate debt and entering into interest rate swap agreements to change floating rate debt to fixed rate debt. Project financing for Basin Creek and eleven capital lease obligations are at a fixed rate. The remaining debt and capital leases are at variable rates of interest. The following table outlines the Corporation's loans and borrowings by type of interest rate:

($000's)	Long-term debt(1)	Capital leases	Total financing
Fixed	33,434	4,631	38,065
Variable	26,723	283	27,006
Total financing	60,157	4,914	65,071

(1) Excludes deferred financing fees

An increase of interest rates of 100 basis points, as indicated below, would have decreased equity and profit or loss by the amounts shown below. An decrease of interest rates of 100 basis points, as indicated below, would have increased equity and profit or loss by the amounts shown below.

	Interest rate decrease		Interest rate increase	
	Equity	Profit or loss	Equity	Profit or loss
December 31, 2012				
Variable rate instruments	-	217	-	(217)
Interest rate swap	-	(82)	-	82
Cash flow sensitivity (net)	-	135	-	(135)
December 31, 2011				
Variable rate instruments	-	328	-	(328)
Interest rate swap	(67)	(233)	67	233
Cash flow sensitivity (net)	(67)	95	67	(95)

This analysis assumes that all other variables, particularly foreign currency rates and commodity prices, remain constant. The analysis is performed on the same basis for 2011.

At December 31, 2012, the fair value of the Corporation's loans and borrowings was approximately $66.6 million (2011 – $79.9 million). The fair value of fixed-rate loans and borrowings is determined by discounting the future contractual cash flow under current financing arrangements at discount rates obtained from the lender, which represent borrowing rates presently available to MAXIM for loans with similar terms and remaining maturities. At December 31, 2012, rates used in determining the fair value ranged from 3.7 percent to 4.6 percent (2011 – 4.0 percent to 4.7 percent). MAXIM's fair value of loans and borrowings is greater than the carrying value as a result of lower current market rates with similar terms and remaining maturities being lower than existing fixed-rate loans. MAXIM's fair value of loans and borrowings decreased from 2011 as a result of lower principal balances from paying off MAXIM's amortizing term loan with a revolving credit facility, partially offset by lower current market rates. The fair value of MAXIM's variable-rate long-term debt approximates its carrying value, as it is at a floating market rate of interest.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity, natural gas and coal. 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. Otherwise, the Corporation does not hedge its exposure to gas price volatility.

The Corporation reduces its exposure to electricity price risk by entering into fixed for floating swaps for the selling price of the electricity in Alberta. MAXIM manages the risk of coal price fluctuation through a long-term coal supply contract to purchase a large portion of its Milner coal requirements at a fixed price.

For the year ended December 31, 2012, an increase of electricity prices by $1 per MWh would have increased net income by the amounts shown below. A decrease of electricity prices by $1 per MWh would have decreased net income by the amounts shown below:

	$1 per MWh increase in electricity price	**$1 per MWh decrease in electricity price**
	Profit or loss	Profit or loss
December 31, 2012	664	(664)
December 31, 2011	436	(436)

This analysis assumes that all other variables, in particular foreign currency rates, natural gas prices, coal prices and interest rates remain constant. The analysis is performed on the same basis for 2011.

Refer to page 10 of this MD&A for discussion of the valuation of MAXIM's derivative coal contracts.

Industry risks

Electric and thermal energy projects involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Corporation is dependent upon the creditworthiness and delivery obligations of its counterparties. The failure of such parties to conduct their business in accordance with contract terms and conditions could have a material negative impact on MAXIM's financial results.

The Corporation's operations are subject to the risks normally incidental to a power project's operations, including equipment malfunctions, technical risks and operational upsets. These risks have been mitigated by performance, insurance and warranty conditions in place with MAXIM's current equipment suppliers for the term of the contracts. In accordance with customary industry practice, MAXIM is not, and will not be, fully insured against all of these risks, nor are all such risks insurable.

MAXIM has exposure to market fluctuations in the demand for and price of electricity, generating capacity and thermal energy, and is exposed to the risk of operational problems with facilities and extensive government regulation relating to price, taxes, royalties, exports and many other aspects of the electric and thermal energy business. The Corporation is also subject to a variety of waste disposal, pollution control and similar environmental laws. Most of these risks are managed by well-structured contracting provisions that require MAXIM's customers to guarantee minimum demand charge payments for capacity and by the project host undertaking to supply fuel and permitting requirements. MAXIM assumes price risk for sales to the AESO and ISO-NE.

Power generation operations are subject to the risk normally encountered by companies engaged in activity utilizing mechanical and thermal-fired electricity generation techniques, including unusual and unexpected power draws, mechanical difficulties and other conditions involved in the generation of energy using these methods. Although adequate precautions to minimize risk are routinely taken, power generation operations are subject to hazards such as equipment failure or failure of power distribution systems being served which may result in service interruption. Such interruption may adversely affect the ability of MAXIM to fulfill its duties under existing power generation contracts and may affect its ability to attract new customers. In addition, the existing power distribution system in the areas served or to be served by MAXIM may not be capable of effectively utilizing all of the power supplied by MAXIM.

MAXIM has exposure to the risk that natural gas used to power certain U.S. facilities may not be available. The Corporation mitigates this risk by using turbines with dual fuel capability. All turbines used in U.S. Northeast facilities (CDECCA, Pawtucket, Forked River, and Pittsfield facilities) may be operated using natural gas or fuel oil. When the risk for restricted access to natural gas is high, the facilities offer their electricity based on fuel oil prices to compensate for the higher cost of the alternate fuel.

MAXIM purchases its power generation equipment from third party manufacturers. The cost of future equipment purchases may be higher than currently envisaged due to unforeseen circumstances including fluctuations in currency exchange rates. Such unforeseen circumstances and currency fluctuations may have an adverse impact on MAXIM's future earnings potential.

Regulation of industry

MAXIM's activities are subject to complex and stringent energy, environmental and other governmental laws and regulations. The construction and operation of power generation facilities require numerous permits, approvals and certificates from appropriate federal, provincial/state and local governmental agencies, as well as compliance with environmental protection legislation and other regulations. While management of MAXIM believes that it has obtained the requisite approvals for MAXIM's existing operations and that MAXIM's business is operated in accordance with applicable laws, MAXIM remains subject to a varied and complex body of laws and regulations that both public officials and private individuals may seek to enforce. Existing laws and regulations may be revised or new laws and regulations may become applicable to MAXIM that may have a negative effect on MAXIM's business and results of operations. MAXIM may be unable to obtain all necessary licenses, permits, approvals and certificates for proposed projects, and completed facilities may not comply with all applicable permit conditions, statutes or regulations. In addition, regulatory compliance for the construction of new facilities is a costly and time-consuming process. Intricate and changing environmental and other regulatory requirements may necessitate substantial expenditures to obtain permits. If a project is unable to function as planned due to changing requirements or local opposition, it may create expensive delays or loss of value in a project. Refer to the Environmental and climate change legislation section of this MD&A for further detail.

Foreign operations

MAXIM is currently conducting business in Canada, U.S., and France. Any changes in government policies could have an impact on MAXIM's business ventures in such jurisdictions. Risks of foreign operations include, but are not necessarily limited to, changes of laws affecting foreign ownership, government participation and regulation, taxation, royalties, duties, rates of exchange, inflation, exchange control, repatriation of earnings and civil unrest. There are no assurances that the economic and political conditions in the countries in which MAXIM operates and intends to operate will continue as they are at the present time. The effect of these factors cannot be accurately predicted.

Project development

MAXIM's project development activities may not be successful. The development of power generation facilities is subject to substantial risks. In connection with the development of a power generation facility, MAXIM must generally obtain necessary power generation equipment, governmental permits and approvals, fuel supply and transportation agreements, sufficient equity capital and debt financing, electrical interconnection agreements, site agreements and construction contracts, and access to power grids. Failure to obtain any of the foregoing may result in increased costs or termination of projects, which may lead to a write down of the carrying amount of projects. Development of SUMMIT’s Mine No. 14 project carries similar risks. MAXIM mitigates these risks by using skilled staff, hiring consultants, contracting certain activities on a "turn-key" basis, and following a disciplined model of managing capital at risk on a progressive basis.

Competition

The electricity production industry is competitive in all phases. MAXIM, as an independent participant in that industry, faces competition from other independent companies and major companies engaged in electricity production and sale. MAXIM holds no proprietary interests in the technology utilized by it in the power generation business and accordingly there are no barriers impeding new competitors from entering into the same business or utilizing the same technology as MAXIM or different power generation technologies. MAXIM mitigates this risk through strategic relations, optimizing its capital structure to lower its cost of capital and effective capital deployment and asset optimization.

Management

MAXIM strongly depends, and will continue to depend, on the business and technical expertise of its management. The unexpected loss of any of MAXIM's key management personnel may have a serious impact on MAXIM's business. At present, only John R. Bobenic, President and Chief Executive Officer of MAXIM, has a key-man insurance policy in place. All members of MAXIM's management have entered into non-competition and non-disclosure agreements with MAXIM.

Future financing and project financing

MAXIM may require additional financing to proceed with its business activities; however, there is no assurance that adequate financing will be available on acceptable terms, if at all. Should MAXIM be unable to obtain financing for its development initiatives, it may be necessary to write down the carrying value of certain development initiatives.

From time to time, MAXIM may enter into transactions to acquire assets or shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase MAXIM's debt levels above industry standards for companies of similar size. Depending upon future capital plans, MAXIM may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither MAXIM's articles nor its by-laws limit the amount of indebtedness that MAXIM may incur. The level of MAXIM's indebtedness from time to time could impair the ability of MAXIM ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

MAXIM endeavours to use debt to the extent possible on a no or limited recourse basis. It also endeavours to fix its energy input costs and lock in profits from long-term sales contracts. As MAXIM incurs the financing risk in this scenario, it will bear the risk that a third party would default on its obligations under such long term purchase or sales contracts, in which case MAXIM may be responsible for the outstanding debt.

Currently, MAXIM has generating capacity, which is not secured by long-term contracts and has debt financing which has recourse to MAXIM.

Power sales agreements

MAXIM depends largely on its electricity and thermal energy customers. Some of its power generation facilities currently rely on one or more power sales agreements with one or more utility or other customers for all or substantially all of such facility's revenue. Other facilities operate on a "merchant" basis, selling their energy into spot markets. The profitability of a merchant power plant is largely impacted by the price of electricity, the cost of fuel, and the efficiency with which the plant converts fuel into electricity (the plant "heat rate"). The loss of any one power sales agreement with any of its customers could have a negative effect on MAXIM's results of operations. In addition, any material failure by any customer to fulfill its obligations under a power sales agreement or any supplier under a fuel supply agreement could have a negative effect on the cash flow available to MAXIM and its results of operations.

Landfill gas

MAXIM's current landfill gas sources may be inadequate for MAXIM's operations. The productivity of a landfill gas resource may decline more than anticipated, resulting in insufficient reserves being available for sustained generation of the electrical power capacity desired. An incorrect estimate by MAXIM or an unexpected decline in productivity could negatively affect MAXIM's operating results. MAXIM monitors this risk through the use of independent engineering studies to assess fuel resources.

TRANSACTIONS WITH RELATED PARTIES

Compensation of key management personnel:

($000's)	December 31, 2012	December 31, 2011
Short-term employee benefits, including wages and benefits	1,801	1,998
Share-based payments	31	1,627
Total	1,832	3,625

Key management personnel include the Corporation’s Directors and members of the Executive Committee. There were no other related party transactions during 2012 or 2011.

CONTROLS AND PROCEDURES

The President and Chief Executive Officer ("CEO") and the Vice President, Finance and Chief Financial Officer ("CFO"), together with management have designed and maintained disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Such officers have concluded that the Corporation's disclosure controls and procedures are not effective for the foregoing purposes due to the material weakness discussed below for internal control over financial reporting.

The CEO and the CFO are also responsible for designing and maintaining internal control over financial reporting, as defined under rules adopted by the Canadian Securities Administrators, within the Corporation that are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP"). MAXIM has adopted the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations ("COSO Framework") for the design of its internal control over financial reporting.

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the design and effectiveness of the Corporation's internal control over financial reporting and have identified the following material weakness in the design of the Corporation's internal control over financial reporting as of December 31, 2012. The Corporation, predominately in its France segment, does not have a sufficient number of finance personnel with the required technical knowledge to address all complex accounting and tax issues that may arise and this may result in inaccuracies in financial reporting. Management mitigates this weakness by periodically utilizing outside consultants for assistance as required to the fullest extent reasonable or by developing in-house expertise or recruiting personnel with the necessary expertise; however, such mitigating procedures do not constitute a compensating control for the purposes of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. As a result, the Corporation's internal control over financial reporting is not effective as of December 31, 2012. As such, the Corporation has determined that it is not cost-effective to fully remediate this weakness and, accordingly, a weakness will continue in the foreseeable future.

The Corporation is required to disclose herein any change in the Corporation's internal control over financial reporting that occurred during the period beginning of January 1, 2012 and ended on December 31, 2012 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting. No material changes in the Corporation's internal control over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

OTHER INFORMATION

Outstanding share data:

Issued common shares at December 31, 2012	54,083,758
Outstanding share options at December 31, 2012	3,478,104
Total diluted common shares at December 31, 2012	**57,561,862**
Share options forfeited on February 25, 2013	(344,984)
Total diluted common shares at March 21, 2013	**57,216,878**

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

GLOSSARY OF TERMS

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

Adit	A horizontal or nearly horizontal shaft into a mine
AESO	Alberta Electric System Operator
Alberta Power Pool	An independent, central, open-access pool that functions as a spot market for all energy bought and sold in Alberta, matching demand with the lowest supply to establish an hourly pool price
Alberta power prices	The hourly price established by the Alberta Electric System Operator for electricity bought and sold through the Alberta Power Pool
APP	The Alberta Power Project, consisting of four separate facilities in southern Alberta with a combined 25 MW capacity, was constructed by MAXIM in 2001, operates through a tolling agreement, and is included in the Canada - Other segment for the purposes of reporting segmented information
AUC	Alberta Utilities Commission
Basin Creek	Basin Creek generating facility, a 55 MW generating facility located in Montana and operated under a 20 year tolling agreement, commenced operations on July 1, 2006 and is included in the United States segment for the purposes of reporting segmented information
BMO	Bank of Montreal
Capacity	The rated continuous load-carrying ability, expressed in megawatts, of generation equipment (throughout the MD&A references to electric and thermal capacity are stated in "nameplate" capacity
CDECCA	CDECCA Power Plan, a 62 MW generating facility, was acquired by MAXIM on October 1, 2006 and is included in the United States segment for the purposes of reporting segmented information.
Cogeneration	The combined, simultaneous generation of heat (usually in the form of hot water or steam) and power (usually in the form of electricity)
Coal beneficiation plant	A coal beneficiation plant is a facility that handles coal by washing it of impurities and prepares it for transportation to the end user or market.
COMAX	Comax France S.A.S., MAXIM's wholly-owned French subsidiary
Dispatch	Intermittent operation as dictated by a local system operator or the party to a tolling agreement
EdF	Electricité de France
EPA	Electricity Purchase Agreements
ERCB	Energy Resources Conservation Board of Alberta
Forked River	Forked River Power Plant, an 87 MW power plant located in Ocean County, New Jersey, was acquired by MAXIM on April 17, 2008, is run under a tolling agreement, and is included in the United States segment for the purposes of reporting segmented information
GAAP	IFRS, as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants
Gold Greek	Gold Creek generating facility, a 6.5 MW generating facility acquired by MAXIM in 2001, utilizes waste heat from a main line gas compressor to generate power and is included in the Canada – Other segment for the purposes of reporting segmented information
Heat rate	A measure of conversion, expressed as MMBtu/MWh or GJ/MWh, of the amount of thermal energy required to generate electrical energy
IFRS	International Financial Reporting Standards

IPP	Independent power producer, meaning a corporation or other entity that owns or operates facilities for the generation of electricity that is purchased at wholesale prices and that is not a rate-regulated electric utility
ISO-NE	ISO New England is a U.S. regional transmission organization serving Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont
MAXIM	Maxim Power Corp.
MD&A	Management's Discussion and Analysis
Milner	HR Milner**,** a 150 MW coal-fired power station located near the town of Grande Cache, Alberta has been in continuous operation since 1972 and was acquired by MAXIM on March 31, 2005
Milner realized power prices	The average price paid to Milner for sale of electricity in $/MWh
MW	Megawatt, a measure of electricity that is equivalent to one million watts
MWh	Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour
NOx	Nitrogen oxide
O&M	Operations and maintenance
Pawtucket	Pawtucket generating station, a 64 MW generating facility located in Pawtucket, Rhode Island, was acquired by MAXIM on November 10, 2005 and is included in the United States segment for the purposes of reporting segmented information.
PP&E	Property, plant and equipment
Pittsfield	Pittsfield generating station, a 181 MW electric power plant in Pittsfield, Massachusetts, was acquired by MAXIM on August 6, 2008 and is included in the United States segment for the purposes of reporting segmented information
SO2	Sulphur dioxide
Tolling "(Tolling Agreement)"	An agreement whereby MAXIM imposes tolling charges as compensation for processing natural gas to produce electricity through one of its generating facilities. The counterparty is responsible for procuring the natural gas and owns the electricity generated at the facility
Turnaround	Scheduled large-scale maintenance activity wherein an entire process, facility or generating unit is taken offline for an extended period for comprehensive revamp and renewal
Unplanned outage	Shutdown of a generating unit due to an unanticipated breakdown
U.S. or **United States**	The United States of America
VLF	Vancouver Landfill is a 7.4 MW electrical and 9.1 MW thermal landfill gas cogeneration project in Delta, BC. This facility is reporting in the Canada – Other segment for the purpose of reporting segmented information.

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