Condensed Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the First Quarter Ended March 31, 2020

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The Corporation's independent auditor has not performed a review of the accompanying unaudited condensed consolidated interim financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards.

(signed) "M. Bruce Chernoff"	*(signed) "Michael R. Mayder"*
M. Bruce Chernoff	Michael R. Mayder
Chief Executive Officer	President and Chief Financial Officer
Maxim Power Corp.	Maxim Power Corp.

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

	Note	**March 31, 2020**	December 31, 2019
ASSETS			
Cash and cash equivalents		**15,885**	20,924
Trade and other receivables		**1,082**	4,064
Prepaid expenses and deposits		**804**	1,030
Total current assets		**17,771**	26,018
Property, plant and equipment, net	4	**179,772**	170,317
Restricted cash		**7,865**	7,849
Deferred tax assets		**13,362**	13,336
Other assets		**8,622**	7,754
Total non-current assets		**209,621**	199,256
TOTAL ASSETS		**227,392**	225,274
LIABILITIES			
Trade and other payables	5	**15,319**	21,659
Loans and borrowings	6	**7,434**	2,559
Total current liabilities		**22,753**	24,218
Provisions for decommissioning		**13,725**	13,744
Other long-term liability	5	**3,975**	1,638
Loans and borrowings	6	**46,736**	46,442
Total non-current liabilities		**64,436**	61,824
TOTAL LIABILITIES		**87,189**	86,042
EQUITY			
Share capital		**144,564**	144,771
Contributed surplus		**12,266**	12,175
Deficit		**(16,627)**	(17,714)
TOTAL EQUITY		**140,203**	139,232
Commitments and Contingencies	9,10		
TOTAL LIABILITIES AND EQUITY		**227,392**	225,274

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

On behalf of the Board:

M. Bruce Chernoff	Wiley Auch
CEO and Chairman of the Board	Director

MAXIM POWER CORP.

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

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

	Note	2020	2019
Revenue		**7,258**	8,199
Expenses			
Operating		**5,012**	8,478
General and administrative		**1,022**	829
Depreciation and amortization		**337**	818
Gain on commodity swaps	12	**(890)**	-
Other (income) expense, net		**(247)**	261
Operating income (loss)		**2,024**	(2,187)
Finance expense (income), net	7	**1,044**	(393)
Income (loss) before income taxes		**980**	(1,794)
Income tax benefit			
Deferred		**(26)**	-
Net income (loss) and comprehensive income (loss)		**1,006**	(1,794)
Earnings per share			
Basic earnings	8	**0.02**	(0.03)
Diluted earnings	8	**0.02**	(0.03)

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

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

	Number of common shares (thousands)	Share capital	Contributed surplus	Deficit	Total
Equity at December 31, 2019	50,214	144,771	12,175	(17,714)	139,232
Net income	-	-	-	1,006	1,006
Repurchase of common shares for cancellation	(72)	(207)	-	81	(126)
Share-based compensation	-	-	91	-	91
Equity at March 31, 2020	**50,142**	**144,564**	**12,266**	**(16,627)**	**140,203**
Equity at December 31, 2018	52,526	151,430	11,839	(14,729)	148,540
Net loss	-	-	-	(1,794)	(1,794)
Repurchase of common shares for cancellation	(48)	(138)	-	38	(100)
Share-based compensation	-	-	74	-	74
Equity at March 31, 2019	52,478	151,292	11,913	(16,485)	146,720

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

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

	Note	**2020**	2019
Cash flows from operating activities:			
Net income (loss)		**1,006**	(1,794)
Adjustments for items not involving cash or operations:			
Depreciation and amortization		**337**	818
Share-based compensation		**91**	74
Income tax benefit		**(26)**	-
Finance expense (income), net	7	**1,044**	(393)
Funds generated from (used in) operating activities before changes in working capital		**2,452**	(1,295)
Change in non-cash working capital from operations	11	**(897)**	748
Net cash generated from (used in) operating activities		**1,555**	(547)
Cash flows from financing activities:			
Issuance of loans and borrowings		**4,637**	-
Repurchase of common shares for cancellation		**(126)**	(100)
Interest and bank charges		**(1,343)**	(38)
Net cash generated from (used in) financing activities		**3,168**	(138)
Cash flows from investing activities:			
Property, plant and equipment additions	4	**(9,395)**	(15,791)
Proceeds from withdrawal of short-term investment		**-**	30,000
Reinvested interest income from short-term investment		**-**	(183)
Interest income	7	**75**	399
Change in non-cash working capital	11	**(483)**	2,006
Net cash from (used in) investing activities		**(9,803)**	16,431
Unrealized foreign exchange gain on cash and cash equivalents		**41**	77
Increase (decrease) in cash and cash equivalents		**(5,039)**	15,823
Cash and cash equivalents, beginning of period		**20,924**	22,246
Cash and cash equivalents, end of period		**15,885**	38,069

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

1. Reporting entity

Maxim Power Corp. is incorporated in the province of Alberta, Canada. Maxim Power Corp. and its subsidiaries (together "MAXIM" or the "Corporation") is an independent power producer, which acquires or develops, owns and operates power and power related projects in Alberta. 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

These unaudited condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The unaudited condensed consolidated interim financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Corporation's December 31, 2019 annual audited financial statements, available at www.sedar.com.

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on May 7, 2020.

(b) Use of judgments and estimates

The use of judgments and estimates in the preparation of these unaudited condensed consolidated interim financial statements has been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2019.

On March 11, 2020, the World Health Organization declared the novel strain of Coronavirus ("COVID-19") a global pandemic. We are closely monitoring the impact of COVID-19 to our business, operations and financial results. As of the date of these unaudited condensed consolidated interim financial statements were authorized for issue, COVID-19 has not had a material impact on our operations and financial performance, however any future impacts are highly uncertain and cannot be predicted.

3. Significant accounting policies

The significant accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements have been applied consistently for all periods presented and are unchanged from the policies disclosed in the notes to the consolidated financial statements for the year ended December 31, 2019.

4. Property, plant and equipment, net

During the first three months of 2020, the Corporation spent $9,395 primarily on the construction of the first stage of Milner 2 ("M2"), a natural gas fired generation facility. This stage is a 204 MW simple cycle gas turbine facility located on the existing HR Milner site.

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

5. Trade and other payables

	March 31, 2020	December 31, 2019
Trade and other payables	10,413	17,235
Deferred vendor payments (a)	4,906	4,424
Total trade and other payables	15,319	21,659
Other long-term liability (a)	3,975	1,638

(a) Deferred vendor payments

Deferred vendor payments and other long-term liabilities consists of deferred vendor payments for the construction of M2 beyond standard trade payable terms with the final payment in 2021. As at March 31, 2020, the cash price equivalent, plus accrued interest in trade and other payables and other long-term liability for those deferred payments, is $4,906 and $3,975 (December 31, 2019 - $4,424 and $1,638), respectively.

6. Loans and borrowings

	March 31, 2020	December 31, 2019
Construction loan facility (a)	28,238	28,238
Convertible loan facility (b)	22,245	21,595
Revolver facility (a)	6,987	3,000
	57,470	52,833
Less: deferred financing costs	(3,300)	(3,832)
Net loans and borrowings	54,170	49,001
Less: current portion	7,434	2,559
	46,736	46,442

(a) ATB Financial (“ATB”) Credit Facilities

The ATB Credit Facilities consist of a thirty-five month term that provides for senior debt financing of up to $44,000 to support financing requirements of M2, plus a cash collaterized letter of credit facility and hedging facility.

Financing is provided as follows:

(i) Construction loan facility

$30,000 loan maturing on November 19, 2022, available only for the construction of M2, with amortization requirements of ten years commencing when construction of M2 is completed.

(ii) Revolver facility

$10,000 loan maturing on November 19, 2022, available only for the construction of M2 until M2 is completed, and then for corporate purposes thereafter.

The construction loan and revolver facility bear interest at variable rates upon receipt of the advance. As at March 31, 2020, the Corporations interest rate for its advances range from 4.45% to 5.03% (December 31, 2019 - 5.03%) on the $28,238 and $6,987 (December 31, 2019 - $28,238 and $3,000) drawn under the construction loan and revolver facility, respectively.

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

6. Loans and borrowings (continued)

(iii) Revolver facility #2

$4,000 maturing on November 19, 2022, available after M2 is completed and only for certain working capital requirements, undrawn at March 31, 2020.

(iv) Letter of credit facility

Cash collaterized availability up to $8,000 to replace MAXIM's current outstanding letters of credit for equal amounts disclosed under note 9, maturing on November 19, 2022. As at March 31, 2020, the Corporation has issued $16 in cash collaterized letters of credit under this facility.

(v) Hedging facility

A risk management facility allowing for interest rate, commodity and foreign exchange hedging. As at March 31, 2020, the Corporation has a $10,000 interest rate swap until June 30, 2020 at 5.23%.

(b) Convertible loan facility

The convertible loan is a revolving, secured credit facility with a maximum available to be drawn of $75,000. It is convertible into common shares at $2.25 per share, bears interest at 12% per annum and is subordinated to the ATB credit facilities. The convertible feature of the loan was valued at $nil and therefore has no impact to equity. The term of the convertible loan ends upon repayment of the ATB credit facilities. As at March 31, 2020, the Corporation has $22,245 (December 31, 2019 - $21,595) outstanding under the convertible loan facility.

The convertible loan facility was provided by two significant shareholders of the Corporation, one of whom is also Chief Executive Officer and Chairman of the Board and the other whom is Vice Chairman of the Board.

(c) Debt covenants

Commencing on the last day of the first full financial quarter after completion of M2, the Corporation is required to maintain a Debt Service Coverage Ratio of not less than 1.50:1.00 on each quarter until December 31, 2020 and thereafter determined as at the last day of each financial year.

Commencing on the last day of the first full financial quarter after completion of M2, the Corporation shall not exceed a debt to earnings before interest, taxes, depreciation and amortization of 3.00:1.00 determined as at the last day of each financial quarter on a rolling four quarter basis.

As at March 31, 2020 MAXIM is in compliance with all debt covenants.

(d) Repayments

The Corporation's anticipated principal repayment obligations as at March 31, 2020 on the above loans and borrowings over the next five calendar years are as follows:

2020	8,487
2021	3,000
2022	45,983
	57,470

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

7. Finance income, net

	March 31, 2020	March 31, 2019
Interest expense and bank charges	39	38
Amortization of deferred financing costs	536	-
Accretion of provisions	17	45
Foreign exchange (gain) loss	527	(77)
Finance expense	1,119	6
Interest income (a)	(75)	(399)
Total finance income, net	1,044	(393)

(a) Includes interest income on cash and cash equivalents, short-term investment and restricted cash.

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the three months ended March 31, 2020 was based on the net income of $1,006 (March 31, 2019 – loss of $1,794) and weighted average number of common shares outstanding for the period of 50,199,106 (March 31, 2019 – 52,511,843).

(b) Diluted earnings per share

For the three months ended March 31, 2020 diluted earnings per share calculation, 175,634 shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options. The effects of exercisable stock options on diluted earnings per share were $nil for the three months ended March 31, 2019 as they were antidilutive.

9. Commitments

(a) Milner Power Limited Partnership ("MPLP") is responsible for the decommissioning and remediation of the power station lands at Milner 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.

As at March 31, 2020, on a life-to-date basis, the Corporation has billed and collected $4,398 from the Balancing Pool for remediation of certain lands at Milner. The present value of the residual balance of $8,442 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.

(b) The Corporation has entered into contracts for engineering, construction, procurement and maintenance of equipment for M2. These contracts expire in 2020 with commitments totaling $1,941.

(c) The Corporation has entered into a natural gas transportation service agreement from June 1, 2020 to May 31, 2025 to deliver natural gas to M2. The total commitment from this five-year contract is $13,570.

9. Commitments (continued)

(d) The Corporation has entered into a natural gas transportation service agreement from November 1, 2020 to October 31, 2028 for the Deerland peaking station development project whereby it is committed to reimburse out-of-pocket costs of the counterparty for the construction of the project. The maximum authorization of expenditure is $1,570 and $15 has been incurred by the counterparty as at March 31, 2020. The Corporation has an additional commitment of $798 regarding the service portion of the contract.

10. Contingencies

(a) Contingent liabilities

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

The Corporation closed the sale of the France operating segment on December 2, 2016. Under the agreement, the Corporation continues to be subject to the claims received for €1,700 thousand in additional costs from suppliers in France. Costs in relation to these claims and potential claims are only recognized when they become probable and based on the information presently known, it is the view of the Corporation that these claims and potential claims are without merit. Further under the agreement, the Corporation is subject to performance criteria of certain generating units in the France operating segment until October 31, 2017. The Corporation is responsible to reimburse the buyer of the France operating segment for penalties incurred until that time up to a maximum of €1,500 thousand. Any amounts claimed by the buyer in relation to these two amounts will be reduced by any recoveries attained by the buyer from legal proceedings against third parties that were ongoing at the time of the sale and date of these Consolidated Financial Statements.

The Corporation closed the sale of the United States operating segment on April 3, 2017. Under the sales agreement, the Corporation is subject to tax indemnities with an expiry date in accordance with all applicable statutes of limitations with respect to the matters covered thereby.

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

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

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

10. Contingencies (continued)

(b) Contingent assets

Through its Decision 790-D06-2017 ("Decision"), the Alberta Utilities Commission ("AUC") asserted its position on several matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the Alberta Electric System Operator (“AESO”) Line Loss Rule. The Decision confirmed that the same method that was used to calculate 2017 prospective loss factor rates would be used for the historic period of January 1, 2006 to December 31, 2016. The AUC deemed that a single settlement approach will be used whereby the AESO calculates all eleven years before cash is settled. The Decision further confirms that the settlement be affected by reissuing invoices to the original party and that a rider will be applied to transmission rates across the industry to collect any shortfall from the inability to collect from an original party. The Corporation estimates that overpayments of approximately $40,100 were made by Milner Power Inc. to the AESO for the period January 1, 2006 to December 31, 2016, based on calculations established by information currently available on final public record, before accounting for the time value of money. As at March 31, 2020, the precise amount and timing of compensation under Module C cannot be determined.

The Corporation has closed the sale of a development project on June 20, 2018. Under the sales agreement, the Corporation is entitled to additional compensation if the purchaser executes a renewable power purchase agreement or begins construction of the project. In addition, the Corporation is entitled to further compensation upon the date of commercial operation. This additional compensation, under both conditions, shall not exceed $2,810. As at March 31, 2020, the precise amount and timing of compensation under the sales agreement cannot be determined.

11. Change in non-cash working capital

	March 31, 2020	March 31, 2019
Operations		
Trade and other receivables	2,982	2,971
Prepaid expenses and deposits	226	(552)
Trade and other payables	(4,105)	(1,671)
	(897)	748

	March 31, 2020	March 31, 2019
Investing		
Trade and other payables	(2,804)	2,060
Other long-term liabilities	2,337	-
Restricted cash	(16)	(54)
	(483)	2,006

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

12. Financial risk management

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 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 following table provides the fair values of the financial assets and liabilities in the Corporation's Consolidated Statements of Financial Position, and is categorized by hierarchical levels and their related classifications.

March 31, 2020	Total carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Cash and cash equivalents	15,885	15,885	-	-
Trade and other receivables	1,082	1,082	-	-
Restricted cash	7,865	7,865	-	-
Milner decommissioning reimbursement	8,442	-	-	8,442
Total assets	33,274	24,832	-	8,442
Trade and other payables	15,319	15,319	-	-
Other long-term liabilities	3,975	3,975	-	-
Loans and borrowings	54,170	-	55,893	-
Total liabilities	73,464	19,294	55,893	-

December 31, 2019	Total carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Cash and cash equivalents	20,924	20,924	-	-
Trade and other receivables	4,064	4,064	-	-
Restricted cash	7,865	7,849	-	-
Milner decommissioning reimbursement	7,574	-	-	7,574
Total assets	40,411	32,837	-	7,574
Trade and other payables	21,659	21,659	-	-
Other long-term liabilities	1,638	1,638	-	-
Loans and borrowings	49,001	-	50,342	-
Total liabilities	72,298	23,297	50,342	-

Commodity risk management swaps and options

The fair value of the commodity swaps are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. The Corporation determined the fair value of the swaps by applying the market approach using market settled forward prices as reported by the Natural Gas Exchange for forward contracts of comparable term at the reporting date. For the quarter ended March 31, 2020, the unrealized gain on commodity price swaps was $10 (March 31, 2019 – $nil). For the quarter ended March 31, 2020, the realized gain on commodity risk management swaps and options was $880 (March 31, 2019 - $nil).

12. Financial risk management (continued)

Interest rate swaps and options

The Corporation manages this exposure by entering into a interest swap and purchasing put options, for a portion of the proceeds. The fair value of the interest rate swap and put options are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. For the quarter ended March 31, 2020, the unrealized loss on interest rate swaps and options was $20 (March 31, 2019 - $nil). For the quarter ended March 31, 2020, the realized loss on interest rate swaps and options was $5 (March 31, 2019 - $nil).

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated May 7, 2020 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the three months ended March 31, 2020. This MD&A should be read in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2019. MAXIM prepares its unaudited condensed consolidated interim financial statements in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting, under International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("GAAP").

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 information ("FLI") 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, power plant availability, competitive factors in the power industry, prevailing economic conditions in the regions that the Corporation operates and the other risks described herein and under the heading "Risk Factors" in the Corporations most recently filed annual information form filled on sedar at www.sedar.com. 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 as at the date of this MD&A:

- MAXIM continues to construct the simple cycle phase of Milner 2, a natural gas expansion project ("M2"). This phase is a 204 MW simple cycle gas turbine facility that will be located on the existing HR Milner ("Milner") site, which provides access to existing assets, and therefore is a cost-effective solution. MAXIM anticipates that M2 will commence commercial operations late in the second quarter of 2020.
- The existing Milner facility is allowed to operate at an annual capacity factor of up to 9% (using coal as a portion of its fuel supply), which is approximately 113,500 MWh per annum. The facility is currently offline while MAXIM goes through the commissioning process for M2.
- Management forecasts that cash flows for operating, general and administrative expenses will be funded by its operating revenue and existing cash on hand. Based on near final engineering estimates, management forecasts that development of the simple cycle phase of M2 will be funded with existing cash on hand and its existing credit facilities.
- MAXIM estimates total capital expenditures to construct M2 of $147.0 million, excluding capitalized borrowing costs of approximately $3.4 million. Refer to the Acquisitions and Development Initiatives section on page 9 for further discussion on capital spending.
- MAXIM estimates total capital expenditures, excluding capitalized borrowing costs of approximately $21.2 million to be incurred in 2020. These expenditures relate to forecast costs to substantially complete the construction of the first phase of M2.
- In determining the economic potential of development sites, management estimates future power prices in Alberta. The actual future capacity and power prices in these areas may vary from expectations.
- MAXIM anticipates compliance with all necessary provincial and federal regulations for environmental and climate change legislation. Changes to environmental legislation and operational issues may affect the ability of MAXIM to comply with regulations.
- MAXIM anticipates that it will have a working capital surplus within the next twelve months, subject to the timing of commissioning of the simple cycle phase of M2.
- Other matters and factors described under the Outlook section on page 9.

OVERALL PERFORMANCE

Highlights and Notable Events

During 2020, MAXIM continued construction of M2 and is 99% complete as of the date of this MD&A. MAXIM has begun the commissioning process and anticipates that the plant will commence commercial operations late in the second quarter of 2020. MAXIM believes strongly that this asset will be a top performing facility in its class in the Alberta market.

Key Performance Indicators ("KPI")

Three months ended March 31 ($000's, unless otherwise noted)	2020	2019
Revenue	7,258	8,199
Adjusted EBITDA (1)	2,205	(1,034)
Net income (loss)	1,006	(1,794)
Basic and diluted net income (loss) per share ($ per share)	0.02	(0.03)
Total generation (MWh)	42,301	121,716
Average Alberta market power price ($ per MWh)	67.06	70.76
Average Milner realized power price ($ per MWh)	171.45	67.29

(1) Adjusted EBTDA is a non-GAAP financial measures. See Non-GAAP Financial Measures.

Financial Results

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”) and net income increased in the first quarter of 2020 when compared to 2019, primarily due to realizing power prices of $171.45 per MWh in 2020, as compared to $67.29 per MWh in 2019, fuel and carbon tax savings as a result of lower generation volumes, lower operations and maintenance (“O&M”) costs and gains from commodity swaps.

RESULTS OF CONTINUING OPERATIONS

Revenue

Three months ended March 31 ($000's)	2020	2019
Revenue	7,258	8,199

(1) All revenues from continuing operations are electricity sales at spot prices, including the impact of line loss credits.

Revenue in the first quarter of 2020 decreased $0.9 million or 11%, from $8.2 million in 2019 to $7.3 million in 2019, primarily due to decreased generation volumes as it was not economical to operate during times when Alberta market power price were low. Milner generated 42,301 MWh of electricity in the first quarter of 2020, as compared to 121,716 MWh in 2019. This was partially offset by higher realized prices of $171.45 per MWh in 2020 as compared to $67.29 in 2019 as Milner was able to operate during periods with significantly high prices in the first quarter of 2020.

Plant Operations

Summary of plant operations expense by type:

Three months ended March 31 ($000's)	2020			2019		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	1,558	3,454	5,012	3,123	5,355	8,478
Percent	31%	69%	100%	37%	63%	100%

Fuel expenses in the first quarter of 2020 decreased $1.5 million or 48%, from $3.1 million in 2019 to $1.6 million in 2020, primarily due to lower generation volumes in 2020 as compared to the same period in 2019.

O&M expenses in the first quarter of 2020 decreased $1.9 million or 35%, from $5.4 million in 2019 to $3.5 million in 2020, primarily due to lower generation volumes, which resulted in lower carbon tax, and lower salaries as a result of staffing reductions.

General and Administrative Expense

Three months ended March 31 ($000's)	2020	2019
Total general and administrative expense	1,022	829

General and administration expense in the first quarter of 2020 increased $0.2 million or 30%, from $0.8 million in 2019 to $1.0 million in 2020, primarily due to higher consulting and administrative costs.

Depreciation and Amortization Expense

Three months ended March 31 ($000's)	2020	2019
Total depreciation and amortization expense	337	818

Depreciation and amortization expense in the first quarter of 2020 decreased $0.5 million or 63%, from $0.8 million in 2019 to $0.3 million in 2020, due to certain assets being fully depreciated by the end of 2019, which resulted in less deprecation in 2020.

Other Expense (Income), Net

Three months ended March 31 ($000's)	2020	2019
Other expense (income), net	(247)	261

Net other income in the first quarter of 2020 increased from an expense of $0.3 million in 2019 to income of $0.2 million in 2020. The increase is primarily due to lower costs incurred in 2020 to restructure the Corporation.

Gain on Commodity Swaps

In the first quarter of 2020 MAXIM realized a $0.9 million gain on Alberta power price risk management swaps due to Alberta spot prices settling lower than the fixed swap price.

Finance Expense (Income), Net

Three months ended March 31 ($000's)	2020	2019
Interest expense	39	38
Amortization of deferred financing costs	536	-
Accretion of provisions	17	45
Foreign exchange loss (gain)	527	(77)
Finance expense	1,119	6
Interest income	(75)	(399)
Total finance expense (income), net	1,044	(393)

Net finance income in the first quarter of 2020 decreased from $0.4 million of income in 2019 to $1.0 million of expense in 2020. The decrease is primarily due to unfavourable foreign exchange rates on deferred vendor payables denominated in US dollars, amortization of deferred financing costs and lower interest income earned on cash and cash equivalents in 2020, as a result of withdrawing funds to finance the M2 project.

Income Tax Expense (Benefit)

Income tax expense in the first quarter of 2020 was $nil, which is comparable to the same period in 2019.

Financial Position

The following highlights the changes in the Corporation's Consolidated Statement of Financial Position at March 31, 2020 as compared to December 31, 2019.

As at ($000's)	March 31, 2020	December 31, 2019	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	15,885	20,924	(5,039)	Decreased as a result of capital additions for the first phase of the M2 project partially offset by operating and financing cash inflows
Trade and other receivables	1,082	4,064	(2,982)	Decreased as a result of timing of collection of receivables
Property, plant and equipment, net	179,772	170,317	9,455	Increased as a result of capital additions, partially offset by depreciation
Net other assets	30,653	29,969	684	Increased as a result of decreased discount rates
Liabilities & Equity				
Trade and other payables	15,319	21,659	(6,340)	Decreased due to lower payables as the Corporation nears the completion of M2
Loans and borrowings	54,170	49,001	5,169	Increased as a result of debt issuances
Provision for decommissioning and other long-term liability	17,700	15,382	2,318	Increased due to higher long-term accounts payable relating to the construction of M2
Equity	140,203	139,232	971	Increased primarily due to net income for the period

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Management has determined that cash flows for operating, general and administrative expenses will be funded by MAXIM's existing cash on hand and operating revenues. Cash flows for construction of the simple cycle phase of M2 will be funded by the Corporation's existing cash on hand and credit facilities.

MAXIM has up to $119.0 million of borrowing capacity under its ATB Financial (“ATB”) credit facility and convertible loan. The ATB credit facility matures in November 2022 and provides for senior debt financing of up to $44.0 million to support financing requirements of M2, plus a cash collaterized letter of credit facility and hedging facility. This loan is subject to financial covenants, following the completion of M2, which is expected to occur in the second quarter of 2020. Once completed, MAXIM will have to maintain a Debt Service Coverage Ratio of not less than 1.50:1:00 on each quarter until December 31, 2020 and annually thereafter, determined as at the last day of each financial year, and not exceed a debt to EBITDA ratio of 3.00:1.00 determined as at the last day of each financial quarter on a rolling four quarter basis. As at March 31, 2020 the Corporation has $35.2 million outstanding under the construction loan and revolver facility.

The convertible loan provides subordinated debt financing of up to $75.0 million to fully fund the construction and development of M2. The convertible loan is a revolving, secured credit facility with a maximum of $75.0 million available to be drawn. It is convertible into common shares at $2.25 per share, bears interest at 12% per annum and is subordinated to the ATB credit facilities. Pursuant to an intercreditor agreement, the term of the convertible loan ends upon repayment of the ATB credit facilities. As at March 31, 2020, the Corporation has $22.2 million outstanding under the convertible loan facility.

The convertible loan facility was provided by two significant shareholders of the Corporation, one of whom is also Chief Executive Officer and Chairman of the Board and the other of whom is Vice Chairman of the Board.

The Corporation has a credit agreement with the Bank of Montreal for a demand facility that requires full cash collateralization of letters of credit on a non-revolving basis. As at March 31, 2020, the Corporation has $7.9 million of outstanding letters of credit and cash of the same amount was deposited into a restricted bank account maintained by the bank. There are no financial covenants under this credit agreement.

At March 31, 2020, the Corporation had unrestricted cash of $15.9 million included in the net working capital deficit of $5.0 million. Unrestricted cash balances are invested with one Canadian chartered bank and one Canadian financial institution. The Corporation is funding the simple cycle phase of M2 with cash on hand, operating cash flows, and existing credit facilities. Based on current operations and estimated total project costs, excluding borrowing costs, MAXIM estimates total capital expenditures to construct M2 for approximately $147.0 million before financing costs. This preceding statement represents FLI and users are cautioned that actual results may vary.

Cash flow summary:

Three months ended March 31 ($000's)	2020	2019
Cash on hand, unrestricted, January 1	20,924	22,246
Cash flow generated from (used in) operations	1,555	(547)
Cash flow generated from (used in) financing	3,168	(138)
Available for investments	25,647	21,561
Cash flow generated from (used in) investing	(9,803)	16,431
Effect of foreign exchange rates on cash	41	77
	15,885	38,069
Short-term investment	-	11,735
Undrawn Convertible Loan	52,755	-
Undrawn ATB construction loan and revolver facilities	4,775	-
Net liquidity available, March 31	73,415	49,804

Cash flow generated from operations in the first quarter of 2020 of 1.6 million increased by $2.1 million from cash flow used in operations of $0.5 million in 2019. The increase in inflow is primarily due to favourable cash flows from higher realized power prices at Milner, gains from commodity swaps and lower fuel and O&M costs in 2020. In addition, fluctuations in working capital represented a cash inflow of $0.9 million in 2020, as compared to an outflow of $0.7 million in 2019. See working capital section below for further discussion.

During the first quarter of 2020, MAXIM's cash flow from financing in 2020 of $3.2 million increased by $3.4 million from cash flow used in financing of $0.2 million in 2019, primarily due to higher loans and borrowings on new credit facilities, partially offset by higher interest paid on the loans and borrowings.

MAXIM's investing activities in the first quarter of 2020 represented a cash outflow of $9.8 million. MAXIM spent $9.4 million on the development of the simple cycle phase of M2 and a change in non-cash working capital of $0.5 million. This amount was partially offset by interest income of $0.1 million.

MAXIM's investing activities in the first quarter of 2019 represented a cash inflow of $16.4 million, which primarily consisted of a withdrawal of short-term investments of $30.0 million, net interest income of $0.2 million not reinvested into short-term investment and a change in non-cash working capital of $2.0 million. This amount was partially offset by $15.8 million of development initiatives related to the simple cycle stage of M2.

The following table represents the net capital of the Corporation:

As at ($000's)	March 31, 2020	December 31, 2019
Long-term debt	54,170	49,001
Less: Unrestricted cash	(15,885)	(20,924)
Net debt	38,285	28,077
Shareholders' equity	140,203	139,232
Capital	178,488	167,309
Net debt to capital	21.4%	16.8%

The Corporation uses the percent of net debt to capital to monitor leverage. The increase in net debt to capital from December 31, 2019 to March 31, 2020 is primarily due to further borrowings obtained in 2020 for the construction of M2.

Working Capital

The Corporation has a working capital deficit of $5.0 million at March 31, 2020, which represents a $6.8 million decrease from the working capital surplus of $1.8 million at December 31, 2019. The total decrease is comprised of a $8.2 million decrease in current assets and a $1.4 million decrease in current liabilities.

The decrease in current assets was due to a net decrease of $5.0 million in unrestricted cash, which were primarily used to fund the simple cycle phase of M2 and current operations, a decrease in accounts receivable of $3.0 million due to timing of collection of receivables and a $0.2 million increase to prepaid expenses.

The decrease in current liabilities was due to a $6.3 million decrease in accounts payable primarily due to lower outstanding payables related to the M2 project, partially offset by a $4.9 million increase in the current portion of loans and borrowings.

MAXIM anticipates that it will have a working capital surplus within the next twelve months, subject to the timing of commissioning of the simple cycle phase of M2. This preceding statement represents FLI and users are cautioned that actual results may vary.

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. The Corporation has entered into a natural gas transportation service agreement from June 1, 2020 to May 31, 2025 to deliver natural gas to M2. The total commitment from this five-year contract is $13.6 million.

Contingencies

Contingent liabilities

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

The Corporation closed the sale of the France operating segment on December 2, 2016. Under the agreement, the Corporation continues to be subject to the claims received for €1.7 million in additional costs from suppliers in France. Costs in relation to these claims and potential claims are only recognized when they become probable and, based on the information presently known, it is the view of the Corporation that these claims and potential claims are without merit. Further under the agreement, the Corporation is subject to performance criteria of certain generating units in the France operating segment until October 31, 2017. The Corporation is responsible to reimburse the buyer of the France operating segment for penalties incurred until that time up to a maximum of €1.5 million. Any amounts claimed by the buyer in relation to these two amounts will be reduced by any recoveries attained by the buyer from legal proceedings against third parties that were ongoing at the time of the sale and date of these Consolidated Financial Statements.

The Corporation closed the sale of the United States operating segment on April 3, 2017. Under the sales agreement, the Corporation is subject to tax indemnities with an expiry date in accordance with all applicable statutes of limitations with respect to the matters covered thereby.

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

Contingent assets

Through its Decision 790-D06-2017 ("Decision"), released December 18, 2017, the Alberta Utilities Commission (“AUC”) asserted its position on several matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the Alberta Electric System Operator ("AESO") Line Loss Rule. The Decision confirmed that the new method that was used to calculate 2017 prospective loss factor rates would be used for the historic period of January 1, 2006 to December 31, 2016. The AUC deemed that a single settlement approach will be used whereby the AESO will calculate all eleven years before cash is settled. The Decision further confirms that the settlement be affected by reissuing invoices to the original party and that a rider will be applied to transmission rates across the industry to collect any shortfall from the inability to collect from an original party. The Corporation estimates that overpayments of approximately $40.1 million were made by Milner Power Inc. to the AESO for the period January 1, 2006 to December 31, 2016, based on calculations established using information currently available on the final public record, before accounting for the time value of money. The Corporation anticipates, based on the AESO’s current published timelines, that the collection of these prior overpayments and the time value of money component at the Bank of Canada Bank Rate +1.5%, will occur in the middle of 2021. On December 3, 2019, the AESO made application to the AUC seeking a Review and Variance of the Decision that, if approved, would enable the AESO to pursue year-by-year settlement of the historic period with first payments issued as early as the third quarter of 2020. MAXIM does not anticipate the AUC to rule on the settlement periods until the end of the second quarter of 2020.

The Corporation has closed the sale of a development project on June 20, 2018. Under the sales agreement, the Corporation is entitled to additional compensation upon the date of commercial operation. This additional compensation shall not exceed $2.8 million. As at the date of this MD&A, the precise amount and timing of compensation under the sales agreement cannot be determined.

Capital Resources

The following represents FLI and users are cautioned that actual results may vary. The Corporation is currently estimating capital expenditures, excluding capitalized borrowing costs of approximately $21.2 million for 2020. The majority of these expenditures relate to costs forecasted to complete construction of the simple cycle phase of M2, which will commence operations late in the second quarter of 2020.

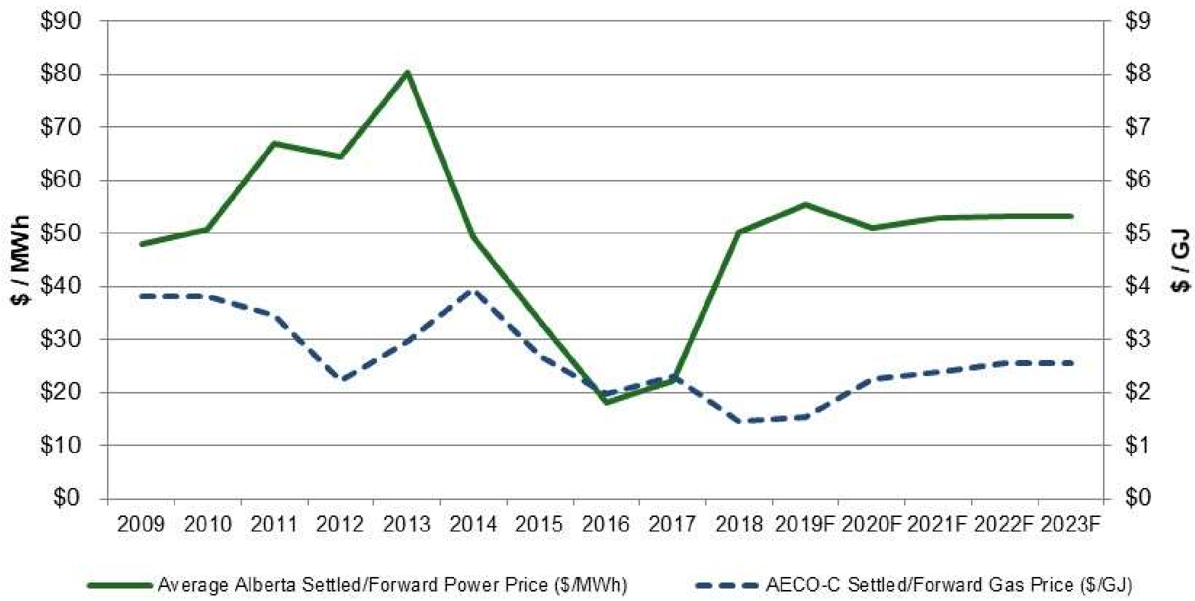
OUTLOOK

Alberta Power Price

The Corporation's outlook is impacted by Alberta electricity and fuel prices. Alberta electricity prices are a key revenue determinant for Milner and M2. As a result of record low Alberta power prices in late 2016 and early 2017, which undermined profitability for a prolonged period, the Corporation had made the decision to suspend operations at Milner in July 2017. From this point, the Corporation continued to monitor both settled and forward power and gas prices. MAXIM observed favourable conditions and, as a result, the Corporation resumed the generation of electricity at Milner on June 13, 2018. MAXIM is currently observing lower demand for power in Alberta and believes this is due in part to the impact of the Coronavirus (COVID-19) on electricity consumption.

Alberta power prices fluctuate based on the supply of, and demand for electricity within Alberta, the cost of key inputs such as natural gas, carbon tax and other market factors. The chart below compares the average annual Alberta power price to Alberta natural gas price since 2008. The break in correlation is the result of tighter generation capacity relative to demand beginning in 2011, which led to higher power prices from 2011 to 2013. Commencing in 2014, it was noted that Alberta power prices became more closely correlated to gas prices as new supply came on the system. This trend changed at the beginning of 2018 due to the implementation of a provincial carbon tax and management subsequently observed a change in the power prices in 2018 as a result of dispatch control of seven units returning to independent power producers from the Balancing Pool.

Management expects to see a continued break in correlation between Alberta power prices and Alberta natural gas prices due to the carbon tax coupled with announced conversions of existing generating facilities from coal to gas. It is also expected that natural gas prices will remain suppressed in the near term as a result of oversupply within the province which will contribute further to the break in correlation. Based on settled and forward power and gas prices, MAXIM anticipates generating electricity at the existing Milner facility until the second quarter of 2020.



ACQUISITION AND DEVELOPMENT INITIATIVES

The Corporation maintains optionality for all of the development initiatives in order to maximize shareholder value including outright sale, joint venture, build and operate or pace development process to hold as future opportunity.

M2

During 2020, MAXIM continued construction of M2 and is 99% complete as of the date of this MD&A. MAXIM has begun the commissioning process and anticipates that the plant will commence commercial operations late in the second quarter of 2020. MAXIM believes strongly that this asset will be a top performing facility in its class in the Alberta market. MAXIM currently estimates that total capital expenditures to construct M2, excluding borrowing costs, will be $147.0 million and currently anticipates that M2 will commence commercial operations late in the second quarter of 2020.

Other Development Initiatives

In addition to the simple cycle phase of M2 and the existing Milner facility, MAXIM has 536 MW of permitted generation capacity in Alberta, of which 346 MW is at the Milner site. In addition, MAXIM has a wind development project, Buffalo Atlee, which has the potential for up to 200 MW of wind generation capacity. As at the date of this MD&A, no definitive commitments on these projects have been made.

Financing

MAXIM has sufficient financing to complete construction of the simple cycle phase of M2. Regarding its other development projects, 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

Risks

MAXIM is exposed to risks in potential legislation that have yet to be enacted. Management has assessed that the most significant risks in potential future legislation are Greenhouse Gas ("GHG") stringency and, more remotely, legislation that phases out natural gas-fired generation entirely, similar to the regulatory actions taken in recent years surrounding coal-fired generation.

Provincial and Carbon Tax

In 2015, the Government of Alberta (“GoA”) announced its Climate Leadership Plan ("CLP"). The CLP recommended that Alberta move forward on phasing out coal-fired electricity generation by 2030 and encourages more renewable energy. Under the CLP, the GoA replaced the existing Specified Gas Emitters Regulation with the Carbon Competitiveness Incentive Regulation ("CCIR") which came into effect on January 1, 2018. The CCIR requires electricity generators to pay $30 per tonne of carbon dioxide on emissions above what Alberta's cleanest natural gas-fired plant would emit to generate the same amount of electricity.

On October 30, 2019, the GoA released the Technology Innovation and Emissions Reduction Regulation (“TIER”) which replaced CCIR on January 1, 2020. The impacts to the electricity industry are largely similar under TIER and CCIR including carbon price of $30/tonnes for 2020, intensity limit of 0.37 tonnes of CO2e/MWh above which generators are taxed for carbon emissions and exemptions for new units (until 2023).

In 2018, the Government of Canada enacted regulations to create a federal carbon pricing plan. The Greenhouse Gas Pollution Pricing Act became effective on January 1, 2019 and will act as a backstop to any province that has not implemented a compliant carbon pricing regime. Based on the current compliant carbon pricing regime in Alberta, these enacted regulations do not have an impact on carbon emitters in Alberta. If the Alberta provincial government modifies or repeals the price of carbon, these regulations are anticipated to impact Alberta carbon emitters.

Additional Federal Restrictions on Carbon Dioxide Emissions

In 2012, the Government of Canada enacted regulations to reduce carbon dioxide emissions from coal-fired generation facilities. These new regulations dictate that power plants built before 1975 are able to operate at full capacity until the earlier of fifty years after the commissioning date and December 31, 2019. Moreover, power plants built after 1974 are able to operate until the earlier of fifty years after the commissioning date and December 31, 2029. The Milner facility was commissioned in 1972, and, accordingly, was 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% (using coal as a portion of its fuel supply), which is approximately 113,500 MWh per annum, until December 31, 2029. In December 2018, the Government of Canada issued finalized regulations in relation to natural gas-fired units and, more specifically, in relation to coal-to-gas conversions. In the regulations, any generation facility that previously used a boiler in conjunction with coal-fired generation that continues to generate electricity without coal as a fuel source, and instead uses natural gas as a fuel source, will be deemed to be a coal-to-gas conversion and will be subject to CO_2 emissions stringency requirements prospectively commencing at the unit's end of life as defined in the current federal coal regulations. If Milner ceases to burn coal as part of its fuel mix, then Milner would fall under this provision.

As at the date of this MD&A, MAXIM anticipates that it will continue to be permitted to run Milner at a 9% capacity factor until December 31, 2029 subject to utilizing coal for a portion of its fuel. Alternatively, MAXIM currently anticipates that if Milner does not include coal as a fuel source, it would not comply with the regulations for coal to gas conversions beyond 2019. Management is currently maintaining the ability to operate the existing Milner facility as a dual fuel-fired facility at a 9% capacity factor. The M2 project is subject to carbon tax and is not otherwise adversely impacted by any of the provincial or federal legislation above.

SELECTED QUARTERLY FINANCIAL INFORMATION

KPI's

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Mar 2020	31-Dec 2019	30-Sep 2019	30-Jun 2019
Revenue	7,258	4,972	8,488	6,676
Net income (loss)	1,006	(2,173)	2,204	(4,087)
Basic and diluted net income (loss) per share ($ per share)	0.02	(0.04)	0.04	(0.08)
Total assets	227,392	225,274	189,939	168,599

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Mar 2019	31-Dec 2018	30-Sep 2018	30-Jun 2018
Revenue	8,199	9,755	7,880	2,109
Net income (loss) (1)	(1,794)	8,833	(3,733)	2,816
Basic and diluted net income (loss) per share ($ per share) (1)	(0.03)	0.17	(0.07)	0.05
Total assets	171,928	172,188	160,410	164,971

(1) Includes net loss and net loss per share of continuing operations only.

Net income (loss) attributable to shareholders is affected by certain non-cash and non-recurring transactions as follows.

The first quarter of 2020 included commodity swap gains of $0.9 million. The fourth quarter of 2019 included a $1.2 million gain on sale of assets, $1.1 million in asset impairment charges and commodity swap gains of $0.9 million. The third quarter of 2019 included commodity swap gains of $1.8 million. The second quarter of 2019 included $2.2 million of future tax expense related to changes in provincial tax rates. The first quarter of 2019 had $nil impact to net loss attributable to shareholders from certain non-cash and non-recurring transactions.

The fourth quarter of 2018 included $8.4 million of future tax benefits related to recognizing deferred assets. The third quarter of 2018 had $nil impact to net loss attributable to shareholders from certain non-cash and non-recurring transactions. The second quarter of 2018 included $6.9 million of future tax benefits related to recognizing $3.5 million of deferred assets and derecognizing $3.4 million of deferred tax liabilities.

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.

Adjusted EBITDA

Three months ended March 31 ($000's)	2020	2019
GAAP Measures from Condensed Consolidated Interim Statement of Income		
Net income (loss)	1,006	(1,794)
Income taxes benefit	(26)	-
Interest expense (income)	1,044	(393)
Depreciation and amortization	337	818
EBITDA	2,361	(1,369)
Adjustments:		
Restructuring of Alberta operations	100	261
Net proceeds from option to sell Forked River land	(347)	-
Share-based compensation	91	74
Adjusted EBITDA	2,205	(1,034)

Adjusted EBITDA is calculated as described above, adjusted for specific items that are significant but 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 are directly affected by 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 operating activities.

In calculating adjusted EBITDA for the three months ended March 31, 2019 and March 31, 2020 management excluded certain non-cash and non-recurring transactions. In both 2020 and 2019, adjusted EBITDA excluded restructuring of Alberta operations and net proceeds from the option to sell Forked River land and share-based payments.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The judgments and estimates used in the preparation of the condensed consolidated interim financial statements has been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2019.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Adoption of New IAS and Amendments

On January 1, 2020, the Corporation adopted amendments to Presentation of Financial Statements ("IAS 1"). This amendment had no impact to the amounts recorded in the Corporation's consolidated financial statements as of January 1, 2020 or comparative periods.

IFRS Standards Issued Not Yet Effective and Amendments

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

The International Accounting Standards Board ("IASB") has issued the following amendments to May 7, 2020. These amendments have not been applied in preparing MAXIM's annual 2019 consolidated financial statements as the effective date falls in a subsequent period.

Standard amended	Issued Date	Effective Date [1]	Impact on MAXIM
IAS 1 Presentation of Financial Statements	January 2020	January 2022	No impact to MAXIM
IFRS 17 Insurance Contracts	May 2017	January 1, 2021	Not applicable to MAXIM

(1) Effective for annual periods beginning on or after effective date

The Corporation does not anticipate that it will early adopt these amendments.

TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter any related party transactions during the first three months of 2020, with the exception of transactions with the Corporation's Directors and members of the Executive Committee in the normal course of business. These transactions in the normal course of business are detailed in note 12b and 24 of the 2019 audited annual financial statements.

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for the design of internal controls over financial reporting ("ICFR") and disclosure controls of the Corporation. In accordance with National Instrument NI 52-109, the CEO and CFO have filed certifications that ICFR and disclosure controls have been adequately designed, and that there have been no changes in ICFR that materially affected, or are reasonably likely to materially affect ICFR, during the quarter ended March 31, 2020.

OTHER INFORMATION

Outstanding share data:

Issued common shares at March 31, 2020	50,186,671
Outstanding convertible share options under the convertible loan at March 31, 2020	9,886,887
Outstanding share options at March 31, 2020	2,668,202
Total diluted common shares at March 31, 2020	**62,741,760**
Shares purchased and cancelled under NCIB in April and May 2020	(124,840)
Share options expired in April 2020	(90,785)
Share options granted in April 2020	90,785
Convertible share options under the convertible loan in April and May 2020	120,268
Total diluted common shares at May 7, 2020	**62,737,188**

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:

AESO	Alberta Electric System Operator
ATB	ATB Financial
AUC	Alberta Utilities Commission
Buffalo Atlee	Buffalo Atlee is a development project for up to 200 MW of wind generation situated near Brooks, Alberta
Capacity	The rated continuous load-carrying ability, expressed in megawatts, of generation equipment, with the exception of "capacity payments" and "capacity market" (throughout the MD&A references to capacity are stated in nameplate capacity)
CCIR	Carbon Competitiveness Incentive Regulation
CEO	Chief Executive Officer
CFO	President and Chief Financial Officer
CLP	Climate Leadership Plan
Decision	Decision 790-D06-2017 issued by the AUC
Deerland	Deerland is a development project for a 190 MW natural gas-fired peaking station located near Bruderheim, Alberta
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
FLI	Forward-looking information
GAAP	IFRS, as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants
GHG	Greenhouse gas, which includes carbon dioxide, methane and nitrous oxide
GoA	Government of Alberta
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicators
Milner	HR Milner**,** a 150 MW (nameplate capacity) generating facility located near the town of Grande Cache, Alberta has been in continuous operation since 1972 and was acquired by MAXIM on March 31, 2005
M2	Milner 2, a gas expansion initiative to develop up to 520 MW natural gas-fired generating facility, previously known as MGE
MAXIM or the Corporation	Maxim Power Corp.
MD&A	Management's Discussion and Analysis
MW	Megawatt, a measure of electrical generating capacity 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
O&M	Operations and maintenance
TIER	Technology Innovation and Emissions Reduction Regulation
U.S. or **United States**	The United States of America

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