Condensed Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the Second Quarter Ended June 30, 2020

(Unaudited)

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

	Note	**June 30, 2020**	December 31, 2019
ASSETS			
Cash and cash equivalents		**12,778**	20,924
Trade and other receivables		**4,699**	4,064
Prepaid expenses and deposits		**680**	1,030
Total current assets		**18,157**	26,018
Property, plant and equipment, net	3	**189,592**	170,317
Restricted cash		**7,865**	7,849
Deferred tax assets	8	**17,149**	13,336
Other assets		**9,133**	7,754
Total non-current assets		**223,739**	199,256
TOTAL ASSETS		**241,896**	225,274
LIABILITIES			
Trade and other payables	4	**17,066**	21,659
Loans and borrowings	6	**11,343**	2,559
Total current liabilities		**28,409**	24,218
Provisions for decommissioning	5	**17,526**	13,744
Other long-term liability	4	**2,618**	1,638
Loans and borrowings	6	**54,824**	46,442
Total non-current liabilities		**74,968**	61,824
TOTAL LIABILITIES		**103,377**	86,042
EQUITY			
Share capital		**143,831**	144,771
Contributed surplus		**12,275**	12,175
Deficit		**(17,587)**	(17,714)
TOTAL EQUITY		**138,519**	139,232
Commitments and Contingencies	10,11		
Subsequent events	14		
TOTAL LIABILITIES AND EQUITY		**241,896**	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 Loss and Comprehensive Loss

(in thousands of Canadian dollars)

		Three months ended June 30		Six months ended June 30	
	Note	**2020**	2019	**2020**	2019
Revenue		**4,460**	**6,676**	**11,718**	14,875
Expenses					
Operating		**5,387**	6,745	**10,399**	15,223
General and administrative		**853**	798	**1,875**	1,627
Depreciation and amortization		**915**	791	**1,252**	1,609
Loss (gain) on commodity swaps	13	**453**	**-**	**(437)**	**-**
Other expense, net		**965**	173	**718**	434
Operating loss		**(4,113)**	(1,831)	**(2,089)**	(4,018)
Finance expense (income), net	7	**841**	36	**1,885**	(357)
Income loss before income taxes		**(4,954)**	(1,867)	**(3,974)**	(3,661)
Income tax expense (benefit)					
Deferred	8	**(3,787)**	2,220	**(3,813)**	2,220
		(3,787)	2,220	**(3,813)**	2,220
Net loss and comprehensive loss		**(1,167)**	(4,087)	**(161)**	(5,881)
Earnings per share					
Basic earnings	9	**(0.02)**	(0.08)	**(0.00)**	(0.11)
Diluted earnings	9	**(0.02)**	(0.08)	**(0.00)**	(0.11)

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 loss	-	-	-	(161)	(161)
Repurchase of common shares for cancellation	(326)	(940)	-	288	(652)
Share-based compensation	-	-	246	-	246
Stock options settled in cash	-	-	(146)	-	(146)
Equity at June 30, 2020	**49,888**	**143,831**	**12,275**	**(17,587)**	**138,519**
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

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	**2020**	2019
Cash flows from operating activities:			
Net loss		**(161)**	(5,881)
Adjustments for items not involving cash or operations:			
Depreciation and amortization		**1,252**	1,609
Share-based compensation		**246**	156
Unrealized loss on commodity swaps	4,13	**479**	-
Unrealized loss on interest rate swaps	4,13	**54**	-
Stock option settlement		**(146)**	-
Income tax expense (benefit)		**(3,813)**	2,220
Finance expense (income), net	7	**1,885**	(357)
Funds used in operating activities before changes in working capital		**(204)**	(2,253)
Change in non-cash working capital from operations	12	**(7,550)**	79
Net cash used in operating activities		**(7,754)**	(2,174)
Cash flows from financing activities:			
Issuance of loans and borrowings		**14,762**	-
Repurchase of common shares for cancellation		**(652)**	(278)
Interest and bank charges		**(749)**	(76)
Net cash from (used in) financing activities		**13,361**	(354)
Cash flows from investing activities:			
Property, plant and equipment additions	3	**(16,265)**	(40,730)
Proceeds from withdrawal of short-term investment		**-**	41,779
Reinvested interest income from short-term investment		**-**	(227)
Interest income	7	**158**	646
Change in non-cash working capital	12	**2,339**	1,796
Net cash from (used in) investing activities		**(13,768)**	3,264
Unrealized foreign exchange gain (loss) on cash and cash equivalents		**15**	(124)
Increase (decrease) in cash and cash equivalents		**(8,146)**	612
Cash and cash equivalents, beginning of period		**20,924**	22,246
Cash and cash equivalents, end of period		**12,778**	22,858

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.

Interim results will fluctuate due to plant maintenance schedules, the seasonal demands for electricity, changes in energy prices and commissioning of Milner 2 ("M2"). Consequently, interim results are not necessarily indicative of annual results.

The Corporation operates in one reportable business segment in the operation of electrical generation facilities in Canada and other development properties in Canada.

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 August 6, 2020.

(b) Significant accounting policies and 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.

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.

3**. Property, plant and equipment, net**

During the second quarter of 2020, the Corporation commenced operations of M2, a natural gas-fired generation facility. This facility is a 204 MW simple cycle gas turbine facility located on the existing HR Milner site. The components of this generation facility will be depreciated on a straight line basis over their estimated useful lives ranging from 2024 to 2045.

The Corporation spent $16,265, which includes $1,905 of capitalized interest, in the first six months of 2020, primarily on the completion of construction of the first stage of M2.

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

4. Trade and other payables and other long-term liability

	June 30 2020	December 31, 2019
Trade and other payables	11,627	17,235
Deferred vendor payments (a)	4,906	4,424
Risk management liability (b)	533	-
Total trade and other payables	17,066	21,659
Other long-term liability (a)	2,618	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 June 30, 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 $2,618 (December 31, 2019 - $4,424 and $1,638), respectively.

(b) Risk management liability

Risk management liability consists of a $479 liability for commodity risk management swaps (note 13) and a $54 liability for interest rate swaps and options (note 13).

5. Provisions for decommissioning

During the second quarter of 2020, the Corporation recognized a $2,500 provision for the decommissioning costs related to M2. This provision was discounted at the risk free rate, which was 0.86%, with inflation rates of 0.86%. The undiscounted inflation adjusted amount of the estimated obligation is $3,099 and is estimated to be incurred in twenty five years from the date of these condensed consolidated interim financial statements.

6. Loans and borrowings

	June 30, 2020	December 31, 2019
Construction loan facility (a)	30,000	28,238
Revolver facility (a)	10,000	3,000
Convertible loan facility (b)	28,970	21,595
	68,970	52,833
Less: deferred financing costs	(2,803)	(3,832)
Net loans and borrowings	66,167	49,001
Less: current portion	11,343	2,559
	54,824	46,442

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

The ATB Credit Facilities consist of various facilities that provide for senior debt financing of up to $44,000 to support financing requirements of M2, plus credit available for letters of credit and hedging, maturing on November 19, 2022.

6. Loans and borrowings (continued)

Financing is provided as follows:

(i) Construction loan facility, converted to term facility

$30,000 loan maturing on November 19, 2022, available only for the construction of M2. The facility is converted to term, subject to terms and conditions, upon the earlier of the completion date of M2 or December 31, 2020. Upon conversion to a term facility, amortization payments of $750 are due quarterly starting September 30, 2020, amortized over ten years.

(ii) Revolver facility

$10,000 loan, available only for the construction of M2 and then for corporate purposes thereafter.

The construction and term loans and revolver facility bear interest at variable rates upon receipt of the advance. As at June 30, 2020, the Corporation's interest rate for its advances range from 3.52% to 3.69% (December 31, 2019 - 5.03%) on the $30,000 and $10,000 (December 31, 2019 - $28,238 and $3,000) drawn under the construction loan and revolver facility, respectively.

(iii) Revolver facility #2

$4,000, available after M2 is completed and only for certain working capital requirements, undrawn at June 30, 2020.

(iv) Letter of credit facility

Cash collaterized availability up to $8,000 to replace MAXIM's current outstanding letters of credit. As at June 30, 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 June 30, 2020, the Corporation has a $10,000 interest rate swap until November 2022 at 3.82%. This swap settles $250 per quarter beginning in the third quarter of 2020, until the loan matures on November 19, 2022. As at June 30, 2020, the Corporation has hedged some of its power and natural gas exposure under this facility which represents an unrealized loss for $513 of the $479 disclosed in note 13.

(b) Convertible loan facility

The convertible loan is a revolving, subordinated, secured credit facility 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 amount allocated to equity. The term of the convertible loan ends upon repayment of the ATB credit facilities. As at June 30, 2020, the Corporation has $28,970 (December 31, 2019 - $21,595) outstanding.

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. These subordinated lenders signed an intercreditor and subordination agreement with ATB.

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

6. Loans and borrowings (continued)

(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.

MAXIM shall ensure that, as at the end of each financial quarter the tangible assets of MAXIM, Milner Power II LP and Milner Power LP ("MPLP") are not less than the lesser of (a) 95% of Consolidated Tangible Assets; and (b) Consolidated Tangible Assets (less any Consolidated Tangible Assets attributed to Forked River II, Inc., Forked River II, LLC, Summit Coal, Summit Coal LP, Deerland Power Inc. and Deerland Power Limited Partnership).

In addition, MAXIM is subject to customary affirmative covenants and reporting requirements. As at June 30, 2020 MAXIM is in compliance with all debt covenants.

(d) Repayments

The Corporation's anticipated principal repayment obligations as at June 30, 2020 on the above loans and borrowings over the next five calendar years are as follows:

2020	13,000
2021	3,000
2022	52,970
	68,970

7. Finance expense (income), net

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Interest expense and bank charges	605	38	644	76
Amortization of deferred financing costs	505	-	1,041	-
Loss on interest rate swap	70	-	70	-
Accretion of provisions	17	44	34	89
Foreign exchange (gain) loss	(273)	201	254	124
Finance expense	924	283	2,043	289
Interest income (a)	(83)	(247)	(158)	(646)
Total finance expense (income), net	841	36	1,885	(357)

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

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

8. Income tax benefit

During the second quarter of 2020, the Corporation recognized a future tax benefit of $3,787 for previously unrecognized available tax pools as a result of increased estimates of future cash flows from M2. The future taxable income is expected to be sufficient to realize the incremental deferred tax asset.

9. Earnings per share

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Net loss	(1,167)	(4,087)	(161)	(5,881)
Weighted average number of common shares	50,085,129	52,435,893	50,142,118	52,473,658
Basic and diluted earnings per share (a)	(0.02)	(0.08)	(0.00)	(0.11)

(a) The effects of exercisable stock options on diluted earnings per share were $nil for the three and six months ended June 30, 2020 and 2019, as they were antidilutive.

10. Commitments

(a) 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 June 30, 2020, on a life-to-date basis, the Corporation has billed and collected $4,409 from the Balancing Pool for remediation of certain lands at Milner. The present value of the residual balance of $8,952 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 contract for maintenance of equipment for M2. This contract has a minimum commitment totaling $680 as at June 30, 2020.

(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 $13,343.

(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 June 30, 2020. The Corporation has an additional commitment of $798 regarding the service portion of the contract.

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

11. Contingencies

For the current significant outstanding contingencies, refer to Note 22 of the Annual Audited Consolidated Financial Statements. The changes to the following contingent asset during the six months ended June 30, 2020 is included below and note 14:

Through its Decision 790-D06-2017 ("D06-Decision"), the Alberta Utilities Commission ("AUC") asserted its position on several matters related to remedy under Module C of MPLP's complaint relating to the Alberta Electric System Operator ("AESO") Line Loss Proceeding. The D06-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 D06-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 million were made by MPLP's 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, 2020, the precise amount and timing of compensation under Module C cannot be determined.

12. Change in non-cash working capital

	June 30, 2020	June 30, 2019
Operations		
Trade and other receivables	(635)	1,914
Prepaid expenses and deposits	350	(632)
Trade and other payables	(7,265)	(1,203)
	(7,550)	79

	June 30, 2020	June 30, 2019
Investing		
Trade and other payables	1,375	1,850
Other long-term liabilities	980	-
Restricted cash	(16)	(54)
	2,339	1,796

13. Financial risk management

During the first six months of 2020, the COVID-19 pandemic has created a dynamic and challenging environment. Combined with a decline in power prices, the result has been notable market volatility, including fluctuations in interest rates, foreign currency rates and the Company's share price. The key implications of these developments on the Company's financial risk exposures and key strategies for mitigating those risks are addressed below.

The Company's risk management process, oversight and techniques are the same as those described in the Company's 2019 annual consolidated financial statements

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.

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

13. Financial risk management (continued)

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.

June 30, 2020	Total carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Cash and cash equivalents	12,778	12,778	-	-
Trade and other receivables	4,699	4,699	-	-
Restricted cash	7,865	7,865	-	-
Milner decommissioning reimbursement	8,953	-	-	8,953
Total assets	34,295	25,342	-	8,953
Trade and other payables	17,066	16,533	533	-
Other long-term liabilities	2,618	2,618	-	-
Loans and borrow ings	66,167	-	68,410	-
Total liabilities	85,851	19,151	68,943	-

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	7,849	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 borrow ings	49,001	-	50,342	-
Total liabilities	72,298	23,297	50,342	-

(a) Commodity risk management swaps and options

The fair value of the power and natural gas 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 three and six months ended June 30, 2020, the unrealized loss on commodity price swaps was $489 and $479, respectively (June 30, 2019 – $nil). The carrying amount of the of the risk management liability is $479 (note 4). For the three and six months ended June 30, 2020, the realized gain on commodity risk management swaps and options was $36 and $916, respectively (June 30, 2019 - $nil).

13. Financial risk management (continued)

(b) Interest rate swaps and options

The Corporation manages interest rate exposure, and is required to under the ATB Credit Facilities (note 7), by entering into interest swaps 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 three and six months ended June 30, 2020, the unrealized loss on interest rate swaps and options was $54 (June 30, 2019 - $nil). For three and six months ended June 30, 2020, the realized loss on interest rate swaps and options was $16 (June 30, 2019 - $nil). The carrying amount of the of the risk management liability is $54 (note 4).

14. Subsequent events

On July 7, 2020, the AESO calculated and released a preliminary adjustment related to years 2014, 2015 and 2016 of the Line Loss Proceeding (note 11) payable to MPLP in the amount of $6.5 million, including interest, which is in line with the Corporations estimates in note 11. The AESO has disclosed that settlement of the $6.5 million is expected to occur before the end of 2020.

On July 9, 2020, the AUC rendered its decision (“Decision 25150-D02-2020”) regarding the AESO’s request to review and vary specific findings related to Single Settlement as described in D06-Decision. The Commission found that the settlement findings in the D06-Decision should be varied from a single settlement process to a settlement process that is completed in three settlement periods including one three years (2016 to 2014), and two four years (2013 to 2010 and 2009 to 2006) for the historical period.

15. Comparative figures

Certain comparative figures have been reclassified to conform to the current year’s presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis ("MD&A") contains Forward-Looking Information ("FLI"). These statements are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may differ materially. See the FLI of this MD&A for additional information.

This MD&A is dated August 6, 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 and six months ended June 30, 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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OVERALL PERFORMANCE

Highlights

MAXIM successfully commissioned its 204 MW natural gas-fired power plant (“M2”) located near Grande Cache, Alberta on the existing H.R. Milner (“Milner”) site. M2 began generating electricity to the Alberta power grid on May 8, 2020. During commissioning, M2 successfully demonstrated its maximum generating capacity and environmental compliance. M2 has been operating as expected.

MAXIM completed construction and commissioning of M2 despite challenging construction conditions related to both weather and the Coronavirus (“COVID-19”). This project represents an industry leading sixteen month construction duration and twenty one month total project horizon (from equipment procurement to project completion). M2 is the largest simple cycle natural gas-fired power plant in Alberta and is a significant milestone in the province’s transition away from coal-fired generation.

The M2 project is a testament to the Government of Alberta’s (“GoA”) ongoing commitment to promote economic development by creating a stable and attractive investment climate. The project created more than 120 jobs during the course of its construction and now provides ongoing employment and support of local businesses in the Grande Cache area of Alberta. The government's work to ensure federal carbon policy does not inhibit investment and its introduction of the made-in-Alberta Technology Innovation and Emissions Reduction Regulation (“TIER”) program are important to this project and to MAXIM’s significant commitment to investing in Alberta’s power infrastructure. The existing Milner facility is currently offline while MAXIM operates M2, however Milner is permitted to operate at an annual capacity factor of up to 9% (using coal as a portion of its fuel supply) until 2029, which is approximately 113,500 MWh per annum. The facility is currently offline while MAXIM operates M2.

MAXIM continues to expect the Line Loss Proceeding claim payment from the Alberta Electric System Operator (“AESO”). The estimate, including interest, based on information currently available on public record of $53 million, which is comprised of $40 million of overpayments and $13 million of interest, and the Corporation expects to receive these funds over the next twelve months.

On July 9, 2020, the Alberta Utility Commission (“AUC”) rendered its decision regarding the AESO request to review and vary specific findings related to Single Settlement as described in Decision 790-D06-2017 ("D06-Decision"). The Commission found that the settlement findings in the D06-Decision should be varied from a single settlement process to a settlement process that is completed in three settlement periods, including one three year period (2016 to 2014), and two four year periods (2013 to 2010 and 2009 to 2006).

The AESO calculated and released a preliminary adjustment, on July 7, 2020, related to years 2014, 2015 and 2016 of the Line Loss Proceeding payable to Milner Power LP (“MPLP”). in the amount of $6.5 million, which is in line with the Corporations estimates. The AESO has disclosed that payment of the $6.5 million is expected to occur before the end of 2020.

On May 26, 2020, MAXIM announced that it has received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid ("NCIB") for 2020/2021. Under this NCIB, the Corporation may purchase for cancellation up to 2,500,000 common shares of the Corporation. As of June 30, 2020, the Corporation has repurchased and cancelled 189,823 common shares at an average cost of $2.20 per share. Under MAXIM’s previous normal course issuer bid, MAXIM completed the purchase of 2,348,162 shares at a weighted average price of $1.63 per share.

Quarterly Key Performance Indicators ("KPI")

($000's, unless otherwise noted)	Three months ended 2020	2019	Six months ended 2020	2019
Revenue	4,460	6,676	11,718	14,875
Adjusted EBITDA (1)	(1,589)	(785)	606	(1,819)
Net loss attributable to shareholders	(1,167)	(4,087)	(161)	(5,881)
Basic and diluted net loss per share ($ per share)	(0.02)	(0.08)	(0.00)	(0.11)
Total generation - Milner (MWh)	-	96,575	42,301	218,292
Total generation - M2 (MWh) (2)	107,501	-	107,501	-
Average Alberta market power price ($ per MWh)	29.90	56.37	48.47	63.56
Average Milner realized power price ($ per MWh)	-	69.08	171.45	68.08
Average M2 realized power price ($ per MWh) (2)	41.48	-	41.48	-
Total assets	241,896	168,599	241,896	168,599

(1) Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") is a non-GAAP measures. See Non-GAAP Measures.

(2) Generation and realized power prices for M2 relate to June 2020 only as the asset was commissioned on June 1.

Financial Results

During the second quarter of 2020, Adjusted EBITDA decreased as compared to 2019, primarily due to lower revenues as a result of commissioning M2, which reduced both M2 and Milner's ability to operate during the second quarter of 2020 and higher per unit fuel costs, partially offset by carbon tax savings from the operation of M2 and lower operations and maintenance ("O&M"). Net loss decreased in the second quarter of 2020, primarily due to the recognition of a future tax benefit, partially offset by the factors impacting Adjusted EBITDA, increased costs to restructure the Corporation and finance expenses.

During the first six months of 2020, Adjusted EBITDA increased as compared to 2019, primarily due to realizing power prices of $171.45 per MWh at Milner in 2020, as compared to $68.08 per MWh in 2019, fuel and carbon tax savings as a result of lower generation volumes, lower O&M costs and gains from commodity swaps. Net loss decreased, due to the factors impacting Adjusted EBITDA and the recognition of a future tax benefit, partially offset by increased costs to restructure the Corporation and finance expenses.

OUTLOOK

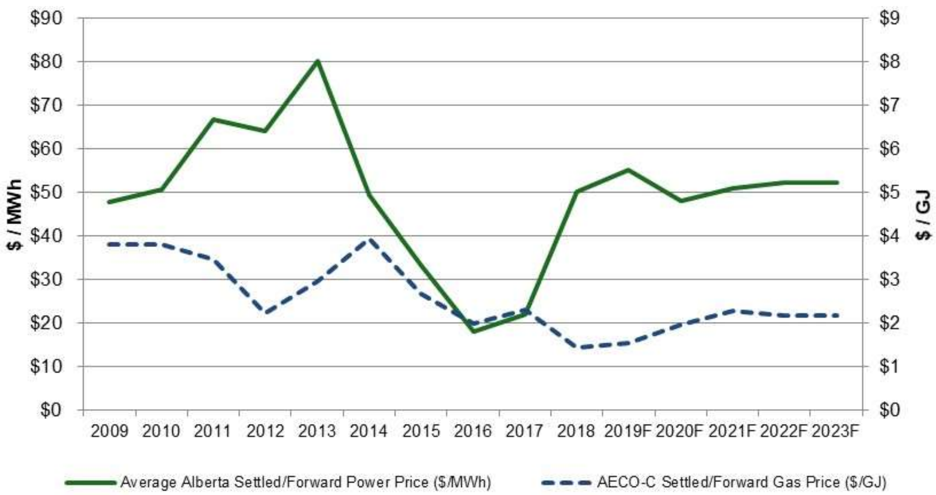
Alberta Power Price

This commentary represents FLI and users are cautioned that actual results may vary.

For the three months end June 30, 2020, the average Alberta market power price was $29.90 as compared to $56.37 for the same period in 2019. The Corporation believes that the decline in power prices is primarily due to lower demand for power in Alberta as a result of low oil prices and COVID-19, reducing economic activity. The Corporation believes that demand for power will remain lower than normal in 2020 as these impacts may continue to reduce the demand for power and ultimately reduce volatility. The Corporation is well positioned to partially mitigate this impact through the operations of M2, which is an efficient, state of the art power generating facility, with low operating costs. This allows the Corporation to remain more economical during periods of lower power prices.

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 2009. The break in correlation from 2011 to 2013 is the result of tighter generation capacity relative to demand, which led to higher power prices during this period. Commencing in 2014, it was noted that Alberta power prices became more closely correlated to gas prices, as new gas-fired supply came on the system. This trend realigned 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.

Going forward, management expects to see a 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.



DEVELOPMENT INITIATIVES

The Corporation maintains optionality for all of its 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.

Current Project Developments

During the second quarter of 2020, MAXIM successfully commissioned M2, which began generating electricity to the Alberta power grid on May 8, 2020. Total capital costs of the project, incurred to date and put into service, including borrowing costs, is $145.2 million. An addition $1.5 million is expected to be incurred for compliance costs, increasing the total cost to $146.7 million. Upon completion of phase one of M2, management continues to review further development options to proceed with expanding M2 into a combined cycle gas turbine ("CCGT") facility or other development options. The CCGT project would increase total MW capacity and operational efficiency. Management is reviewing this project and no decisions have been made at this time.

Although a decision to proceed with CCGT has not been made, Management believes the economics of the project are very positive. The costs for CCGT construction and commissioning and the necessary project next steps are being reviewed. In order to proceed with the CCGT, the Corporation will need to secure additional financing.

Future 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. MAXIM also 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 had 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 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.

FORWARD-LOOKING INFORMATION

Forward-looking information ("FLI") or statements included in this MD&A are provided to inform the Company's shareholders and potential investors about management's assessment of the Company's future plans and operations. This information may not be appropriate for other purposes.

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.

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. Certain information in this MD&A is 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 of capital and contractors to execute its development initiatives, the availability and price of energy commodities, government and regulatory decisions including carbon pricing, power plant availability, competitive factors in the power industry, foreign exchange and tax rates, pandemics, prevailing economic conditions in the regions that the Corporation operates, operational efficiency and planned or unplanned outages, the timing and finalization of settlement amounts for the AESO Line Loss Proceeding 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.

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's working capital is very dependent on electric power and natural gas prices and management forecasts that cash flows for operating, general and administrative expenses will be funded by its operating revenue and existing cash on hand. MAXIM estimates total capital expenditures to construct phase one of M2 of $146.7 million, including capitalized borrowing costs of approximately $3.2 million. Refer to the Development Initiatives section on page 4 for further discussion on capital spending.
- MAXIM anticipates compliance with all necessary provincial and federal regulations for environmental and climate change legislation and all necessary requirements of operating permits. Changes to environmental legislation and operational issues may affect the ability of MAXIM to comply with regulations.

- Other matters and factors described under the Outlook section on page 3.
- See Risks and Risk Management in the Company's December 31, 2019 annual MD&A and Risks and Risk Management, for further discussion of risks and uncertainties.

SELECTED QUARTERLY FINANCIAL INFORMATION

KPI's

Quarter ended: (unaudited) ($000's unless otherwise noted)	30-Jun 2020	31-Mar 2020	31-Dec 2019	30-Sep 2019
Revenue	4,460	7,258	4,972	8,488
Net income (loss)	(1,167)	1,006	(2,173)	2,204
Basic and diluted net income (loss) per share ($ per share)	(0.02)	0.02	(0.04)	0.04
Total assets	241,896	227,392	225,274	189,939

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

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

The reported net loss for the quarter ended June 30, 2020 was $1.2 million and for the prior quarter ended March 31, 2020, was a net income of $1.1 million. Net income (loss) attributable to shareholders is affected by certain non-cash and non-recurring transactions as follows:

The second quarter of 2020 included commodity swap losses of $0.5 million and $3.8 million of future tax benefits. 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.

FINANCIAL RESULTS OF CONTINUING OPERATIONS

Revenue

	Three months ended June 30		Six months ended June 30	
Segment ($000's)	2020	2019	2020	2019
Revenue	4,460	6,676	11,718	14,875

(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 2020 decreased $2.2 million or 33%, to $4.5 million from $6.7 million in 2019, primarily due to lower realized power prices. M2 realized power prices of $41.48 per MWh in second quarter of 2020 as compared to Milner of $69.08 in 2019 as Milner was able to operate during periods with higher prices in the second quarter of 2019. This was partially offset by higher generation volumes, as M2 generated 107,501 MWh of electricity in the second quarter of 2020, as compared to Milner's of 96,575 MWh in 2019.

Revenue in the first six months of 2020 decreased $3.2 million or 21%, to $11.7 million from $14.9 million in 2019, primarily due to decreased generation volumes, as result of being offline to commission M2 and not operating Milner during times when Alberta market power price were low. M2 and Milner generated 149,802 MWh of electricity in the first six months of 2020, as compared to 218,292 MWh in 2019. This was partially offset by higher realized prices of $78.18 per MWh in 2020 for both M2 and Milner, as compared to $68.08 in 2019, as Milner was able to operate during periods with significantly high prices in the first quarter of 2020.

Plant Operations

Plant operations expenses are grouped into two major categories, fuel and operating and maintenance (O&M).

Three months ended June 30 ($000's)	2020			2019		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	2,441	2,946	5,387	1,983	4,762	6,745
Percent	45%	55%	100%	29%	71%	100%

Six months ended June 30 ($000's)	2020			2019		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	3,999	6,400	10,399	5,106	10,117	15,223
Percent	38%	62%	100%	34%	66%	100%

Fuel expenses in the second quarter of 2020 increased $0.4 million or 20%, to $2.4 million from $2.0 million in 2019, primarily due to higher per unit natural gas costs and higher generation volumes in 2020 as compared to the same period in 2019. O&M expenses in the second quarter of 2020 decreased $1.9 million or 40%, to $2.9 million from $4.8 million in 2019, primarily due to lower carbon taxes as a result of operating M2, lower salaries due to staffing reductions and lower maintenance costs for the operation of M2 versus Milner. This favourable variance was partially offset by staff training costs for M2.

Fuel expenses in the first six months of 2020 decreased $1.1 million or 22%, to $4.0 million from $5.1 million in 2019, primarily due to lower generation volumes in 2020 as compared to the same period in 2019, partially offset by higher per unit natural gas costs in 2020. O&M expenses in the first six months of 2020 decreased $3.7 million or 37%, to $6.4 million from $10.1 million in 2019, primarily due to the same factors impacting the second quarter.

General and Administrative Expense

	Three months ended June 30		Six months ended June 30	
($000's)	2020	2019	2020	2019
Total general and administrative expense	853	798	1,875	1,627

General and administration expense in the second quarter of 2020 was $0.9 million, which is comparable to the same period in 2019.

General and administration expense in the first six months of 2020 increased slightly by $0.3 million or 13%, to $1.9 million from $1.6 million in 2019, primarily due to higher employee compensation and consulting costs.

Depreciation and Amortization Expense

	Three months ended June 30		Six months ended June 30	
($000's)	2020	2019	2020	2019
Total depreciation and amortization expense	915	791	1,252	1,609

Depreciation and amortization expense in the second quarter of 2020 was $0.9 million, which is comparable to the same period in 2019.

Depreciation and amortization expense in the first six months of 2020 decreased $0.3 million or 19%, to $1.3 million from $1.6 million in 2019, due to certain assets being fully depreciated by the end of 2019, which resulted in less deprecation in 2020, partially offset by the depreciation of M2 which began in the second quarter of 2020.

Other Expense, Net

	Three months ended June 30		Six months ended June 30	
($000's)	2020	2019	2020	2019
Other expense, net	965	173	718	434

Net other expense in the second quarter of 2020 increased from $0.2 million in 2019 to $1.0 million in 2020. The increase is primarily due to higher costs incurred in 2020 to restructure the Corporation.

Net other expense in the first six months of 2020 increased to $0.7 million in 2020 as compared to $0.4 million in 2019. The increase is primarily due to the same factor impacting the second quarter, partially offset by net proceeds from a non-refundable deposit to sell Forked River land in 2020.

Gain on Commodity Swaps

	Three months ended June 30		Six months ended June 30	
($000's)	2020	2019	2020	2019
Realized gain on commodity swaps	36	-	916	-
Unrealized loss on commodity swaps	(489)	-	(479)	-
Total gain (loss) on commodity swaps	(453)	-	437	-

In the second quarter and first six months of 2020, MAXIM had a unrealized loss of $0.5 million, on Alberta power price risk management swaps, due to Alberta spot prices forecasted to settle higher than the fixed swap price.

In the first six months 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

($000's)	Three months ended June 30 2020	2019	Six months ended June 30 2020	2019
Interest expense and bank charges	605	38	644	76
Amortization of deferred financing costs	505	-	1,041	-
Loss on interest rate swaps	70	-	70	-
Accretion of provisions	17	44	34	89
Foreign exchange loss (gain)	(273)	201	254	124
Finance expense	924	283	2,043	289
Interest income	(83)	(247)	(158)	(646)
Total finance expense (income), net	841	36	1,885	(357)

Net finance expense in the second quarter of 2020 increased to $0.8 million from $nil in 2019. The increase is primarily due to interest on loans and borrowings as these costs are no longer capitalized after the commissioning of M2, and lower interest income earned on cash and cash equivalents in 2020, as a result of withdrawing funds to finance the M2 project, plus amortization of deferred financing costs. This was partially offset by favourable foreign exchange rates on deferred vendor payables denominated in US dollars.

Net finance expense in the first six months of 2020 increased to an expense of $1.9 million from income of $0.4 million in 2019. The increase is primarily due to amortization of deferred financing costs, interest on loans and borrowings as these costs are no longer capitalized after the commissioning of M2, lower interest income earned on cash and cash equivalents in 2020, as a result of withdrawing funds to finance the M2 project and unfavourable foreign exchange rates on deferred vendor payables denominated in US dollars.

Income Tax Expense (Benefit)

($000's)	Three months ended June 30 2020	2019	Six months ended June 30 2020	2019
Total income tax expense (benefit)	(3,787)	2,220	(3,813)	2,220

Income tax benefit in the second quarter and first six months of 2020 increased $6.0 million, to a benefit of $3.8 million from an expense of $2.2 million in 2019. In 2020, MAXIM recognized a tax benefit of $3.8 million as it was probable that sufficient future taxable income will be available to utilize underlying tax losses. In 2019, MAXIM recognized $2.2 million in income tax expense as a result of a reduction in enacted provincial tax rates.

Financial Position

The following highlights the changes in the Corporation's Consolidated Statement of Financial Position at June 30, 2020, as compared to December 31, 2019.

As at ($000's)	June 30, 2020	December 31, 2019	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	12,778	20,924	(8,146)	Decreased as a result of capital additions for the first phase of the M2 project and operating cash outflows, partially offset by financing cash inflows
Trade and other receivables	4,699	4,064	635	Increased as a result of higher revenues
Property, plant and equipment, net	189,592	170,317	19,275	Increased as a result of capital additions, partially offset by depreciation
Net other assets, net	34,827	29,969	4,858	Increased as a result of future income tax benefit and decreased discount rates
Liabilities & Equity				
Trade and other payables	17,066	21,659	(4,593)	Decreased due to lower payables as the Corporation nears the completion of M2
Loans and borrowings	66,167	49,001	17,166	Increased as a result of debt issuances
Provision for decommissioning and other long-term liability	20,144	15,382	4,762	Increased due to recognition of retirement provision for M2 and higher long-term accounts payable relating to the construction of M2
Equity	138,519	139,232	(713)	Decreased primarily due to 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 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 a subordinated convertible loan. The ATB credit facility matures in November 2022 and provides senior debt financing of up to $44.0 million to support financing requirements of M2, plus credit to cash collaterized letters of credit and hedging. This loan is subject to financial covenants, following the completion of M2, and the Corporation is compliant with these covenants. 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. In addition, MAXIM must maintain a minimum tangible asset test of 95% of the entities named under the agreement (note 6 of the Unaudited Condensed Consolidated Interim Financial Statements). As at June 30, 2020 the Corporation has $40.0 million outstanding under the construction loan and revolver facility. The construction loan will convert into a term loan once all terms and conditions are satisfied which is expected to occur in the third quarter of 2020.

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, subordinated, 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 June 30, 2020, the Corporation has $29.0 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.

Interest and principal repayments on the debt facilities will commence in the third quarter of 2020.

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 June 30, 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 June 30, 2020, the Corporation had unrestricted cash of $12.8 million included in the net working capital deficit of $10.2 million. Unrestricted cash balances are invested with one Canadian chartered bank. The Corporation funded the simple cycle phase of M2 with cash on hand, operating cash flows, and existing credit facilities.

Cash flow summary:

Six months ended June 30 ($000's)	2020	2019
Cash on hand, unrestricted, January 1	20,924	22,246
Cash flow used in operations	(7,754)	(2,174)
Cash flow used in financing	13,361	(354)
Available for investments	26,531	19,718
Cash flow generated from (used in) investing	(13,768)	3,264
Effect of foreign exchange rates on cash	15	(124)
	12,778	22,858
Undrawn Convertible Loan	46,030	-
Undrawn ATB construction loan and revolver facilities	4,000	-
Net liquidity available, June 30	62,808	22,858

Cash flow used in operations in the first six months of 2020 increased to $7.8 million from $2.2 million in 2019, which is an increase of $5.6 million. The increase in outflow is primarily due to changes in working capital and lower revenues, partially offset by lower fuel and O&M expenses. In addition, fluctuations in working capital represented a cash outflow of $7.6 million in 2020, as compared to an inflow of $0.1 million in 2019. See working capital section below for further discussion.

During the first six months of 2020, MAXIM's cash flow from financing increased $13.8 million to an inflow of $13.4 million from an outflow of $0.4 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 six months of 2020 represented a cash outflow of $13.8 million, from a cash inflow of $3.3 million in 2019. During 2020, MAXIM spent $16.3 million on the development of the simple cycle phase of M2. This amount was partially offset by a change in non-cash working capital of $2.3 million and interest income of $0.2 million.

In the first six months of 2019 the cash inflow of $3.3 million, was primarily 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.

The following table represents the net capital of the Corporation:

As at ($000's)	June 30, 2020	December 31, 2019
Long-term debt	66,167	49,001
Less: Unrestricted cash	(12,778)	(20,924)
Net debt	53,389	28,077
Shareholders' equity	138,519	139,232
Capital	191,908	167,309
Net debt to capital	27.8%	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 June 30, 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 $10.2 million at June 30, 2020, which represents a $12.0 million decrease from the working capital surplus of $1.8 million at December 31, 2019. The total decrease is comprised of a $7.8 million decrease in current assets and a $4.2 million increase in current liabilities.

The decrease in current assets was due to a net decrease of $8.1 million in unrestricted cash, which were primarily used to fund the simple cycle phase of M2 and current operations, an increase in accounts receivable of $0.6 million due to timing of collection of receivables and a $0.3 million decrease to prepaid expenses.

The increase in current liabilities was due to a $8.7 million increase in the current portion of loans and borrowings, partially offset by a $4.5 million decrease in accounts payable primarily due to lower outstanding payables related to the M2 project.

Capital Resources

The Corporation is currently estimating capital expenditures $20.0 million for 2020. The majority of these expenditures relate to costs to complete construction of the simple cycle phase of M2, which commenced operations in the second quarter of 2020.

Contractual Obligations and Contingencies

In the normal course of operations, MAXIM assumes various contractual obligations and commitments. MAXIM considers these obligations and commitments in its assessment of liquidity. For the current commitments, refer to note 10 of the June 30, 2020 Unaudited Condensed Consolidated Interim financial statements.

For the current significant outstanding contingencies, refer to Note 22 of the Annual Audited Consolidated Financial Statements. The changes to the following contingent asset during the six months ended June 30, 2020 are included below:

Through its Decision 790-D06-2017 ("D06-Decision"), released December 18, 2017, the AUC asserted its position on several matters related to remedy under Module C of MPLP's complaint relating to the AESO Line Loss Proceeding. The D06-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 D06-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 million were made by MPLP 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.

On July 7, 2020, the AESO calculated and released a preliminary adjustment related to years 2014, 2015 and 2016 of the Line Loss Proceeding payable to MPLP in the amount of $6.5 million which is in line with the Corporations estimates. The AESO has disclosed that settlement of the $6.5 million is expected to occur before the end of 2020.

On July 9, 2020, the AUC rendered its decision regarding the AESO’s request to review and vary specific findings related to Single Settlement as described in D06-Decision. The Commission found that the settlement findings in the D06-Decision should be varied from a single settlement process to a settlement process that is completed in three settlement periods including one three years (2016 to 2014), and two four years (2013 to 2010 and 2009 to 2006) for the historical 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 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 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 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, and an intensity limit of 0.37 tonnes of CO_2e/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 acts 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 the Alberta power market. 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, but exempt until 2023, and is not otherwise adversely impacted by any of the provincial or federal legislation above.

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 June 30		Six months ended June 30	
($000's)	2020	2019	2020	2019
GAAP Measures from Condensed Consolidated Statement of Income				
Net loss	(1,167)	(4,087)	(161)	(5,881)
Income tax benefit	(3,787)	2,220	(3,813)	2,220
Finance expense (income), net	841	36	1,885	(357)
Depreciation and amortization	915	791	1,252	1,609
EBITDA	(3,198)	(1,040)	(837)	(2,409)
Adjustments:				
Other expense	965	173	718	434
Unrealized loss on commodity swaps	489	-	479	-
Share-based compensation	155	82	246	156
Adjusted EBITDA	(1,589)	(785)	606	(1,819)

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 and six months ended June 30, 2019 and June 30, 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, unrealized mark-to-market on commodity swaps 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.

RISK MANAGEMENT UPDATE

As a result of COVID-19, staff at MAXIM have been working remotely to ensure they follow the guidelines provided by government authorities while ensuring that MAXIM maintains its normal status of operations. With MAXIM’s information technology, the Corporation has observed that the frequency and sophistication of cyberattacks continues to increase. Management believes that this increase in attempts is a direct result of the opportunity present from employees working remotely. These attacks may use a variety of techniques that include the targeting of individuals and the use of sophisticated malicious software and hardware, or a combination of both, to evade the technical and administrative safeguards that are in place. The Corporation continues to monitor this risk to ensure it maintains integrity of its systems and enhance safeguards to address these threats accordingly.

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 having a material effect on the consolidated financial statements once adopted.

TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter any related party transactions during the first six 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 June 30, 2020.

OTHER INFORMATION

Outstanding share data:

Issued common shares at June 30, 2020	49,887,797
Outstanding convertible share options under the convertible loan at June 30, 2020	12,875,540
Outstanding share options at June 30, 2020	2,276,350
Total diluted common shares at June 30, 2020	65,039,687
Shares purchased and cancelled under NCIB in July and August 2020	(78,359)
Share options granted in July 2020	300,000
Share options expired in July 2020	(50,000)
Total diluted common shares at August 6, 2020	65,211,328

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)
COVID-19	Coronavirus
CCIR	Carbon Competitiveness Incentive Regulation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLP	Climate Leadership Plan
D06-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
GoA	Government of Alberta
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICFR	Internal Controls Over Financial Reporting
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
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.