Condensed Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the Second Quarter Ended June 30, 2019

(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	**June 30, 2019**	December 31, 2018
ASSETS			
Cash and cash equivalents		**22,858**	22,246
Short-term investment	4	**-**	41,552
Trade and other receivables		**4,346**	6,260
Prepaid expenses, deposits and other assets		**1,150**	480
Total current assets		**28,354**	70,538
Property, plant and equipment, net	5	**112,061**	71,877
Right-of-use assets		**100**	-
Restricted cash		**7,849**	7,795
Deferred tax assets	8	**12,327**	14,547
Other assets	9a	**7,908**	7,431
Total non-current assets		**140,245**	101,650
TOTAL ASSETS		**168,599**	172,188
LIABILITIES			
Trade and other payables		**7,359**	6,671
Lease obligation		**85**	-
Total current liabilities		**7,444**	6,671
Provisions for decommissioning		**18,557**	16,977
Lease obligation		**61**	-
Total non-current liabilities		**18,618**	16,977
TOTAL LIABILITIES		**26,062**	23,648
EQUITY			
Share capital		**151,032**	151,430
Contributed surplus		**11,995**	11,839
Deficit		**(20,490)**	(14,729)
TOTAL EQUITY		**142,537**	148,540
Commitments and Contingencies	9,10		
TOTAL LIABILITIES AND EQUITY		**168,599**	172,188

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 and Comprehensive Income (Loss)

For the three and six months ended June 30
(in thousands of Canadian dollars)

		Three months ended June 30		Six months ended June 30	
	Note	**2019**	2018	**2019**	2018
Revenue		**6,676**	**2,109**	**14,875**	2,109
Expenses					
Operating		**6,745**	3,704	**15,223**	4,993
General and administrative		**798**	982	**1,627**	2,181
Depreciation and amortization		**791**	1,844	**1,609**	3,144
Other expense, net		**173**	180	**434**	378
Operating loss		**(1,831)**	(4,601)	**(4,018)**	(8,587)
Finance expense (income), net	7	**36**	(556)	**(357)**	(1,003)
Loss before income taxes		**(1,867)**	(4,045)	**(3,661)**	(7,584)
Income tax (benefit) expense					
Current		**-**	(14)	**-**	(14)
Deferred	8	**2,220**	(6,847)	**2,220**	(6,847)
		2,220	(6,861)	**2,220**	(6,861)
Net income (loss) and comprehensive income (loss)		**(4,087)**	2,816	**(5,881)**	(723)
Earnings per share	6				
Basic earnings		**(0.08)**	0.05	**(0.11)**	(0.01)
Diluted earnings		**(0.08)**	0.05	**(0.11)**	(0.01)

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, 2018	52,526	151,430	11,839	(14,729)	148,540
Net loss	-	-	-	(5,881)	(5,881)
Repurchase of common shares for cancellation	(138)	(398)	-	120	(278)
Share-based compensation	-	-	156	-	156
Equity at June 30, 2019	**52,388**	**151,032**	**11,995**	**(20,490)**	**142,537**
Equity at December 31, 2017	54,624	157,471	11,517	(20,314)	148,674
Net loss	-	-	-	(723)	(723)
Repurchase of common shares for cancellation	(1,066)	(3,068)	-	443	(2,625)
Share-based compensation	-	-	204	-	204
Equity at June 30, 2018	53,558	154,403	11,721	(20,594)	145,530

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 six months ended June 30
(in thousands of Canadian dollars)

	Note	**2019**	2018
Cash flows from operating activities:			
Net loss		**(5,881)**	(723)
Adjustments for items not involving cash or operations:			
Depreciation and amortization		**1,609**	3,144
Share-based compensation		**156**	204
Income tax (benefit) expense	8	**2,220**	(6,861)
Income taxes refunded		**-**	14
Finance income, net	7	**(357)**	(1,003)
Funds used in operating activities before changes in working capital		**(2,253)**	(5,225)
Change in non-cash working capital from operations	11	**120**	(1,235)
Net cash used in operating activities		**(2,133)**	(6,460)
Cash flows from financing activities:			
Repurchase of common shares for cancellation		**(278)**	(2,625)
Payment of lease obligation		**(41)**	-
Interest and bank charges	7	**(76)**	(71)
Net cash used in financing activities		**(395)**	(2,696)
Cash flows from investing activities:			
Property, plant and equipment additions	5	**(40,730)**	(3,042)
Purchase of short-term investment		**-**	(25,000)
Proceeds from withdrawal of short-term investment	4	**41,779**	-
Reinvested interest income from short-term investment	4	**(227)**	(715)
Interest income	7	**646**	1,063
Change in non-cash working capital	11	**1,796**	208
Net cash generated from (used in) investing activities		**3,264**	(27,486)
Unrealized foreign exchange loss on cash and cash equivalents		**(124)**	-
Increase (decrease) in cash and cash equivalents		**612**	(36,642)
Cash and cash equivalents, beginning of period		**22,246**	51,264
Cash and cash equivalents, end of period		**22,858**	14,622

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

For the three and six months ended June 30, 2019 and 2018
(Amounts in thousands of Canadian dollars except as otherwise noted)

1. Reporting entity

Maxim Power Corp. is incorporated in the province of Alberta, Canada. Maxim Power Corp. and its subsidiaries (together "MAXIM" or the "Corporation") is an independent power producer, which acquires or develops, owns and operates power and power related projects 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, 2018 annual audited financial statements, available at www.sedar.com.

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on August 7, 2019.

(b) Use of estimates and judgements:

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, 2018.

3. Significant accounting policies

Except as noted below, 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, 2018.

On January 1, 2019, the Corporation adopted Leases ("IFRS 16"), as well as the amendments to Income Taxes ("IAS 12"), Employee Benefits ("IAS 19"), Borrowing Costs ("IAS 23"), Investments in Associates and Joint Ventures ("IAS 28"), Business Combinations ("IFRS 3") and Financial Instruments ("IFRS 9"). With the exception of IFRS 16, the adoption of these amendments had no impact to the amounts recorded in the Corporation's consolidated financial statements as of January 1, 2019 or comparative periods. The effect of the changes from IFRS 16 were disclosed in the Corporation's condensed consolidated interim financial statements for the first quarter ended March 31, 2019.

4. Short-term investment

During the first six months of 2019, $41,779 was withdrawn from the Corporation's short-term investment account and transferred into the Corporation's demand deposit account, and is classified under cash and cash equivalents in the Corporation's Condensed Consolidated Interim Statements of Financial Position.

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

5. Property, Plant and Equipment

During the first six months of 2019, the Corporation spent $40,730 primarily on the construction of the first stage of Milner 2, a natural gas fired generation facility. This stage is a 204 MW simple cycle gas turbine facility that will be located on the existing HR Milner site.

6. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the three months ended June 30, 2019 was based on the net loss of $4,087 (June 30, 2018 – income of $2,816) and weighted average number of common shares outstanding for the period of 52,435,893 (June 30, 2018 – 54,331,118). For the six months ended June 30, 2019 basic earnings per share was based on the net loss of $5,881 (June 30, 2018 – $723) and weighted average number of common shares outstanding for the period of 52,473,658 (June 30, 2018 – 54,476,663).

(b) Dilutive earnings per share

For the three and six months ended June 30, 2019 and six months ended June 30, 2018, no shares were added to the average number of common shares outstanding because they were antidilutive. For the three months ended June 30, 2018 diluted earnings per share calculation, 491 shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options.

7. Finance expense (income), net

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Interest expense and bank charges	38	35	76	71
Accretion of provisions	44	43	89	67
Foreign exchange gain	201	(71)	124	(78)
Finance expense	283	7	289	60
Interest income (a)	(247)	(563)	(646)	(1,063)
Total finance expense (income), net	36	(556)	(357)	(1,003)

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

8. Income taxes

During the second quarter of 2019, the Corporation adjusted its future income tax asset for newly enacted provincial tax rates. The provincial rate was reduced from 12% to 11% on July 1, 2019, with further annual rate reductions of 1% at the beginning of each calendar year until it reaches 8% on January 1, 2022. The impact of this rate change reduced the Corporation's future income tax asset by $2,220.

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.

9. Commitments (continued)

For the six months ended June 30, 2019, the Corporation has billed the Balancing Pool for $80, of which $29 has been collected for remediation of certain lands at Milner. As at June 30, 2019, on a life-to-date basis, the Corporation has billed the Balancing Pool for $4,201, of which $4,150 has been collected for remediation of certain lands at Milner. The present value of the residual balance of $7,710 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 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 June 30, 2019. The Corporation has an additional commitment of $798 regarding the service portion of the contract.

(c) The Corporation has entered into capital contracts for engineering and procurement of equipment for the natural gas expansion project. These contracts expire in 2019 with commitments totaling $16,763.

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 is further subject to tax indemnities until December 2, 2019. In addition, the Corporation is subject to customary closing indemnities until December 2, 2019 to a maximum claim of €3,500 thousand.

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

10. Contingencies (continued)

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.

(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 confirms that the same method that was used to calculate 2017 prospective loss factor rates would be used for the retrospective period of January 1, 2006 – December 31, 2016. 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 effected 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 June 30, 2019, the precise amount and timing of compensation under Module C cannot be determined.

The Corporation 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 $2,810. As at June 30, 2019, the precise amount and timing of compensation under the sales agreement cannot be determined.

11. Change in non-cash working capital

	June 30, 2019	June 30, 2018
Operations		
Trade and other receivables	1,914	(266)
Prepaid expenses and deposits	(632)	(272)
Trade and other payables	(1,162)	(697)
	120	(1,235)

	June 30, 2019	June 30, 2018
Investing		
Trade and other payables	1,850	208
Restricted cash	(54)	-
	1,796	208

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

12. Financial instruments, financial risk management and 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 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 Condensed Consolidated Interim Statements of Financial Position, and is categorized by hierarchical levels and their related classifications.

June 30, 2019	Total carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Cash and cash equivalents	22,858	22,858	-	-
Trade and other receivables	4,346	4,346	-	-
Restricted cash	7,849	7,849	-	-
Milner decommissioning reimbursement	7,710	-	-	7,710
Total assets	42,763	35,053	-	7,710
Trade and other payables	7,359	7,359	-	
Total liabilities	7,359	7,359	-	-

December 31, 2018	Total carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Cash and cash equivalents	22,246	22,246	-	-
Short-term investment	41,552	41,552	-	-
Trade and other receivables	6,260	6,260	-	-
Restricted cash	7,795	7,795	-	-
Milner decommissioning reimbursement	7,187	-	-	7,187
Total assets	85,040	77,853	-	7,187
Trade and other payables	6,671	6,671	-	-
Total liabilities	6,671	6,671	-	-

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated August 7, 2019 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 and six months ended June 30, 2019. The MD&A should also be read in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2018. 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 stage of Milner 2, a natural gas expansion project ("M2"). This stage 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 is a cost-effective solution. MAXIM anticipates that M2 will commence operations early in 2020.
- Based on settled and forward power and gas prices, MAXIM anticipates generating electricity at the existing Milner facility until late in the first quarter of 2020. Milner is a dual-fuel facility that is capable of running on coal up to 144 MW or gas up to 80 MW. MAXIM has consumed substantially all coal inventory on hand and continues to evaluate market conditions to determine if purchasing additional coal is economical. During the second quarter of 2019, modifications to the Milner facility have increased its generation, under gas only, from 70 MW to 80 MW.
- Management forecasts that cash flows for operating, general and administrative expenses will be funded by its existing cash on hand. Based on near final engineering estimates, management forecasts that development of the simple cycle stage of M2 and other developments will be funded with existing cash on hand, operating cash flows, and future financing based upon current forecasts. MAXIM is actively working with parties to finance a portion of M2 to ensure the Corporation has adequate cashflow to complete the project.
- MAXIM estimates total capital expenditures to construct M2 of $146.0 million including capitalized borrowing costs of approximately $3.6 million. This is an increase of $8.0 million as compared to $138.0 million previously reported in the first quarter of 2019. The majority of this increase in expenditures relate to additional costs forecasted to complete construction of the first phase of M2 and borrowing costs. Refer to the Acquisitions and Development Initiatives section on page 10 for further discussion on capital spending.
- MAXIM estimates total capital expenditures of approximately $116.0 million to be incurred in 2019. These expenditures relate to forecasted costs to substantially complete the construction of the first phase of M2.
- In determining potential development sites, management estimates future power prices in Alberta. The actual future capacity and power prices in these areas may be different from expected.
- 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 deficit within the next twelve months, subject to the timing of commissioning of the simple cycle stage of M2 and/or terms of future financing. As at the date of this MD&A, the terms of financing for the simple cycle stage of M2 have yet to be finalized.
- Other matters and factors described under the Outlook section on page 9.

OVERALL PERFORMANCE

Highlights and Notable Events

On July 24, 2019, the Government of Alberta ("GoA") announced its decision to maintain Alberta's energy-only market and end the implementation of a capacity market initiated in 2016. The decision of the GoA does not have a material impact to MAXIM. M2 is an efficient generating unit that responds to energy price volatility that comes from an energy-only market. The GoA will now table the necessary legislation and amend regulations to stop the implementation of the capacity market as soon as possible.

On May 16, 2019, the Corporation provided notice to the Toronto Stock Exchange of its intention to make a Normal Course Issuer Bid ("NCIB") to purchase for cancellation up to 2,600,000 Common Shares. As of the date of this MD&A, the Corporation has repurchased and cancelled 22,088 common shares at an average cost of $1.92 per share. The Corporation plans to continue purchasing common shares as management believes that the current market price of its common shares does not accurately reflect their underlying value and that it's in the best interest of the Corporation and its shareholders.

On May 13, 2019, the Corporation announced that Mr. Brad Wall was appointed to the board of directors of MAXIM, effective immediately.

The NCIB follows the expiration of MAXIM's previous NCIB which was effective from May 11, 2018 and expired on May 10, 2019. Under MAXIM's previous NCIB, MAXIM completed the purchase of 2,213,832 Shares at a weighted average price of $2.27 per share.

Key Performance Indicators ("KPI")

	Three months ended June 30		Six months ended June 30	
($000's, unless otherwise noted)	2019	2018	2019	2018
Revenue	6,676	2,109	14,875	2,109
Net income (loss) attributable to shareholders	(4,087)	2,816	(5,881)	(723)
Basic and diluted net income (loss) per share ($ per share)	(0.08)	0.05	(0.11)	(0.01)
Total generation (MWh)	96,575	21,869	218,292	21,869
Average Alberta market power price ($ per MWh)	56.37	55.92	63.56	44.12
Average Milner realized power price ($ per MWh)	69.08	95.61	68.08	95.61
Total assets	168,599	164,971	168,599	164,971

Financial Results

Net loss increased in the second quarter and first six months of 2019 when compared to 2018. The change in this financial measure was primarily due to a reduction in enacted provincial tax rates in 2019 and the non-reoccurrence of a 2018 income tax benefit in 2019. This was partially offset by the resumption of operations at Milner which occurred in June 2018, lower general and administrative personnel costs and lower depreciation on existing Milner assets as a result of a change in useful life in the fourth quarter of 2018.

RESULTS OF CONTINUING OPERATIONS

Revenue

Segment ($000's)	Three months ended June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2018
Revenue	6,676	2,109	14,875	2,109

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

Revenue in the second quarter of 2019 increased $4.6 million, from $2.1 million in 2018 to $6.7 million in 2019, due to the resumption of operations at Milner which occurred in June 2018. Milner generated 96,575 MWh of electricity in the second quarter of 2019, as compared to 21,869 MWh in the same period of 2018. This was partially offset by lower realized power prices of $69.08 per MWh in the second quarter of 2019, as compared to $95.61 per MWh in the same period of 2018.

Revenue in the first six months of 2019 increased $12.8 million, from $2.1 million in 2018 to $14.9 million in 2019, due to the resumption of operations at Milner which occurred in June 2018. Milner generated 218,292 MWh of electricity in the first six months of 2019, as compared to 21,869 MWh in the same period of 2018. This was partially offset by lower realized power prices of $68.08 per MWh in the first six months of 2019, as compared to $95.61 per MWh in the same period of 2018.

Plant Operations

Summary of plant operations expense by type:

Three months ended June 30 ($000's)	2019			2018		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	1,983	4,762	6,745	227	3,477	3,704
Percent	29%	71%	100%	6%	94%	100%

Six months ended June 30 ($000's)	2019			2018		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	5,106	10,117	15,223	227	4,766	4,993
Percent	34%	66%	100%	5%	95%	100%

Fuel and Operations and Maintenance ("O&M") expenses in the second quarter of 2019 increased $3.0 million, from $3.7 million in 2018 to $6.7 million in 2019, primarily due to the resumption of operations at Milner.

Fuel and O&M expenses in the first six months of 2019 increased $10.2 million, from $5.0 million in 2018 to $15.2 million in 2019, primarily due to the same factor impacting the second quarter.

General and Administrative Expense

($000's)	Three months ended June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2019
Total general and administrative expense	798	982	1,627	2,181

General and administration expense in second quarter of 2019 decreased $0.2 million or 20%, from $1.0 million in 2018 to $0.8 million in 2019, primarily due to general and administrative capital allocations to the M2 project.

General and administration expense in the first six months of 2019 decreased $0.6 million or 27%, from $2.2 million in 2018 to $1.6 million in 2019, primarily due to the same factor impacting the second quarter.

Depreciation and Amortization Expense

	Three months ended June 30		Six months ended June 30	
($000's)	2019	2018	2019	2019
Total depreciation and amortization expense	791	1,844	1,609	3,144

Depreciation and amortization expense in the second quarter of 2019 decreased $1.0 million or 55%, from $1.8 million in 2018 to $0.8 million in 2019, primarily due to lower depreciation on existing Milner assets as a result of a change in useful life.

Depreciation and amortization expense in the first six months of 2019 decreased $1.5 million or 48%, from $3.1 million in 2018 to $1.6 million in 2019, primarily due to the same factor impacting the second quarter.

Other Expense, Net

	Three months ended June 30		Six months ended June 30	
($000's)	2019	2018	2019	2018
Other expense, net	173	180	434	378

Net other expense in the second quarter and first six months of 2019 was $0.2 million and $0.4 million, respectively, which is comparable to the same periods in 2018.

Finance Expense (Income), Net

	Three months ended June 30		Six months ended June 30	
($000's)	2019	2018	2019	2018
Interest expense and bank charges	38	35	76	71
Accretion of provisions	44	43	89	67
Foreign exchange loss (gain)	201	(71)	124	(78)
Finance expense	283	7	289	60
Interest income	(247)	(563)	(646)	(1,063)
Total finance expense (income), net	36	(556)	(357)	(1,003)

Net finance expense in the second quarter of 2019 increased from income of $0.6 million in 2018 to an expense of $nil million in 2019. The increase is primarily due to lower interest income earned on cash and cash equivalents, short-term investment and restricted cash in 2019, as a result of withdrawing funds to finance the M2 project. In addition, $0.2 million of foreign exchange losses were recognized in 2019 compared to gains of $0.1 million in 2018, which is caused primarily by the net impact of foreign exchange rate movement for US dollars on cash balances.

Net finance income in the first six months of 2019 decreased from $1.0 million in 2018 to $0.4 million in 2019, primarily due to the same factors impacting the second quarter.

Income Tax Expense (Benefit)

($000's)	Three months ended June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2018
Current tax benefit	-	(14)	-	(14)
Deferred tax expense (benefit)	2,220	(6,847)	2,220	(6,847)
Total income tax benefit	2,220	(6,861)	2,220	(6,861)

Income tax expense in the second quarter and first six months of 2019 increased $9.1 million, from a benefit of $6.9 million in 2018 to an expense of $2.2 million. In 2019, MAXIM recognized $2.2 million in income tax expense as a result of a reduction in enacted provincial tax rates. In 2018, MAXIM recognized a tax benefit of $6.9 million as it was probable that sufficient future taxable income will be available to utilize underlying tax losses and derecognized a tax liability as the Corporation is now able to control the timing of the reversal of these differences.

Financial Position

The following highlights the changes in the Corporation's Unaudited Condensed Consolidated Interim Statement of Financial Position at June 30, 2019 as compared to December 31, 2018.

As at ($000's)	June 30, 2019	December 31, 2018	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents and short-term investment	22,858	63,798	(40,940)	Decreased as a result of capital additions for the first stage of the M2 project and operating cash outflows
Trade and other receivables	4,346	6,260	(1,914)	Decreased as a result of timing of collection of receivables
Property, plant and equipment, net	112,061	71,877	40,184	Increased as a result of capital additions, partially offset by depreciation
Net deferred tax asset (liability)	12,327	14,547	(2,220)	Decreased as a result of lower provincial tax rates
Net other assets, net	16,861	15,706	1,155	Increased as a result of collateral payments for future natural gas delivery services and decreased discount rates on decmmissioning assets
Liabilities & Equity				
Trade and other payables	7,359	6,671	688	Higher payables as a result of construction of M2, partially offset by the timing of carbon tax payments
Provision for decommissioning	18,557	16,977	1,580	Increased as a result of a decrease in discount rates
Equity	142,537	148,540	(6,003)	Primarily due to a net loss 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. Cash flows for the simple cycle stage of M2 and other development capital will be funded by the Corporation's existing cash on hand, operating cash flows, and future anticipated financing based upon current forecasts. As at the date of this MD&A, MAXIM is actively working with lenders to finance a portion of M2 to ensure the Corporation has adequate cashflow to complete the project.

The Corporation has a credit agreement with the Bank of Montreal for a demand facility that requires full cash collateralization for $8.0 million of letters of credit on a non-revolving basis. As at June 30, 2019, 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 June 30, 2019, the Corporation had unrestricted cash of $22.8 million included in the net working capital surplus of $20.9 million. Unrestricted cash balances are invested with one Canadian chartered bank. The Corporation no longer holds funds in a short-term demand notice investment account and all funds have been withdrawn and transferred to unrestricted cash. The Corporation anticipates funding the simple cycle stage of M2 with cash on hand, operating cash flows, and financing. Based on current operations and estimated total project costs, including borrowing costs, MAXIM estimates total capital expenditures to construct M2 for approximately $146.0 million. This preceding statement represents FLI and users are cautioned that actual results may vary.

Cash flow summary:

Six months ended June 30 ($000's)	2019	2018
Cash on hand, unrestricted, January 1	22,246	51,264
Cash flow used in operations	(2,133)	(6,460)
Cash flow used in financing	(395)	(2,696)
Available for investments	19,718	42,108
Cash flow generated from (used in) investing	3,264	(27,486)
Effect of foreign exchange rates on cash	(124)	-
Net liquidity available, June 30	22,858	14,622

Cash flow used in operations in the first six months of 2019 decreased from $6.5 million in 2018 to $2.1 million in 2019, which is a decrease of $4.4 million. The decrease in outflow is primarily due to favourable cash flows from resuming operations at Milner and lower general and administrative costs in 2019. In addition, fluctuations in working capital represented a cash inflow of $0.1 million in first six months of 2019, as compared to an outflow of $1.2 million in 2018. See below for further discussion of working capital.

During the first six months of 2019, MAXIM's cash flow used in financing decreased $2.3 million from $2.7 million in 2018 to $0.4 million in 2019, primarily due to lower purchasing and cancelling of Common Shares of the Corporation under a NCIB in 2019.

MAXIM's investing activities in the first six months of 2019 represented a cash inflow of $3.3 million, which primarily consisted of a withdrawal of short-term investments of $41.8 million, net interest income of $0.4 million not reinvested into short-term investment and a change in non-cash working capital of $1.8 million. This amount was partially offset by $40.7 million of development initiatives related to the simple cycle stage of M2.

MAXIM's investing activities in the first six months of 2018 represented a cash outflow of $27.5 million, which primarily consisted of a $25.0 million contribution to short-term investment and $3.0 million of expenditures for sustaining M1 and development initiatives. These amounts were partially offset by interest income of $0.3 million not reinvested into short-term investment and a change in non-cash working capital of $0.2 million.

Working Capital

The Corporation has a working capital surplus of $20.9 million at June 30, 2019, which represents a $42.9 million decrease from the working capital surplus of $63.8 million at December 31, 2018. The total decrease was due to a $42.2 million decrease in current assets and a $0.7 million increase in current liabilities.

The decrease in current assets was due to a net decrease of $40.9 million in unrestricted cash and short-term investment, both of which were primarily used to fund the simple cycle stage of M2 and current operations, and a decrease in accounts receivable of $2.0 million due to timing of collection of receivables. This decrease which was partially offset by a $0.7 million increase to prepaid expenses.

The increase in current liabilities was due to a $0.6 million increase in accounts payable and a $0.1 million increase in the lease obligation.

MAXIM anticipates that it will have a working capital deficit within the next twelve months, subject to the timing of commissioning of the simple cycle stage of M2 and terms of future financing. As at the date of this MD&A, the terms of financing for the simple cycle stage of M2 have yet to be finalized. 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. In addition to this, in the second quarter of 2019 MAXIM entered into capital contracts for engineering and procurement of equipment for M2. These contracts expire in 2019 with commitments totaling $16.8 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 is further subject to tax indemnities until December 2, 2019 and is subject to customary closing indemnities until December 2, 2019 to a maximum claim of €3.5 million.

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 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 confirms that the new method that was used to calculate 2017 prospective loss factor rates would be used for the retrospective period of January 1, 2006 – December 31, 2016. 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 effected 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. During the second quarter of 2019 the AESO revised the repayment schedule from late 2019 to the middle of 2021. Certain industry participants have sought permission to appeal in the Alberta courts and their applications were denied. As of the date of this MD&A, MAXIM is unaware of any parties intention to appeal to the Supreme Court of Canada. These preceding statements represent FLI and users are cautioned that actual results may vary.

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 of approximately $116.0 million for 2019. The majority of these expenditures relate to costs forecasted to complete construction of the simple cycle stage of M2, which will commence operations early in 2020.

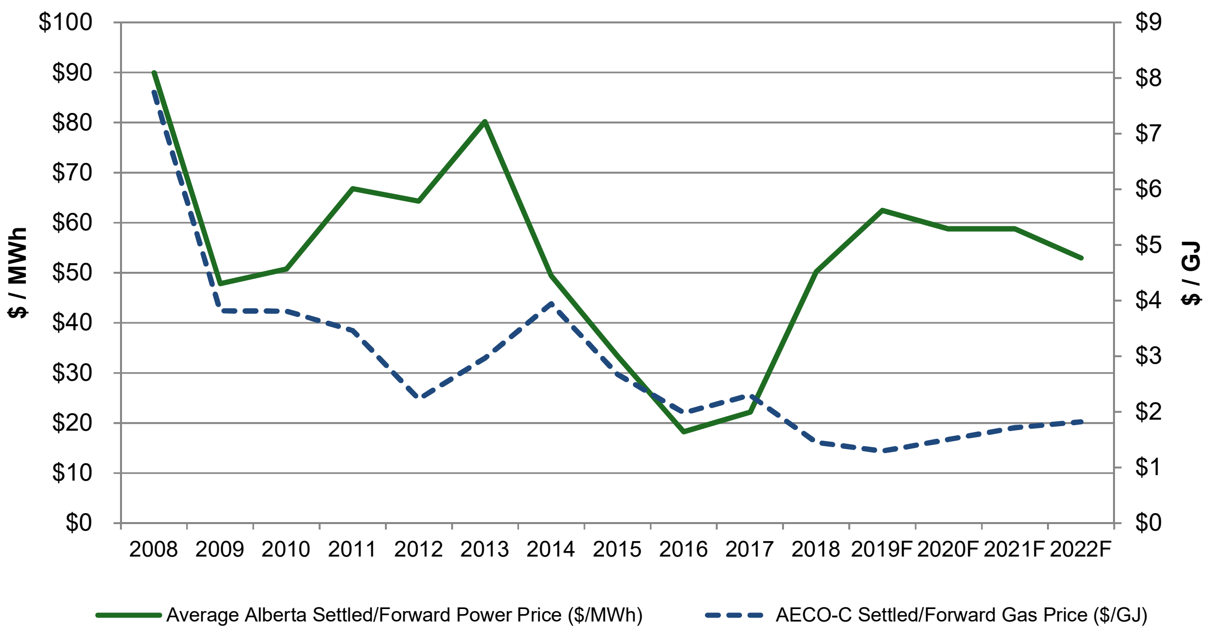
OUTLOOK

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. 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.

Alberta power 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 chart on the next page 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 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 first quarter of 2020.



Capacity Market Transition

On July 24, 2019, the GoA announced its decision to maintain Alberta's energy-only market and end the implementation of a capacity market initiated in 2016. The decision of the GoA does not have a material impact to MAXIM. M2 is an efficient generating unit that responds to energy price volatility that comes from an energy-only market. The GoA will now table the necessary legislation and amend regulations to stop the implementation of the capacity market as soon as possible.

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 the second quarter of 2019, MAXIM began installation of the gas turbine, generator and related systems of its M2 natural gas-fired generation project. MAXIM intends to de-risk the project by entering into an agreement for Engineering, Procurement and Construction ("EPC") services in the third quarter of 2019. The EPC contractor will be responsible for delivering a fully operational power plant early in 2020 for a specified price, subject to conditions that are customary for these forms of agreement. MAXIM believes strongly that this asset will be a top performing facility in its class in the Alberta market. A significant portion of the project's cost increase from $138.0 million to $146.0 million resulted from capitalization of borrowing costs. Site specific equipment to enhance the facility, incremental compliance costs and building enclosure costs also contributed to the increase. MAXIM has the option in the future to increase the capacity of the facility, in conjunction with increasing the efficiency of the facility, by investing capital to expand M2 to operate with combined cycle technology.

Other Development Initiatives

In addition to the simple cycle stage of M2 and the existing Milner facility, MAXIM has 592 MW of permitted generation capacity in Alberta, of which 402 MW is at the Milner site. MAXIM is currently in the process of amending its permit related to the M2 project which may alter the final amount of permitted generation 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 anticipates that it will require additional capital, from external sources to finance a portion of the cost of the simple cycle stage 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 ("PP&E"). 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 Federal Legislation

In 2015, the 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. 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.

On April 16, 2019, a new political party was elected as leader of the GoA. This party has indicated that they will replace CCIR with the Technology Innovation and Emissions Reduction program by January 1, 2020. As of the date of this MD&A, MAXIM is not aware of any amendments or newly enacted legislation from the GoA.

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, is allowed to operate to its full capacity to December 31, 2019 (“end of life”). After December 31, 2019, Milner is allowed to operate at an annual capacity factor of up to 9% (using coal in the 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.

As at the date of this MD&A, MAXIM anticipates that it will continue to be permitted to run Milner at full capacity as a dual fuel-fired (coal and natural gas) facility until December 31, 2019 and subsequently at a 9% capacity factor for the next ten years subject to utilizing coal for a portion of the fuel source each year. Alternatively, MAXIM currently anticipates that if Milner does not use coal as a fuel source, it would not comply with the regulations for coal to gas conversions and as such could not operate on natural gas as a fuel source beyond 2019. Management maintains the ability of operating the existing Milner facility as a dual fuel-fired facility at a 9% capacity factor beyond 2019 up to the latter stages of the M2 development project. The M2 project is not adversely impacted by any of the provincial or federal legislation above.

SELECTED QUARTERLY FINANCIAL INFORMATION

KPI's

Quarter ended: (unaudited) ($000's unless otherwise noted)	30-Jun 2019	30-Mar 2019	31-Dec 2018	30-Sep 2018
Revenue	6,676	8,199	9,755	7,880
Net income (loss)	(4,087)	(1,794)	8,833	(3,733)
Basic and diluted net income (loss) per share ($ per share)	(0.08)	(0.03)	0.17	(0.07)
Total assets	168,599	171,928	172,188	160,410

Quarter ended: (unaudited) ($000's unless otherwise noted)	30-Jun 2018	30-Mar 2018	31-Dec 2017	30-Sep 2017
Revenue	2,109	-	-	-
Net income (loss) [(1)]	2,816	(3,539)	(12,454)	(3,281)
Basic and diluted net loss per share ($ per share) [(1)]	0.05	(0.06)	(0.23)	(0.06)
Total assets	164,971	168,237	169,490	181,236

(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 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. The first quarter of 2018 had $nil impact to net loss attributable to shareholders from certain non-cash and non-recurring transactions.

The fourth quarter of 2017 had asset impairment charges totaling $7.4 million relating to PP&E. The third quarter of 2017 had a $2.2 million post-closing adjustment reducing the gain on sale of the U.S. operating segment.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The judgements 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 judgements and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2018.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Adoption of New IAS and Amendments

On January 1, 2019, the Corporation adopted Leases ("IFRS 16"), as well as the amendments to Income Taxes ("IAS 12"), Employee Benefits ("IAS 19"), Borrowing Costs ("IAS 23"), Investments in Associates and Joint Ventures ("IAS 28"), Business Combinations ("IFRS 3") and Financial Instruments ("IFRS 9"). With the exception of IFRS 16, the adoption of these amendments had no impact to the amounts recorded in the Corporation's consolidated financial statements as of January 1, 2019 or comparative periods.

IFRS 16

Effective January 1, 2019, the Corporation adopted IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases. The Corporation adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations. In addition, the Corporation has elected to apply the practical expedient permitted by IFRS 16 to measure the right-of-use asset at the amount equal to the lease liability and sublease asset. Therefore there was no impact to retained earnings. The Corporation has also elected not to recognize right-of-use assets and lease liabilities for low-value assets. On initial application, total net right-of-use assets of $0.1 million were recorded as of January 1, 2019 with a corresponding lease obligation of $0.2 million and sublease asset of $0.1 million, with no net impact on retained earnings.

IFRS Standards Issued Not Yet Effective and Amendments

There are no 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 IASB has issued the following amendments to August 7, 2019. These amendments have not been applied in preparing MAXIM's second quarter condensed consolidated interim 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	October 2018	January 2020	No impact to MAXIM
IFRS 17 Insurance Contracts	May 2017	January 1, 2021	Not applicable to MAXIM
Conceptual Framework	March 2018	January 1, 2020	No impact 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 six months of 2019, 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 26 of the 2018 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 June 30, 2019.

OTHER INFORMATION

Outstanding share data:

Issued common shares at June 30, 2019	52,387,905
Outstanding share options at June 30, 2019	2,148,202
Total diluted common shares at June 30, 2019	54,536,107
Share options expired in July 2019	(16,667)
Share options granted in July 2019	16,667
Total diluted common shares at August 7, 2019	54,536,107

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
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
EPC	Engineering, procurement and construction
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
NCIB	Normal Course Issuer Bid
O&M	Operations and maintenance
PP&E	Property, plant and equipment
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.