Consolidated Financial Statements of

MAXIM POWER CORP.

For the Years Ended December 31, 2018 and 2017

(Audited)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Maxim Power Corp.

Opinion

We have audited the consolidated financial statements of Maxim Power Corp. (the "Entity"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, the consolidated statements of income and comprehensive income (loss), changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is Stephanie Regier Pankratz.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

March 18, 2019

MAXIM POWER CORP.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	**December 31, 2018**	December 31, 2017
ASSETS			
Cash and cash equivalents		**22,246**	51,264
Short-term investment	7	**41,552**	50,138
Trade and other receivables	8	**6,260**	2,169
Prepaid expenses and deposits		**480**	122
Total current assets		**70,538**	103,693
Property, plant and equipment, net	9	**71,877**	47,574
Intangible assets, net	10	**64**	677
Restricted cash	11	**7,795**	7,908
Deferred tax assets	25	**14,547**	2,679
Other assets	12	**7,367**	6,959
Total non-current assets		**101,650**	65,797
TOTAL ASSETS		**172,188**	169,490
LIABILITIES			
Trade and other payables	13	**6,671**	6,393
Total current liabilities		**6,671**	6,393
Provisions for decommissioning	14	**16,977**	11,055
Deferred tax liabilities	25	**-**	3,368
Total non-current liabilities		**16,977**	14,423
TOTAL LIABILITIES		**23,648**	20,816
EQUITY			
Share capital	15	**151,430**	157,471
Contributed surplus		**11,839**	11,517
Deficit		**(14,729)**	(20,314)
TOTAL EQUITY		**148,540**	148,674
Commitments and Contingencies	22,23		
TOTAL LIABILITIES AND EQUITY		**172,188**	169,490

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

On behalf of the Board:

M. Bruce Chernoff
CEO and Chairman of the Board

Wiley Auch
Director

MAXIM POWER CORP.

Consolidated Statements of Income and Comprehensive Income (Loss)

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

	Note	2018	2017
Revenue	17	**19,744**	2,024
Expenses			
Operating	18	**21,819**	11,440
General and administrative	18	**4,104**	5,166
Depreciation and amortization	9,10	**5,894**	4,571
Gain on commodity swaps	31	**-**	(975)
Asset impairment charges	9	**-**	15,717
Other expense (income), net	19	**524**	(3,357)
Operating loss		**(12,597)**	(30,538)
Finance income, net	20	**(1,728)**	(300)
Loss before income taxes		**(10,869)**	(30,238)
Income tax (benefit) expense			
Current	25	**(10)**	74
Deferred	25	**(15,236)**	413
		(15,246)	487
Net income (loss) from continuing operations		**4,377**	(30,725)
Discontinued operation			
Net income from discontinued operation (net of tax)	6	**-**	49,205
Net income		**4,377**	18,480
Other comprehensive income (loss), net of tax:			
Item that are or may be reclassified to net income:			
Reclassification to net income on disposal of discontinued foreign operation		**-**	(26,729)
Translation of discontinued foreign operation		**-**	(1,443)
Total comprehensive income (loss)		**4,377**	(9,692)
Net income attributable to:			
Non-controlling interest		**-**	4
Shareholders		**4,377**	18,476
Net income attributable to shareholders per share:	21		
Basic earnings		**0.08**	0.34
Diluted earnings		**0.08**	0.34
Net income (loss) attributable to shareholders per share continuing operations:	21		
Basic earnings		**0.08**	(0.56)
Diluted earnings		**0.08**	(0.56)
Comprehensive income (loss) attributable to:			
Non-controlling interest		**-**	2
Shareholders		**4,377**	(9,694)

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

MAXIM POWER CORP.

Consolidated Statements of Changes in Equity

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

	Number of common shares (thousands)	Share capital	Contributed surplus	Accumulated other comprehensive gain (loss)	Deficit	Equity attributable to shareholders	Non-controlling interest	Total
Equity at December 31, 2017	54,624	157,471	11,517	-	(20,314)	148,674	-	148,674
Net income	-	-	-	-	4,377	4,377	-	4,377
Repurchase of common shares for cancellation (note 15)	(2,098)	(6,041)	-	-	1,208	(4,833)	-	(4,833)
Share-based compensation	-	-	322	-	-	322	-	322
Equity at December 31, 2018	**52,526**	**151,430**	**11,839**	**-**	**(14,729)**	**148,540**	**-**	**148,540**
Equity at December 31, 2016	54,301	156,482	11,423	28,172	(38,790)	157,287	194	157,481
Net income	-	-	-	-	18,476	18,476	4	18,480
Stock options exercised	323	989	(375)	-	-	614	-	614
Share-based compensation	-	-	469	-	-	469	-	469
Translation of foreign operation	-	-	-	(1,443)	-	(1,443)	(2)	(1,445)
Distributions to non-controlling interest	-	-	-	-	-	-	(31)	(31)
Disposal of foreign operation	-	-	-	(26,729)	-	(26,729)	(165)	(26,894)
Equity at December 31, 2017	54,624	157,471	11,517	-	(20,314)	148,674	-	148,674

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

MAXIM POWER CORP.

Consolidated Statements of Cash Flows

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

	Note	**2018**	2017
Cash flows from operating activities:			
Net income (loss) from continuing operations		**4,377**	(30,725)
Adjustments for items not involving cash or operations:			
Depreciation and amortization		**5,894**	4,571
Asset impairment charges	9, 10	**-**	15,717
Share-based compensation	16	**322**	469
Income tax (benefit) expense	25	**(15,246)**	487
Income taxes refunded (paid)		**10**	(98)
Finance income, net	20	**(1,728)**	(300)
Gain on disposal of asset	19	**(93)**	-
Commodity price call option expired out of the money		**-**	378
Cooling tower claims recoveries	19	**-**	(4,275)
Approved emission performance credits		**-**	(36)
Funds used in continuing operating activities before changes in working capital		**(6,464)**	(13,812)
Change in non-cash working capital from continuing operations	28	**(4,948)**	(6,080)
Net cash used in operating activities from continuing operations		**(11,412)**	(19,892)
Cash flows from financing activities:			
Repurchase of common shares for cancellation	15	**(4,833)**	-
Net proceeds from exercise of stock options		**-**	614
Interest and bank charges	20	**(143)**	(414)
Net cash (used in) generated from financing activities from continuing operations		**(4,976)**	200
Cash flows from investing activities:			
Proceeds on sale of operating segment	6	**-**	116,644
Closing costs on sale of United States operating segment	6	**-**	(6,176)
Property, plant and equipment additions	9	**(25,159)**	(2,199)
Purchase of short-term investment	7	**(25,000)**	(50,100)
Proceeds from withdrawal of short-term investment	7	**35,000**	-
Reinvested interest income from short-term investment	7	**(1,414)**	-
Proceeds on sale of asset, net of closing costs	19	**1,071**	-
Proceeds from the cooling tower claims recoveries	19	**-**	4,275
Interest income	20	**2,027**	1,117
Change in non-cash working capital	28	**845**	(7,908)
Net cash (used in) generated from investing activities from continuing operations		**(12,630)**	55,653
(Decrease) increase in cash and cash equivalents from continuing operations		**(29,018)**	35,961
Cash and cash equivalents held at discontinued operation, beginning of period		**-**	3,535
Net decrease in cash and cash equivalents from discontinued operation	6	**-**	(3,535)
Cash and cash equivalents, beginning of period		**51,264**	15,303
Cash and cash equivalents, end of period		**22,246**	51,264

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

1. Reporting entity

Maxim Power Corp. is incorporated in the province of Alberta, Canada. Maxim Power Corp. and its subsidiaries (together "MAXIM" or the "Corporation") is an independent power producer, which acquires or develops, owns and operates power and power related projects in Alberta. The Corporation closed the sale of its United States operating segment on April 3, 2017 and has presented the result of this segment as discontinued operation (note 6). The Corporation's common shares trade on the Toronto Stock Exchange under the symbol "MXG". MAXIM's registered office is Suite 1210, 715 – 5 Avenue S.W., Calgary, Alberta, Canada, T2P 2X6.

2. Basis of preparation and statement of compliance

(a) Statement of compliance

MAXIM prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on March 18, 2019.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for amounts to employees under a restricted share unit ("RSU") plan and the reimbursement of decommissioning costs, which are measured at fair value on the statements of financial position.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation and its subsidiaries. All financial information presented in Canadian dollars has been rounded to the nearest thousand unless otherwise noted.

(d) Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions, based on its experience, that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Basis of preparation and statement of compliance (continued)

(e) Significant judgments and estimates

(i) Contingencies

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 outcome is often difficult to predict, particularly in the earlier stages of the case. By their nature contingencies will only be resolved when one or more uncertain future events not wholly within the control of the Corporation occur or fail to occur. The assessment of the existence of contingencies inherently involves the exercise of significant judgment by management, which includes incorporating external legal advice.

(ii) Impairment indicators

At the end of each reporting period, management makes a judgment whether there are any indications of impairment of its property, plant and equipment ("PP&E") and intangible assets at the lowest level at which there are separately identifiable cash flows. If there are indications of impairment, MAXIM performs an impairment test on the asset or the cash-generating unit (“CGU”).

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

(iii) Decommissioning costs

Decommissioning costs are expected to be incurred at the end of the operating life of many of the facilities. A provision is recognized when there is a present obligation to restore the site, it is probable the expenditure will be required, and a reliable estimate of the costs can be determined. The ultimate cost to settle these obligations is uncertain due to timing and cost estimates that may vary in response to many different factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other facilities. As a result, there could be significant adjustments to the provisions established which could affect future financial results. Management bases these estimates on its best knowledge, experience in similar circumstances and in some cases reports from independent experts.

During 2018, the Corporation continued remediation of certain lands at the HR Milner generating facility ("Milner") site, and as a result management updated the cost estimate to decommission Milner. The updated cost estimates resulted in an increase to the decommissioning cost estimate as it reflects current information. The effect of these changes has been disclosed in notes 9 and 14.

2. Basis of preparation and statement of compliance (continued)

(iv) Useful life and residual value of PP&E

Each major component of PP&E is depreciated over its estimated useful life net of residual value. The estimated useful life of the assets are based upon current conditions and management's experience, which take into consideration specific contracts, agreements, condition of the asset, technology, production and use of the asset, and regular maintenance programs. The facilities are operated within manufacturers' specifications to realize the expected useful life of each asset. Notwithstanding these measures, the useful life of equipment may vary from that which is estimated by management.

Residual value is estimated by management to be the amount that MAXIM would receive from disposal of the asset after deducting the estimated costs of disposal if the asset was already of the age and in the condition expected at the end of its useful life. Actual amounts received may differ from estimated amounts.

During 2018, the Corporation revised the business plan for Milner. The Corporation is constructing a new natural gas-fired facility adjacent to the existing Milner facility. Management anticipates operations of the existing Milner facility will be phased out during the latter portion of 2019 and the Corporation will reuse certain components of this facility in its new natural gas facility. As a result, the useful life of certain components have been extended from one year to a range of six to twenty five years and the impact to the depreciation recognized was $1,674 less under the new useful lives. The useful life of coal-fired components remain unchanged at one year. In addition, the Corporation revised its expectation of the timing of decommissioning Milner's natural gas-fired components to be consistent with the useful life of the new natural gas-fired facility. The impact of these changes has been disclosed in note 9, 12 and 14.

(v) Impairment of non-financial assets

The recoverable amount of a CGU is determined based on the higher of its fair value less costs of disposal or its value-in-use (the present value of the estimated future cash flows). Management is required to make assumptions about future cash flows including future commodity prices, expected generation, future operating and development costs, discount rates, sustaining capital programs and tax rates. It is possible that future cash flow assumptions may change. This may impact the estimated fair value of the associated asset and may require a material adjustment to the carrying value of the asset.

(vi) Income taxes

The Corporation recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Corporation to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are dependent on generating taxable income in future periods and monetization of contingent assets. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the statements of financial position date could be impacted.

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

2. Basis of preparation and statement of compliance (continued)

Additionally, future changes in tax laws in the jurisdictions in which the Corporation operates could limit the ability of the Corporation to obtain estimated tax deductions in future periods.

3. New accounting pronouncements

(a) IFRS adoption of new or amended standards

On January 1, 2018, the Corporation adopted *Financial Instruments* ("IFRS 9") and *Revenue from Contracts with Customers* ("IFRS 15"), as well as the amendments to *Investments in Associates and Joint Ventures* ("IAS 28"), *Transfers of Investment Property* ("IAS 40"), *Share-Based Payments* ("IFRS 2") and *Insurance Contracts* ("IFRS 4"). With the exception of IFRS 9 and IFRS 15, the adoption of these amendments had no impact to the amounts recorded or disclosed in the Corporation's consolidated financial statements as of January 1, 2018 or comparative periods. The effect of the changes from IFRS 9 and IFRS 15 are as follows:

(i) IFRS 9

IFRS 9 introduces new requirements for the classification, measurement and impairment of financial instruments and new requirements related to hedge accounting. The standard replaces *Financial Instruments: Recognition and Measurement* ("IAS 39").

The adoption of IFRS 9 is effective for annual periods on or after January 1, 2018 and is applied retrospectively. The adoption of IFRS 9 resulted in no prior period restatements, reclassifications in the Statement of Financial Position and no impact to the Statements of Loss and Comprehensive Loss. The standard now includes three categories for financial assets, as compared to five categories under IAS 39. IFRS 9 removes the loans and receivables and held for trading categories previously included under IAS 39 and retains amortized cost, fair value through profit or loss and fair value through other comprehensive income categories. For financial liabilities, most of the requirements from IAS 39 were included in IFRS 9 and did not impact the Corporation’s financial liabilities. The following table summarizes the Corporation’s financial asset and liability classifications and measurement:

	IAS 39		IFRS 9	
Financial instrument	**Classification**	**Measurement**	**Classification**	**Measurement**
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	Amortized cost	Amortized cost
Short-term investment	Loans and receivables	Amortized cost	Amortized cost	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost	Amortized cost	Amortized cost
Milner decommissioning reimbursement	Fair value through profit or loss	Fair value	Fair value through profit or loss	Fair value
Financial liabilities				
Trade and other payables	Other financial liabilities	Amortized cost	Amortized cost	Amortized cost

Additionally, IFRS 9 also includes a greater emphasis on the Corporation’s exposure to credit risk and how the Corporation’s credit losses are determined. Under IAS 39, the Corporation would assess whether there is objective evidence that a financial asset is impaired and recognize an impairment loss. Under IFRS 9, impairment of financial assets is based on an expected credit loss approach. MAXIM applied the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the financial assets. Refer to note 30 for a further description of the Corporation's financial instruments and credit risk.

3. New accounting pronouncements (continued)

(i) IFRS 15

IFRS 15 provides a five-step model to determine how and when an entity should recognize revenue arising from contracts with customers, and is requiring entities to provide users of financial statements with more informative, relevant disclosure. This standard became effective for annual periods beginning on or after January 1, 2018. IFRS 15 replaced *Revenue* ("IAS 18"), *Construction Contracts* ("IAS 11") and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or service. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

Management reviewed its revenue stream and major contract with its sole customer using the IFRS 15 five step model and there were no changes to net earnings or timing of revenue recognized.

(b) Future accounting standards

(i) IFRS 16, Leases, was issued in January 2016 and replaces IAS 17. IFRS 16 brings all leases onto balance sheet for lessees under a single model, with limited exemptions, eliminating the distinction between operating and finance leases. Lessor accounting remains substantially unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019. Management has assessed the impact of the application of this standard and while it is expected that the Corporation's assets and liabilities will increase on January 1, 2019, as MAXIM recognizes leases on its balance sheet that were not recognized prior to adoption of IFRS 16, these amounts are not considered significant to the Corporation's financial statements as the Corporation currently only utilizes operating leases for office space and fixtures therein.

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

4. Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements have been applied consistently for all periods presented and are set out below.

(a) Basis of consolidation

The financial statements include the accounts of the Corporation and its subsidiaries. Subsidiaries are entities which the Corporation controls by having the power to govern the entity's financial and operating policies. The Corporation consolidates all of its wholly-owned subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances, transactions and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

The acquisition method of accounting is used to record acquisitions of subsidiaries whereby the recognized amount of identifiable assets acquired and the liabilities assumed are measured at their fair value at the date of acquisition. Non-controlling interests are measured at fair value or as a proportionate share of the identifiable net assets acquired.

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

4. Significant accounting policies (continued)

The Consolidated Financial Statements of MAXIM include the following entities:

	Country of Incorporation	Ownership Interest %	
		2018	2017
Milner Power Limited Partnership ("MPLP")	Canada	100	100
Forked River II, LLC	USA	100	100
Deerland Power Limited Partnership	Canada	100	100
Summit Coal Limited Partnership	Canada	100	100

(b) Foreign currency translation

(i) Foreign operations

The Corporation's subsidiaries' functional currencies are in Canadian dollars. Each subsidiary determines its functional currency based on the currency of the primary economic environment in which it operates.

(ii) Foreign currency transactions

Foreign currency transactions of the Corporation and its subsidiaries are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation, at period end exchange rates, of monetary assets and liabilities denominated in currencies other than the Corporation's or subsidiaries' functional currency are recognized as finance costs in the statements of loss.

(iii) Foreign exchange management

Foreign exchange gains or losses on transactions entered into to manage foreign exchange risks on the proceeds from the sale of foreign operating segments are recognized in the gain or loss on sale for closed transactions or other income for unrealized transactions.

(c) Impairment of non-financial assets

The carrying value of the Corporation's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there are any indicators of impairment. MAXIM performs an impairment test on the CGU if there are indicators of impairment present. Intangible assets that are not amortized are tested for impairment annually regardless of indications of impairment.

The impairment test compares the recoverable amount of the asset to its carrying amount. The recoverable amount is the higher of the asset's value in use (present value of the estimated future cash flows) and its estimated fair value less costs to sell. Management is required to make assumptions about future cash flows including production, fuel costs, operating expenses, power prices and capital programs. It is possible that future cash flow assumptions may change. This may impact the estimated fair value of the associated asset and may require a material adjustment to the carrying value of the asset including intangible assets.

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

4. Significant accounting policies (continued)

(d) Financial instruments

(i) Recognition

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled or expires.

(ii) Measurement and classification

The adoption of IFRS 9 resulted in no prior or current changes in measurement of financial assets and liabilities at MAXIM. Refer to Note 3a for the changes in classification.

All financial instruments, including all derivatives, are measured at fair value or amortized cost upon initial recognition and are classified into one of the following three categories: financial assets and liabilities at amortized cost, fair value through profit or loss and fair value through other comprehensive income. The Corporation does not have any instruments classified as fair value through other comprehensive income.

(iii) Financial assets at amortized cost

A financial asset is classified in this category if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments from principal and interest on the principal amount outstanding. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The Corporation's financial assets at amortized cost are comprised of trade and other receivables, short-term investment and cash and cash equivalents.

(iv) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it does not meet the requirements of amortized cost, including derivative assets. Financial instruments in this category are recognized initially and subsequently at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(v) Financial liabilities at amortized cost

Financial liabilities include trade payables and are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

(vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

4. Significant accounting policies (continued)

(viii) Impairment of financial assets

At each reporting date, the Corporation assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimate future cash flows of the financial asset have occurred. For trade receivables the Corporation applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the financial assets.

(f) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits with banks and other financial institutions, and highly liquid short-term investments with original maturities of less than or equal to ninety days. Cash deposits held as collateral to various counterparty agreements to secure credit are recorded separately as non-current restricted cash.

(g) Short-term investment

Short-term investment consists of demand deposits with banks and other financial institutions greater than ninety days, but less than one year.

(i) Property, plant and equipment ("PP&E")

The Corporation records PP&E at cost less accumulated depreciation and impairment losses. Cost includes expenditures to purchase and construct assets, and other costs associated with purchasing and preparing assets for their intended use. The costs associated with construction include material, labor, interest, and other direct costs required to bring the assets to their intended use.

Cost also includes an initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located to its original state.

MAXIM separates PP&E into identifiable components with different useful lives for depreciation purposes. Depreciation is based on the cost of the asset less its residual value. Depreciation of a component commences when the asset is first available for use and ceases when the asset is classified as held for sale or when the asset is derecognized.

The following rates are used in the computation of depreciation expense in the period:

Generating facilities	Straight-line from 2019 to 2044
Equipment	20 - 30% declining balance or straight-line from 2019 to 2044

Assets under construction are projects undertaken by the Corporation where the asset is not yet available for use. Capitalization of costs associated with these projects commences once technical feasibility is established. If the project is subsequently abandoned, all costs are expensed in the period.

4. Significant accounting policies (continued)

(j) Other intangible assets

Intangible assets consist of nitrous oxide emission (“NOx”) credits and emission performance credits pertaining to Alberta's Greenhouse Gas Reduction Program ("Emission Performance Credits"). The NOx credits and Emission Performance Credits are recorded at the cost of acquisition and tested for impairment if there are indications of impairment. The Corporation recognizes these intangible assets when there is reasonable assurance that the Corporation will receive the future benefit of the asset.

The Corporation consumes the NOx credits and Emission Performance Credits as Milner generates electricity and as such uses a unit of production method to amortize these assets.

(k) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

(l) Employee benefits

(i) Defined contribution plans

The Corporation has a defined contribution plan under which the Corporation pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts as a result of past service. Contributions are recognized as an employee benefit expense in the statements of income in the period in which services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under a short-term cash bonus if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based compensation

The Corporation records a compensation cost for all stock options granted to employees, directors or officers over the vesting period of the options based on the fair value of the option at the grant date using the Black-Scholes option pricing model. Compensation expense is recognized over the options vesting period, with a corresponding adjustment to contributed surplus. The number of awards expected to vest is reviewed each period, with the effect of any change being recognized immediately. Consideration paid by employees, directors or officers upon exercise of the stock options and the amount previously recognized in contributed surplus are recorded as an increase to share capital.

4. Significant accounting policies (continued)

The Corporation records a compensation cost for all RSU's granted to employees over the vesting period of the RSU based on the fair value of the RSU at the grant date. The fair value of the amounts payable are recognized as an expense over the period that the employees become entitled to payments. The fair value of each grant is measured at the closing share price of MAXIM's shares. The liability is re-measured to fair value at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized in income or loss.

(m) Provisions

(i) Decommissioning liabilities

The Corporation has an obligation to restore certain project sites to an acceptable level at the end of each project's respective life. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The estimated cash flows for decommissioning costs are discounted at a current pre-tax rate that reflects the risk-free rate specific to the decommissioning liability. The unwinding of the discount due to the passage of time is recorded as an increase to provisions for decommissioning liabilities with the associated expense recognized in the statements of loss as a finance cost. When the Corporation carries out its obligation to restore a site, incurred decommissioning costs will be recorded as a reduction to the decommissioning liability. The estimated future costs of decommissioning are reviewed periodically and adjusted to reflect the current best estimate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset and the liability.

(ii) Other provisions

A provision is recognized if, as a result of a past event, the Corporation has a present or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the Corporation expects some or all of a provision to be reimbursed the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statements of loss net of any reimbursement. Non-current provisions are determined by discounting the expected future cash flows using a risk-free rate. Provisions are not recognized for future operating losses.

(n) Revenue recognition

Revenues from the sale of electricity is measured based on the consideration specified in contract with the customer. MAXIM recognizes revenue when it transfers control of the electricity to the customer. This is considered to occur when electricity is physically transferred to the customer.

4. Significant accounting policies (continued)

(o) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Payments made under operating leases are charged to the statements of loss on a straight-line basis over the term of the relevant lease. Payments received under operating leases where the Corporation leases out generating equipment under generation capacity and availability contracts are recognized as electricity sales in the statements of income.

(p) Finance income and finance expense

Finance income comprises interest income on funds invested in short-term investments and cash and cash equivalents. Interest income is recognized as it accrues in the statements of income, using the effective interest method.

Finance expense comprises interest expense on borrowings, finance costs on letters of credit, amortization of deferred financing costs and unwinding of the discount on provisions.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expense depending on whether foreign currency movements are in a net gain or net loss position.

(q) Income taxes

Income taxes are comprised of current and deferred taxes. Current tax and deferred tax are recognized in the statements of loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for taxation purposes. Deferred tax is not recognized for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss

(ii) Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Corporation intends to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realized simultaneously.

4. Significant accounting policies (continued)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which these deductions can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

During 2018, the Corporation determined it was probable for previously unrecognized, unused tax loses to be applied to future taxable profits and therefore recognized a future income tax asset of $14,547.

(r) Earnings per share

Basic income per share is calculated by dividing the net income or loss for the period attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the period.

Diluted income per share is calculated in the same manner as basic income per share, except that the weighted average number of common shares outstanding is adjusted for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Corporation's potentially dilutive common shares are comprised of stock options granted to employees.

(s) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. All operating segments' operating results are reviewed regularly by the Corporation's chief decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. As of December 31, 2018 there is only one operating segment.

5. Determination of fair value

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other accounts receivable

The fair value of trade and other accounts receivable is estimated as their carrying value due to the short period to maturity.

(b) Intangible assets

The fair value of the Emission Performance Credits are estimated at the most reliable of: bilateral quotes obtained from counterparties, previous actual sales prices transacted by the Corporation, or an internally calculated price based on estimated aggregate market supply and demand curves.

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

5. Determination of fair value (continued)

(c) Other assets

The fair value of long-term prepaid expenses and deposits and the Milner decommissioning reimbursement (note 12) is estimated at the present value of future cash flows, discounted at the risk-free rate specific to the asset.

(d) Commodity swaps

The fair value of swaps is based on the amount that would be paid or received to settle the contracts at period end. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Corporation and counterparty when appropriate.

(e) Share-based payment transactions

The fair value of the employee share options are measured using the Black-Scholes model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instrument, expected dividends, and the risk-free interest rate. Assumptions regarding employee turnover, and related forfeitures, are also taken into account in determining fair value. RSU's are measured using the closing price of the Corporation's shares at the end of the given reporting period.

6. Discontinued operation

The following tables represent the discontinued net income, gain on disposal and cash flows for the United States operating segment at December 31, 2017:

	December 31, 2017
Revenue	14,246
Other income, net of expenses (a)	(20,065)
Operating income	34,311
Finance income, net (b)	(14,891)
Income before income taxes	49,202
Income tax benefit	(3)
Net income from discontinued operation	49,205
Attributable to:	
Non-controlling interest	4
Shareholders	49,201

(a) Includes a gain on disposal of the United States operating segment of $31,613 which is calculated as follows:

	December 31, 2017
Cash consideration	116,644
Closing costs	(6,176)
Net assets disposed	(90,235)
Realized gain on translation on disposal of discontinued operations	11,380
Gain on disposal of United States	31,613

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

6. Discontinued operation (continued)

(b) Includes a realized gain on translation of $15,349 related to the disposal of discontinued operations included in finance income.

	December 31, 2017
Cash flows from (used in) discontinued operation	
Net cash generated from operating activities	87
Net cash used in financing activities	(842)
Net cash used in investing activities	(313)
Cash component of net assets disposed	(2,443)
Unrealized foreign exchange loss on cash	(24)
Net cash flows for the period	(3,535)

7. Short-term investment

	December 31, 2018	December 31, 2017
Beginning of period	50,138	-
Deposits	25,000	50,100
Withdrawal	(35,000)	-
Reinvested interest income	1,414	38
Total short-term investment	41,552	50,138

Short-term investments is comprised of a ninety day notice demand deposit held at a financial institution earning interest income at a floating rate of bank prime less 1.20%. Amounts withdrawn are transferred into the Corporation's demand deposit account, and are classified under cash and cash equivalents in the Corporation's Consolidated Statements of Financial Position.

8. Trade and other receivable

	December 31, 2018	December 31, 2017
Trade receivables	6,008	-
Other receivables (a)	224	2,061
Interest receivable	28	108
Total accounts receivable	6,260	2,169

(a) Other receivables are primarily comprised of amounts due from the Balancing Pool for billings related to the reclamation of certain lands at Milner in 2018 and 2017 (note 14), and receivables for coal inventory sold to a third party in 2017 only.

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

9. Property, plant and equipment, net

	Land	Generating Facilities	Equipment	Assets under Construction (a)	Total
Cost					
Balance, December 31, 2016	6,503	83,184	3,248	45,741	138,676
Additions	-	1,296	-	903	2,199
Asset impairment charge (b)	(809)	-	-	-	(809)
Revisions to decommissioning provisions	-	606	-	-	606
Disposals	-	(97)	-	-	(97)
Capital spares reclass	-	1,038	-	-	1,038
Derecognition of fully depreciated asset	-	(1,197)	-	-	(1,197)
Effect of movements in exchange rates	(539)	(31)	-	-	(570)
Balance, December 31, 2017	5,155	84,799	3,248	46,644	139,846
Additions	-	4,433	-	20,726	25,159
Revisions to decommissioning provisions	-	5,403	-	-	5,403
Disposals (c)	-	-	-	(978)	(978)
Derecognition of fully depreciated asset	-	(2,223)	-	-	(2,223)
Balance, December 31, 2018	5,155	92,412	3,248	66,392	167,207
Accumulated depreciation					
Balance, December 31, 2016	-	61,690	2,684	16,597	80,971
Depreciation	-	4,035	99	-	4,134
Asset impairment charges (b)	-	1,072	-	7,373	8,445
Derecognition of fully depreciated asset	-	(1,197)	-	-	(1,197)
Disposals	-	(81)	-	-	(81)
Balance, December 31, 2017	-	65,519	2,783	23,970	92,272
Depreciation	-	5,224	57	-	5,281
Derecognition of fully depreciated asset	-	(2,223)	-	-	(2,223)
Balance, December 31, 2018	-	68,520	2,840	23,970	95,330
Property, plant and equipment, net					
December 31, 2017	5,155	19,280	465	22,674	47,574
December 31, 2018	5,155	23,892	408	42,422	71,877

(a) Assets under construction

During the year, the Corporation incurred direct costs for assets under construction totaling $20,726 primarily related to the purchase of a natural gas-fired combustion turbine generator and certain other equipment (2017 - $903).

(b) Asset impairment charges

(i) During 2017, the Corporation obtained an appraisal for the land and based on a sales approach to same or similar land, the Corporation determined that the book value of the land was greater than the recoverable amount and recognized an $809 asset impairment charge. Due to changes in market conditions, the recoverable amount was estimated based on the appraisal to be US$4,109.

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

9. Property, plant and equipment, net (continued)

(ii) At December 31, 2017, due to significant adverse changes in the market conditions for metallurgical coal, the Corporation recognized an asset impairment charge of $7,373 with respect to its assets under construction for its metallurgical coal development project included in Canada operating segment. The recoverable amount was estimated to be $8,192. The recoverable amount was determined using fair value less costs of disposal. The fair value measurement was categorized as Level III within the fair value hierarchy. The fair value measurement valuation technique used was discounted cash flow which was corroborated by reference to recent market transactions. The key assumptions used in determination of fair value include a pre-tax discount rate of 23.1% and the proven and probable metallurgical coal reserve volumes as estimated by external experts. These estimated volumes are based on the NI 43-01 Technical Report filed on SEDAR on March 21, 2013.

(iii) During 2017, due to significant adverse changes at the facility site, the Corporation recognized an asset impairment charge of $1,072 with respect to the Gold Creek generating facility included in the Canada operating segment. In the absence of contractual arrangements or favourable Alberta power prices that would make it economically feasible to connect the facility to a new compressor at the current site or another MAXIM site, the recoverable amount of this facility was estimated at its salvage value of $43.

(c) Disposals

During 2018, the Corporation sold a development project with a carrying value of $978 classified as PP&E (note 19b).

10. Intangible assets, net

	Emission performance credits	SO2 credits	NOx credits	Total
Cost				
Balance, December 31, 2016	340	7,476	4,347	12,163
2017 Additions	36	-	3	39
Balance, December 31, 2018 and 2017	376	7,476	4,350	12,202
Accumulated amortization				
Balance, December 31, 2016	-	756	3,869	4,625
Amortization	35	257	145	437
Impairment (a)	-	6,463	-	6,463
Balance, December 31, 2017	35	7,476	4,014	11,525
Amortization	341	-	272	613
Balance, December 31, 2018	376	7,476	4,286	12,138
Intangible assets, net				
December 31, 2017	341	-	336	677
December 31, 2018	-	-	64	64

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

10. Intangible assets, net (continued)

(a) Impairment

During 2017, due to adverse changes in the market conditions for environmental credits in Alberta, the Corporation recognized an asset impairment charge of $6,463 with respect to SO2 credits at Milner included in the Canada operating segment. The recoverable amount was estimated to be $nil. The recoverable amount was determined using fair value less costs of disposal. The fair value measurement was categorized as Level III within the fair value hierarchy. The fair value measurement valuation technique used was based on management's experience and knowledge of long and short positions of SO2 credits of industry participants.

11. Restricted cash

Effective May 1, 2017, the Corporation amended and restated its credit agreement with the Bank of Montreal ("the bank") to a demand facility that will fully cash collaterize up to $8,000 of letters of credit on a non-revolving basis. As at December 31, 2018, the Corporation has $7,795 (December 31, 2017 - $7,908) of outstanding letters of credit and this amount was deposited into a restricted bank account maintained by the bank.

12. Other assets

	December 31, 2018	December 31, 2017
Long term prepaid expenses	180	180
Milner decommissioning reimbursement (a)	7,187	6,779
Total other assets	7,367	6,959

(a) During 2018, the Corporation revised its business plan for Milner. The existing facility is anticipated to be phased out during the latter portion of 2019, at which point it will be mothballed and certain components of Milner's existing infrastructure will then be used to construct a new natural gas-fired facility (note 9). As a result of the revision, the present value of the reimbursement has increased as it is anticipated that a portion of the decommissioning reimbursement will not be received until 2044 as compared to 2059 under the previous estimate (note 14a).

13. Trade and other payables

	December 31, 2018	December 31, 2017
Trade payables	1,485	535
Accrued liabilities and other payables	5,186	5,858
Total trade and other payables	6,671	6,393

14. Provisions for decommissioning

The Corporation’s provisions are comprised of decommissioning liabilities that relate to the retirement of its electrical generating facilities related to continuing operations. The decommissioning liabilities have been discounted at the risk-free rate, which was 1.8% to 2.0% (December 31, 2017 – 1.4% to 2.3%) depending on the timeframe of when the liability will be settled and inflation rates, which were 1.9% (December 31, 2017 – 1.6%). The Corporation is required to re-measure the provision at each reporting period in order to reflect expected cost, timing and discount rates in effect at that time. The total undiscounted inflation adjusted amounts of estimated obligations related to continuing operations are approximately $23,229 (December 31, 2017 - $20,709) and are expected to be incurred in two to twenty six years from the date of these consolidated financial statements.

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

14. Provisions for decommissioning (continued)

Because of the long-term nature of the liabilities, the greatest uncertainty in estimating the provision is the costs that will be incurred. In particular, the Corporation has assumed that each site will be restored using technology and materials that are currently available.

Balance, December 31, 2016	11,961
Accretion	221
Changes in estimate	1,217
Remediation of certain lands at the Milner site in progress	(2,344)
Balance, December 31, 2017	11,055
Accretion	277
Changes in estimate	7,422
Remediation of certain lands at the Milner site in progress	(1,777)
Balance, December 31, 2018	16,977

(a) Reimbursement of decommissioning costs

The Corporation is responsible for the decommissioning of Milner subject to the Balancing Pool reimbursing MAXIM for the first $15,000 of costs. The Corporation continued remediation of certain lands at the Milner site in 2018 and as at December 31, 2018, the Corporation has billed the Balancing Pool $4,121 (December 31, 2017 - $2,344). At December 31, 2018 the fair value of the remaining reimbursement from the Balancing Pool of $7,187 (December 31, 2017 - $6,779) is included in other assets (note 12) and accretion of the asset is included as a credit to finance expense (note 20).

15. Share capital

During 2018, the Corporation purchased and cancelled 2,097,652 common shares under the normal course issuer bid ("NCIB") program at a cost of $4,833. Common shares purchased were recognized as a $6,041 reduction to share capital equal to the weighted average carrying value of common shares. The difference between the aggregate purchase price and the average carrying value of the common shares of $1,208 was recorded as an increase in retained earnings.

	Number of Shares	$
Common Shares of MAXIM		
Common Shares, December 31, 2016	54,301,391	156,482
Share options exercised	322,434	989
Common Shares, December 31, 2017	54,623,825	157,471
Common Shares purchased and cancelled under NCIB	(2,097,652)	(6,041)
Common Shares, December 31, 2018	52,526,173	151,430

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

15. Share capital (continued)

The Corporation is authorized to issue the following classes and number of shares:

(a) an unlimited number of Common Shares without nominal or par value

(b) an unlimited number of Preferred Shares

All shares rank equally with regard to the Corporation's equity and shall be entitled to one vote per share at the meetings of the Corporation. The holders of the Common Shares are entitled to receive equally any dividends declared by the Corporation. As at December 31, 2018 and 2017, there are nil Preferred Shares outstanding.

16. Share-based compensation

Stock options

The Corporation has an employee stock option plan under which employees, directors and key consultants are eligible to receive grants.

Stock options granted under the plan vest over a three year period in equal amounts. The grantee has the right to exercise the vested stock options within one year of vesting. The maximum number of outstanding stock options under the plan is limited to 10% of the number of common shares outstanding. The Corporation's Board of Directors determines the number of stock options to be granted, and sets the exercise price based on the market value at the time of granting. Stock options issued and outstanding are as follows:

	December 31, 2018			December 31, 2017		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of period	1,516,119	$	2.66	1,898,952	$	2.56
Settled for cash	-		-	(808,496)		2.51
Exercised	-		-	(322,434)		2.55
Granted (a)	1,062,552		2.27	833,980		2.70
Expired	(716,018)		2.64	(85,883)		2.74
Outstanding, end of period	1,862,653	$	2.45	1,516,119	$	2.66
Exercisable	811,768	$	2.68	536,037	$	2.62

The Corporation recorded non-cash share-based expense of $322 (December 31, 2017 - $469) for the year ended December 31, 2018.

(a) During 2018 and 2017, the Corporation granted options to certain employees and directors. The fair value of each option granted is estimated at the date of grant using the Black-Scholes option pricing model with weighted average assumptions for the grant as follows:

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

16. Share-based compensation (continued)

	2018	2017
Fair value of each option ($)	0.29	0.54
Share price at grant date ($)	2.27	2.70
Exercise price ($)	2.27	2.70
Risk-free interest rate (%)	2.14	1.15
Expected life (years)	1.48	0.98
Expected volatility (%)	28.36	33.69
Forefiture rate (%)	-	-

Expected volatility was calculated by using daily volatility of the historical closing value of the Corporation’s stock, using the date of the grant as the starting point of the retrospective data capture.

(b) As at December 31, 2018, the range of exercise prices was $2.11 - $2.77 (December 31, 2017 - $2.54 - $3.20) and the weighted average remaining contractual life was 1.5 years (December 31, 2017 – 1.2 years).

17. Revenue

	December 31, 2018	December 31, 2017
Revenue from contracts with customer	19,708	1,977
Other revenue	36	47
Total revenue	19,744	2,024

Revenue from contracts with customer consists of revenue generated from the sale of electricity to the Corporation's sole customer. MAXIM recognizes revenue when the performance obligation is satisfied, which is the moment electricity is generated and delivered to the grid. The amount of revenue recognized is based on the agreed transaction price which is spot price determined on the hourly average period, at the volume of generation produced. Collection occurs the following month on the twentieth business day.

18. Operating, general and administrative expenses by nature

	December 31, 2018	December 31, 2017
Fuel costs	4,414	1,435
Operating and maintenance	12,976	6,265
Wages and employee benefits	8,533	8,906
Total expenses	25,923	16,606

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

19. Other expense (income), net

	December 31, 2018	December 31, 2017
Restructuring of Alberta operations (a)	713	1,737
Other expense (income)	(96)	(60)
Gain on sale of asset (b)	(93)	-
Cooling tower claims recoveries (c)	-	(4,275)
Transition service income	-	(759)
Total other expense (income), net	524	(3,357)

(a) This consists of costs incurred to restructure the Corporation's Alberta operations to reduce ongoing operating costs. These expenses primarily related to severance payments to employees.

(b) During 2018, the Corporation closed the sale of a development project, classified as PP&E, for a cash consideration of $1,071, net of closing costs. As a result, the Corporation realized a pre-tax gain of $93.

In addition to the cash consideration, the purchaser has agreed to pay MAXIM contingent consideration if the purchaser executes a renewable power purchase arrangement or commences construction related to the renewable generation development project. The purchaser will also pay MAXIM further consideration upon the commencement of commercial operations (note 23b).

(c) Proceeds from the final resolution of the cooling tower claims.

20. Finance income, net

	December 31, 2018	December 31, 2017
Interest expense and bank charges	143	414
Accretion of provisions	161	83
Foreign exchange (gain) loss	(5)	320
Finance expense	299	817
Interest income (a)	(2,027)	(1,117)
Total finance income, net	(1,728)	(300)

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

21. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share the year ended December 31, 2018 was based on the net income attributable to common shareholders and net income attributable to common shareholders from continuing operations of $4,377 (December 31, 2017 – income of $18,476 and loss of $30,725, respectively) and weighted average number of common shares outstanding for the period of 53,833,450 (December 31, 2017 – 54,471,594), calculated below:

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

21. Earnings per share (continued)

Weighted average number of common shares (basic):

	2018	2017
Issued common shares at January 1	54,623,825	54,301,391
Effect of stock options exercised	-	170,203
Effect of NCIB	(790,375)	-
Weighted average number of common shares at December 31	53,833,450	54,471,594

(b) Diluted earnings per share

For the year ended December 31, 2018, 72,231 shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options. For the year ended December 31, 2017 diluted earnings per share calculation, 53,716 shares were added to the average number of common shares outstanding for net income attributable to common shareholders during the period for the dilutive effects of exercisable stock options. For the year ended December 31, 2017, no shares were added to the average number of common shares outstanding for continuing operations as they were antidilutive.

Weighted average number of common shares (diluted):

	2018	2017
Weighted average number of common shares (basic)	53,833,450	54,471,594
Effect of exercisable stock options	72,231	53,716
Weighted average number of common shares (diluted) at December 31	53,905,681	54,525,310

22. Commitments

(a) Milner Power Limited Partnership ("MPLP") is responsible for the decommissioning and remediation of the power station lands at Milner and the present value of these amounts have been recorded in provisions. The Balancing Pool has agreed to reimburse MPLP for the first $15,000 in decommissioning expense.

As at December 31, 2018, the Corporation has billed the Balancing Pool for $1,777, of which $1,603 has been collected for remediation of certain lands at Milner. As at December 31, 2018, on a life-to-date basis, the Corporation has billed the Balancing Pool for $4,121, of which $3,947 has been collected for remediation of certain lands at Milner. The present value of the residual balance of $7,187 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 December 31, 2018. The Corporation has an additional commitment of $798 regarding the service portion of the contract.

23. 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.

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. During 2018, MAXIM settled US$177 thousand of indemnity claims relating to tax matters for a payment of US$115 thousand.

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

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

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

23. Contingencies (continued)

(b) Contingent assets

Through its Decision 790-D06-2017 ("Decision"), the Alberta Utilities Commission ("AUC") asserted its position on several matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the Alberta Electric System Operator (“AESO”) Line Loss Rule. The Decision 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 December 31, 2018, the precise amount and timing of compensation under Module C cannot be determined.

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

24. Operating leases

Leases as lessee

Non-cancellable operating lease rentals related to continuing operations are payable as follows:

	December 31, 2018	December 31, 2017
Less than one year	233	259
Between one and five years	276	541
More than five years	-	-
Total	509	800

The Corporation leases office space and equipment under operating leases. These leases typically run for a period of one to five years and office space leases are customarily renegotiated for similar terms, at then-current market rates. During the year ended December 31, 2018, $227 was recognized as an operating expense in the statements of loss in respect of operating leases related to continuing operations (December 31, 2017 - $301).

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

25. Income taxes

(a) Tax (benefit) expense recognized in statements of income (loss)

	December 31, 2018	December 31, 2017
Current tax (benefit) expense		
Current year	(10)	26
Adjustment for prior years tax returns	-	48
	(10)	74
Deferred tax (benefit) expense		
Origination and reversal of temporary differences	(2,802)	(8,964)
Changes in tax rates	(31)	-
Adjustment for prior years tax returns to claim CCA	2,308	-
Adjustment for tax provision released in 2018	(630)	-
Change in recognized deductible temporary differences	(13,374)	9,143
Adjustment for prior years tax returns	(707)	234
	(15,236)	413
Total tax (benefit) expense	(15,246)	487

(b) Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at December 31, 2018 of 27% (December 31, 2017 - 27%) to income before income taxes. A reconciliation of this difference is presented below.

A reconciliation of the differences is as follows:

	December 31, 2018	December 31, 2017
Net loss before tax from continuing operations	(10,869)	(30,238)
Statutory tax rate	27.00%	27.00%
Computed income taxes	(2,935)	(8,165)
Increase (decrease) in taxes:		
Change in recognized deductible temporary differences	(13,374)	9,143
Effect of tax rates in foreign jurisdictions	(31)	(41)
Non-deductible expenses (non-taxable income), net	133	(732)
Adjustments for prior years	961	282
Total tax (benefit) expense	(15,246)	487

(c) Unrecognized deferred tax assets

The Corporation recognized a net deferred tax asset based on future cash flows from a development project as cash flows are expected to be sufficient to realize the deferred tax asset. As at December 31, 2018, there are non-capital loss carry-forwards of $188,743 (December 31, 2017 - $179,436) in Canada. As at December 31, 2018, $148,753 (December 31, 2017 - $169,513) of the tax loss carry-forwards are unrecognized. The assets related to the non-capital loss carry-forwards are unrecognized primarily due to uncertainty in the Corporation's ability to utilize the asset.

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

25. Income taxes (continued)

(d) Unrecognized deferred tax liabilities

As at December 31, 2018, there are no net taxable temporary differences (December 31, 2017 - $nil) related to investments in certain subsidiaries for which no deferred tax liability has been recognized. No deferred tax liability has been recognized in the prior year because the Corporation controlled whether the liability will be incurred and it was satisfied that it will not be incurred in the foreseeable future at that time.

(e) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
December 31,	2018	2017	2018	2017	2018	2017
Non-capital loss carry forwards	10,392	(6,169)	-	-	10,392	(6,169)
Capital assets	15,908	19,778	(9,919)	(10,679)	5,989	9,099
Other	-	831	(1,834)	(4,450)	(1,834)	(3,619)
	26,300	14,440	(11,753)	(15,129)	14,547	(689)
Set off of tax	(11,753)	(11,761)	11,753	11,761	-	-
Net tax assets (liabilities)	14,547	2,679	-	(3,368)	14,547	(689)

As at December 31, 2018, there is a deferred tax asset (net of tax liabilities) of $14,547 (December 31, 2017 - $2,679) related to a Canadian legal entity. This deferred tax asset is dependent on future taxable profits within the legal entity and the legal entity suffered losses in both 2018 and 2017. This deferred tax asset primarily arises from deductible temporary differences related to non-capital losses.

The Corporation anticipates that these recognized assets related to losses will be utilized in the years to come via taxable profits within this legal entity. The recognized and unrecognized assets related to losses start to expire in 2027. Current estimates support the assertion that the recognized assets related to losses will be fully utilized by the time they expire. The utilization of these losses is dependent on collections, in part, of contingent assets.

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

	Net Operating	Capital Assets	Other	Total
At December 31, 2016	(1,284)	4,977	(2,947)	746
Credited (charged) to income	(4,358)	4,180	(235)	(413)
Credited (charged) to discontinued income	(468)	-	(669)	(1,137)
Credited (charged) to other comprehensive income	(59)	(58)	232	115
At December 31, 2017	(6,169)	9,099	(3,619)	(689)
Credited (charged) to income	16,561	(3,110)	1,785	15,236
At December 31, 2018	10,392	5,989	(1,834)	14,547

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

26. Related party transactions

Compensation of key management personnel:

	December 31, 2018	December 31, 2017
Short-term employee benefits, including wages and benefits	1,536	2,222
Share-based compensation	91	346
Total	1,627	2,568

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

There were no other related party transactions during 2018 or 2017.

27. Employee benefits

Benefits are based on plan contributions under the defined contribution pension plan. During 2017, the pension expense for this plan was $159 (2017 - $131). There has been no change in the contribution rate during 2018.

28. Change in non-cash working capital

	December 31, 2018	December 31, 2017
Operations		
Trade and other receivables	(4,091)	(313)
Prepaid expenses and deposits	(358)	150
Inventories	-	(9)
Trade and other payables	(499)	(5,908)
	(4,948)	(6,080)

	December 31, 2018	December 31, 2017
Investing		
Trade and other payables	732	-
Restricted cash	113	(7,908)
	845	(7,908)

29. Segmented information

The Corporation's operating segments represent the components of the business whose operating results are reviewed regularly by the Corporation's chief operating decision maker, the Corporation's CEO. During 2018, the Corporation had one operating segment with its power generation facilities located in Canada. Results are reviewed regularly by the Corporation's CEO to make decisions about resources to be allocated to the segments and to assess their performance. The United States operating segment ceased to be a strategic segment in the second quarter of 2017, as a result of the sales of this business segment. The Corporation has modified the composition of the reportable segments.

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

29. Segmented information (continued)

Information regarding results of each reportable segment is included below. Performance is measured on income from operations, as included in the internal management reports that are reviewed by the Corporation's CEO. Income from operations is used to measure performance as management believes that such information is the most relevant in evaluating the results of the reportable segments.

December 31, 2017	Milner and development projects	Corporate amounts	Continuing operations	Discontinued operation from United States	Total consolidated
Revenues from external customers	2,024	-	2,024	14,246	16,270
Finance expense (income), net	90	(390)	(300)	(14,891)	(15,191)
Depreciation and amortization	4,554	17	4,571	-	4,571
Operating expense	11,440	-	11,440	11,312	22,752
Operating income (loss)	(25,218)	(5,320)	(30,538)	34,311	3,773
Other material non-cash items:					
Capital expenditures	2,199	-	2,199	1,111	3,310

The Corporation's revenues in Canada are predominantly from entities formed by governments for the purpose of facilitating commerce in the power and utility sector in each of the reportable segments. During 2018, $19,708 (2017 – $2,003) of the Corporation's revenue was attributable to one of these entities in Canada.

30. Financial risk management

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

- credit risk
- liquidity risk
- foreign currency exchange risk
- interest rate risk
- commodity price risk

This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of MAXIM's risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring MAXIM's compliance with risk management policies and procedures. The committee reports regularly to the Board of Directors on its activities.

MAXIM's risk management policies are established to identify and analyze the risks faced by MAXIM, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and MAXIM's activities. MAXIM, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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

30. Financial risk management (continued)

Risk management assets recognized on the Consolidated Statement of Financial Position are attributable to the following:

(a) Credit risk

Credit risk arises from the possibility that a counterparty to which the Corporation provides goods or services is unable or unwilling to fulfill their obligations. The extent of the risk depends on the credit quality of the counterparty to which the Corporation provides goods or services.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	22,246	51,264
Short-term investment	41,552	50,138
Milner decommissioning reimbursement (note 12)	7,187	6,779
Trade and other receivables	6,260	2,169
Total	77,245	110,350

Trade and other receivables are predominantly with entities formed by governments for the purpose of facilitating commerce in the power and utility sector or a banking counterparty with a Standard & Poor's rating discussed below. For trade and other receivables from third parties and deposits to vendors who are not government sponsored entities, the Corporation utilizes regular credit monitoring processes to mitigate credit risk. MAXIM does not expect any losses from trade and other receivables.

As at December 31, 2018, the Corporation had no past due receivables.

Cash and cash equivalents are held with a bank counterparty, which is rated A-, based on rating agency Standard & Poor's.

Short-term investment are held with a bank counterparty, which is rated A+, based on rating agency Standard & Poor's.

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they fall due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing balance of year and long-term cash flow analyses.

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

December 31, 2018	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2 to 3 years	4 to 5 years	Thereafter
Non-derivative financial instruments							
Trade and other payables	6,671	6,671	6,671	-	-	-	-
	6,671	6,671	6,671	-	-	-	-

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

30. Financial risk management (continued)

December 31, 2017	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2 to 3 years	4 to 5 years	Thereafter
Non-derivative financial instruments							
Trade and other payables	6,393	6,393	3,048	3,345	-	-	-
	6,393	6,393	3,048	3,345	-	-	-

(c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and commodity price risks will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures, while optimizing cash flows to the Corporation.

(i) Foreign currency exchange risk

The Corporation is exposed to foreign currency exchange risk to the extent that revenue, expenses and monetary assets and liabilities are denominated in currencies that differ from the functional currency of the respective entity within the consolidated group. The Corporation has not hedged the exposure related to capital expenditures, revenues and expenses. At December 31, 2018, the Corporation is not exposed to foreign currency exchange risk as all continuing operations are in Canadian dollars.

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing and investing rates of the Corporation. As at December 31, 2018 and 2017, the Corporation has no debt from continuing operations and therefore is not exposed to interest rate risk on liabilities. The Corporation earns interest income on its cash and cash equivalents, short-term investment and restricted cash at bank prime rates less a predetermined fixed amount. An increase to bank prime rates of 100 basis points, would increase pre-tax profit or loss by $660 in 2018 (2017 - $865). A decrease to bank prime rates by this amount would have the opposite effect on pre-tax profit or loss.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity and natural gas. Under certain contracts, the selling price of electricity varies according to changes in natural gas price providing an operating hedge against changes in natural gas price. The Corporation periodically reduces its exposure to commodity price risk by entering into fixed for floating swaps for the selling price of the electricity in Alberta.

For the year ended December 31, 2018, an appreciation in electricity prices in the Alberta power market by $1 per MWh would have increased net income by $305. A weakening of electricity prices by this amount would have the opposite effect on other comprehensive income and net income. This analysis assumes that all other variables, in particular natural gas prices, coal prices and interest rates remain constant. The analysis for 2017 was not performed on the same basis at December 31, 2017 as the Corporation was not exposed to commodity price risk as the Corporation had temporarily suspended operations at Milner.

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

31. 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 Consolidated Statements of Financial Position, and is categorized by hierarchical levels and their related classifications.

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	-	-
Milner decommissioning reimbursement (note 12)	7,187	-	-	7,187
Total assets	77,245	70,058	-	7,187
Trade and other payables	6,671	6,671	-	
Total liabilities	6,671	6,671	-	-

December 31, 2017	Total carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Cash and cash equivalents	51,264	51,264	-	-
Short-term investment	50,138	50,138	-	-
Trade and other receivables	2,169	2,169	-	-
Milner decommissioning reimbursement (note 12)	6,779	-	-	6,779
Total assets	110,350	103,571	-	6,779
Trade and other payables	6,393	6,393	-	-
Total liabilities	6,393	6,393	-	-

The fair value of cash and cash equivalents, short-term investment, trade and other receivables and trade and other payables approximates their carrying values due to their short-term nature.

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

31. Fair value (continued)

(a) Commodity risk management swaps and options

The fair value of the commodity swaps are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. The Corporation determined the fair value of the swaps by applying the market approach using market settled forward prices as reported by the Natural Gas Exchange for forward contracts of comparable term at the reporting date. For the year ended December 31, 2018, the unrealized gain on commodity price swaps was $nil (December 31, 2017 – $58). For the year ended December 31, 2018, the realized gain on commodity risk management swaps and option was $nil (December 31, 2017 - $917). At December 31, 2018, the Corporation had no outstanding commodity swaps or options.

(b) Foreign exchange risk management swap and options

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

For the year ended December 31, 2018, the Corporation, realized a $nil thousand loss (December 31, 2017 - $421 recognized in discontinued operations, on the US$78,000 thousand swap to lock-in a portion of the sales proceeds of the United States operating segment). For the year ended December 31, 2018, the Corporation realized a net loss of $nil (December 31, 2017 - $1,092 upon the expiry of two put options expiring March 24, 2017). These amounts have been recognized in discontinued operations.

At December 31, 2018 and 2017, the Corporation had no outstanding foreign exchange risk management swaps and options.

32. Capital management

MAXIM manages its capital in a manner consistent with the risk characteristics of the assets it holds. All transactions, including equity, debt, and capital leases, are analyzed by management and approved by the Board of Directors.

The Corporation's objectives when managing capital are:

(a) to safeguard the Corporation's ability to continue as a going concern and provide returns for shareholders;

(b) to facilitate the acquisition or development of power projects in Canada.

The Corporation is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential expenditures, preparing balance of year and long-term cash flow analyses to ensure an adequate amount of liquidity and monthly review of financial results.

In the absence of loans and borrowings, the Corporation considers shareholders' equity as the capital of the Corporation.

The Corporation has no restrictions on its capital as a result of its Canadian credit facilities, except for $7,795 of letters of credit (note 11).

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated March 18, 2019 and should be read in conjunction with the audited consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the years ended December 31, 2018. MAXIM prepares its audited consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("GAAP").

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 is proceeding with the development of the first stage of Milner 2, a natural gas expansion project ("M2"). This stage is a 208 MW simple cycle gas turbine facility that will located on the existing HR Milner ("Milner") site, which provides access to existing assets, and will result in a cost-effective solution for new development. Based on preliminary engineering, MAXIM is currently estimating total development costs to complete this simple cycle project of approximately $87.4 million, inclusive of the $20.3 million used to purchase equipment (refer to page 3), and that commercial operation date will occur late in 2019. The increase to $87.4 million from $80.0 million previously disclosed is due to updated costs for construction during winter conditions, modifications to configurations to operate the plant in Canada's climate, additional insurance and relocation costs.
- MAXIM currently anticipates that operation of the existing Milner 150 MW duel fuel-fired (coal and natural gas) facility will be phased out during the latter stages of development of the M2 gas-fired generation capacity.
- MAXIM resumed the generation of electricity at Milner on June 13, 2018. Based on settled and forward power and gas prices, MAXIM anticipates generating electricity at the existing Milner facility until late 2019. Milner is a dual-fuel facility that is capable of running on coal up to 144 MW or gas at up to 70 MW. MAXIM has consumed substantially all coal inventory on hand and is evaluating market conditions to determine if purchasing additional coal is economical.
- Management forecasts that cash flows for operating, general and administrative expenses will be funded by its existing cash on hand. Based on preliminary engineering estimates, management forecasts that cash flows for the first stage of M2 and other developments will be funded with existing cash on hand, operating cash flows, and potential collection of line loss factor claim or future financing based upon current forecasts.
- MAXIM estimates total capital expenditures of approximately $65.9 million to be incurred in 2019. The majority of these expenditures relate to additional costs forecasted to complete construction of the first phase of M2 which is expected to commence operations in 2019.
- In determining potential development sites, management estimates future capacity payments and 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 maintain a working capital surplus over the next twelve months, subject to the adequacy of operating cash flows, final estimate for the first stage of M2, and potential collection of line loss factor claim or future financing for the first stage of M2.
- Other matters and factors described under the Outlook section on page 12.

BUSINESS OF MAXIM

MAXIM is an Independent Power Producer engaged in the acquisition and development, ownership and operation of power generation facilities and the resultant sale of generating capacity and electricity. At December 31, 2018, and as at the date of this MD&A, MAXIM has one power generating facility, Milner, with 150 MW of electric generating capacity in Canada and has 796 MW of projects permitted for development.

Milner is a 150 MW dual fuel-fired (coal and natural gas) power station located near the town of Grande Cache, Alberta, which has been in operation since 1972. Milner operates as a merchant power facility by selling electricity to the Alberta Electric Systems Operator ("AESO") at spot market prices. Management at times will use strategic hedging, to varying degrees, to reduce price risk.

MAXIM has received regulatory approvals to construct and operate M2. M2 is a natural gas-fired generation facility with generating capacity of 520 MW. In 2019, MAXIM began construction of the first stage of M2, which is a 208 MW simple cycle gas turbine facility at the Milner site. MAXIM anticipates that the commercial operation date of this stage will occur late in 2019.

MAXIM has received regulatory approvals to construct and operate the 190 MW natural gas-fired Deerland peaking station located near Bruderheim, Alberta ("Deerland") and the Milner expansion project ("M3"). M3 is a project to install combined cycle equipment that is to be connected to the existing Milner facility and results in an increase of 86 MW of generation capacity at the Milner site. MAXIM has a wind development project, Buffalo Atlee, which has the potential for up to 200 MW of wind generation capacity. MAXIM has not made any definitive commitments to the timing or certainty of advancing development of these projects. MAXIM intends to evaluate its plans for these projects as clarity develops for the Alberta market.

Summit Coal ("SUMMIT") is MAXIM's development initiative located north of Grande Cache, Alberta that owns metallurgical coal leases for Mine 14 ("M14") and Mine 16 ("M16"). Current estimates for M14 are 18.9 million tonnes of low-mid volatile metallurgical coal reserves with a mine life of seventeen years based on the NI 43-101 technical report filed on SEDAR on March 21, 2013. M16 is located 30 kilometers northwest of M14 and represents 1,792 hectares or 29% of SUMMIT's total area of coal leases. A NI 43-101 Technical Report has not been prepared for M16. MAXIM has not made any definitive commitments to the timing or certainty of advancing development of this project.

OVERALL PERFORMANCE

Highlights and Notable Events

During 2019, the Corporation engaged engineering and construction firms, and commenced construction of the foundation for the first stage of M2. As of the date of this MD&A, the Corporation has completed a portion of the foundation work and initiated procurement of substantially all remaining necessary components to begin commercial operations later in 2019.

During 2018, MAXIM announced that it has closed an agreement to purchase a General Electric Frame 7 F-Class combustion turbine generator ("CT") and certain equipment for $20.3 million for the first stage of the M2 development project. This equipment was previously delivered new to the seller in 2012 and never installed. The purchase price was funded from cash on hand. The decision to purchase this equipment follows from MAXIM's review and investigation of multiple alternatives in relation to the Milner site to maximize shareholder value. The CT is an efficient turbine generator with competitive variable operating costs. MAXIM anticipates that generation capacity at M2 using the CT will average 208 MW in simple cycle mode.

Based on preliminary engineering, the total estimated capital cost of the project including the above purchase is approximately $87.4 million, with commercial operation anticipated to commence late in 2019. MAXIM currently anticipates that operation of the existing Milner 150 MW duel fuel-fired (coal and natural gas) facility will be phased out during the latter stages of development of this new gas-fired generation facility.

During 2018, MAXIM continued to monitor both settled and forward power and gas prices and determined that it was economically feasible to resume operations at Milner and on June 13, 2018, the plant resumed the generation of electricity. MAXIM also had existing coal inventory at the Milner site, which combined with current forward pricing, provided MAXIM an opportunity to consume a significant amount of this inventory in 2018 in the most economic manner. As of the date of this MD&A, MAXIM has consumed substantially all coal inventory on hand and is evaluating market conditions to determine if purchasing additional coal for use at Milner is economical.

During 2018, 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 3,100,000 Common Shares. The NCIB commenced on May 11, 2018 and will terminate on May 11, 2019 or such earlier date if the NCIB is terminated. As of the date of this MD&A, based on current trending prices, the Corporation has repurchased and cancelled 2,119,512 Common Shares at an average cost of $2.30 per share. The Corporation plans to continue purchasing Common Shares pursuant to this NCIB 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.

Key Performance Indicators ("KPI")

(000's unless otherwise noted)	2018	2017	2016
Revenue			
Continuing operations	19,744	2,024	6,484
Discontinued operations	-	14,246	88,074
Total	19,744	16,270	94,558
Net income (loss) attributable to shareholders			
Continuing operations	4,377	(30,725)	(29,874)
Discontinued operations	-	49,201	(23,926)
Total	4,377	18,476	(53,800)
Basic and diluted net income (loss) per share attributable to shareholders ($ per share)			
Continuing operations	0.08	(0.56)	(0.55)
Discontinued operations	-	0.90	(0.44)
Total	0.08	0.34	(0.99)
Total assets	172,188	169,490	218,183
Total generation (MWh)	304,711	85,894	312,179
Average Alberta market power price ($ per MWh) (2)	50.19	22.16	18.28
Average Milner realized power price ($ per MWh) (2)	64.68	23.32	30.23

(1) For comparative purposes, the Corporation continues to separately illustrate the impact of discontinued operation of the United States from continuing operations on its current KPI's.

(2) Average Alberta market pool price and average Milner realized power price from June 13, 2018 to December 31, 2018 were $56.94 per MWh and $64.68 per MWh, respectively.

Financial Results

The financial results of the Canada segment are presented as continuing operations and the financial results of the U.S. operating segment are presented as discontinued operation to illustrate the impact to the Corporation of the sale of the foreign segment. Refer to Discontinued Operation section on page 9 for information on the financial results of discontinued operation.

Revenue from continuing operations increased in 2018 when compared to 2017 and 2016 due to the resumption of operations at Milner in June 2018, in conjunction with significantly higher Alberta power prices. During 2018, the Corporation realized average power prices of $64.68 per MW as compared to $23.32 and $30.23 per MW in 2017 and 2016, respectively. The increase in realized prices in 2018 was achieved as a result of a general increase in power prices since 2017 and 2016, and dispatching Milner during higher priced periods.

In addition, net income attributable to shareholders from continuing operations increased in 2018 when compared to 2017 and 2016. The change in this financial measure was primarily due to the 2018 recognition and derecognition of future tax assets and liabilities, respectively, as well as the same factor impacting revenue, operating cost savings from cost cutting initiatives, lower personnel costs at the corporate head office, lower restructuring costs and the non-reoccurrence of asset impairment charges in 2017. This was partially offset by higher operations and maintenance ("O&M") expenses incurred from resuming operations at Milner in 2018, as well as realized gains on commodity risk management activities and final resolution of the cooling tower claims in 2017.

RESULTS OF CONTINUING OPERATIONS

Revenue

($000's)	2018	2017
Revenue [1]	19,744	2,024

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

Revenue in 2018 increased $17.7 million, from $2.0 million in 2017 to $19.7 million in 2018, due to the resumption of operations at Milner, and significantly higher Alberta power prices. During 2018, Milner realized power prices of $64.68 per MWh as compared to the same period in 2017 which realized $23.32 per MWh. The realized price of $64.68 in 2018 represents a price premium of 14% as compared to the average Alberta market power price for the period from June 13, 2018 to December 31, 2018 of $56.94 per MWh. The realized price of $23.32 in 2017 represents a price premium of 5% as compared to the average Alberta market power price for the quarter of $22.16 per MWh. The premium in 2018 was achieved as a result of dispatching Milner during high-priced periods and operating during periods of peak demand.

Plant Operations

Summary of plant operations expense by type:

	2018			2017		
($000's)	Fuel	O&M	Total	Fuel	O&M	Total
Total	4,414	17,405	21,819	1,435	10,005	11,440
Percent	20%	80%	100%	13%	87%	100%

Fuel and O&M expenses in 2018 increased $10.4 million, from $11.4 million in 2017 to $21.8 million in 2018, primarily due to increased carbon taxes in 2018 and greater natural gas consumption related to increased generation volumes as a result of Milner resuming operations in June 2018 after temporarily suspending operations in April 2017. This was partially offset by cost savings from cost cutting initiatives and lower per-unit natural gas costs.

General and Administrative Expense

($000's)	2018	2017
Total general and administrative expense	4,104	5,166

General and administration expense in 2018 decreased $1.1 million or 21%, from $5.2 million in 2017 to $4.1 million in 2018, primarily due to lower personnel costs at the corporate office as a result of headcount reductions, partially offset by no allocations to the U.S. operating segment in 2018 as a result of the sale of this operating segment in the second quarter of 2017.

Depreciation and Amortization Expense

($000's)	2018	2017
Total depreciation and amortization	5,894	4,571

Depreciation and amortization expense in 2018 increased $1.3 million or 28%, from $4.6 million in 2017 to $5.9 million in 2018, primarily due to accelerated depreciation recognized on components derecognized in 2018 as a result of a major overhaul that occurred earlier than expected and a higher asset base for Milner as a result of capital spending, partially offset by lower depreciation on existing Milner assets as a result of a change in useful life. See note 2 in the Consolidated Financial Statements for further discussion.

Asset Impairment Charges

($000's)	2018	2017
Summit Coal	-	7,373
Gold Creek generating facility	-	1,072
New Jersey undeveloped land (Forked River)	-	809
Total PP&E asset impairment charges	-	9,254
Alberta SO2 credits	-	6,463
Total intangible asset impairment charges	-	6,463
Total asset impairment charges	-	15,717

During 2017, the following impairment charges were taken: i) the Corporation incurred a $7.4 million charge in relation to SUMMIT assets under construction due to a significant unfavourable change in market conditions for metallurgical coal, ii) the Corporation incurred a $1.1 million charge in relation to Gold Creek due to significant adverse changes at the facility site, which was previously an operating asset in MAXIM's portfolio, iii) the Corporation incurred a $0.8 million charge in relation to its undeveloped land in New Jersey due to updated information on market conditions and iv) the Corporation incurred a $6.5 million charge to reduce the carrying value of its sulphur dioxide credits to $nil due to adverse changes in the market conditions for coal-fired generation environmental credits in Alberta.

Other Expense (Income), Net

($000's)	2018	2017
Other expense (income), net	524	(3,357)

Net other expense in 2018 increased from income of $3.4 million in 2017 to an expense of $0.5 million in 2018. The increase is primarily due to cooling tower claim recoveries and non-recurring transition services income received in 2017, partially offset by higher costs incurred to restructure the Corporation's Alberta operations in 2017.

Finance Income, Net

($000's)	2018	2017
Interest expense and bank charges	143	414
Accretion of provisions	161	83
Foreign exchange loss (gain)	(5)	320
Finance expense	299	817
Interest income	(2,027)	(1,117)
Total finance income, net	(1,728)	(300)

Net finance income in 2018 increased from $0.3 million in 2017 to $1.7 million in 2018. The increase is primarily due to interest income earned on greater balances of cash and cash equivalents, short-term investment and restricted cash in 2018 as a result of the sale of the U.S. operating segment in the second quarter of 2017. In addition, $0.1 million of interest expense and bank charges were recognized in 2018 compared to $0.4 million in 2017, which was primarily due to standby charges on additional letters of credit outstanding.

Income Tax Benefit

($000's)	2018	2017
Current tax expense	(10)	74
Deferred tax expense	(15,236)	413
Total income tax expense	(15,246)	487

Income tax benefit in 2018 increased $15.7 million, from an expense of $0.5 million in 2017 to a benefit of $15.2 million, as a result of recognizing tax assets in 2018 as it is now probable that sufficient future taxable income will be available to utilize underlying tax losses due to the resumption of operations at Milner, the development of first stage of M2 and a higher allocation of previously expected line loss collections. In addition, the Corporation derecognized its deferred tax liability in 2018, which was related to timing differences generated from the recognition of capital expenditures for tax purposes, 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 Consolidated Statement of Financial Position at December 31, 2018 as compared to December 31, 2017.

As at ($000's)	December 31, 2018	December 31, 2017	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents and short-term investment	63,798	101,402	(37,604)	Capital additions for the first stage of the M2 project and existing Milner facility, operating cash outflows and the purchase and cancellation of common shares
Trade and other receivables	6,260	2,169	4,091	Increased as a result of resuming operations at Milner, partially offset by lower receivables outstanding for the remediation of certain lands at the Milner site
Property, plant and equipment, net	71,877	47,574	24,303	Capital additions, change in estimated decommission costs and timing at Milner, partially offset by depreciation recorded
Future income tax asset (liability)	14,547	(689)	15,236	Increased due to the recognition of income tax assets and derecognition of liabilities
Net other assets	15,706	15,666	40	Increased due to change in estimated decommission timing at Milner, partially offset by continued remediation at the Milner site and consumption of intangible assets
Liabilities & Equity				
Trade and other payables	6,671	6,393	278	Higher payables as a result of restarting operations at Milner, partially offset by the final payment of the Federal Energy Regulatory Commission settlement
Provision for decommissioning	16,977	11,055	5,922	Change in estimated decommission costs and timing at the Milner site, partially offset by continued remediation at the Milner site
Equity	148,540	148,674	(134)	Primarily due to a net loss for the period and the purchase and cancellation of common shares

DISCONTINUED OPERATION

On April 3, 2017, the Corporation closed the sale of the United States operating segment for net proceeds of approximately US$83 million. As a result, the Corporation realized a gain on disposal of $31.6 million.

The following table represents the discontinued net income and cash flow for the U.S. operating segment at December 31, 2017 in Canadian dollars:

	December 31, 2017
Revenue	14,246
Income, net of expenses	(20,065)
Operating income	34,311
Finance income	(14,891)
Income before income taxes	49,202
Income tax expense (benefit)	
Current	25
Deferred	(28)
	(3)
Net income from discontinued operation	49,205

	December 31, 2017
Cash flows from (used in) discontinued operation	
Net cash generated from operating activities	87
Net cash used in financing activities	(842)
Net cash used in investing activities	(313)
Cash component of net assets disposed	(2,443)
Unrealized foreign exchange loss on cash	(24)
Net cash flows for the period	(3,535)

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 first stage of M2 and other development capital will be funded by both the Corporation's existing cash on hand, operating cash flows, and potential collection of line loss factor claim or future anticipated financing based upon current forecasts.

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 December 31, 2018, the Corporation has $7.8 million of outstanding letters of credit outstanding 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 December 31, 2018, the Corporation had unrestricted cash of $22.2 million and short-term investment of $41.6 million included in the net working capital surplus of $63.8 million. Unrestricted cash balances are invested with one Canadian chartered bank and one Canadian financial institution. Short-term investment balance is invested with a Canadian financial institution yielding the bank's prime rate less 120 basis points and is available with ninety days' notice. During 2018, the Corporation transferred $35.0 million from short-term investment to cash and cash equivalents to begin funding the first stage of M2's development. Based on current operations and estimated total project costs of $87.4 million, including $21.5 million of capital expenditures up to December 31, 2018, the Corporation anticipates funding the first stage of M2 with cash on hand, operating cash flows, and potential collection of line loss factor claim or financing. This preceding statement represents FLI and users are cautioned that actual results may vary.

Cash flow summary:

Year ended December 31 ($000's)	2018	2017
Cash on hand, unrestricted, January 1	51,264	15,303
Cash flow used in operations	(11,412)	(19,892)
Cash flow (used in) from financing	(4,976)	200
Available for investments	34,876	(4,389)
Cash flow (used in) from investing	(12,630)	55,653
	22,246	51,264
Cash and cash equivalents held at discontinued operations, beginning of period	-	3,535
Net decrease in cash and cash equivalents from discontinued operations	-	(3,535)
Short-term investment	41,552	50,138
Net liquidity available, December 31	63,798	101,402

Cash flow used in operations in 2018 decreased from an outflow of $19.9 million in 2017 to $11.4 million in 2018, which is a decrease of $8.5 million. The decrease in outflow is primarily due to favourable cash flows from resuming operations at Milner, lower general and administrative costs in 2018 and lower costs associated with the restructuring of Alberta operations. In addition, fluctuations in working capital represented a cash outflow of $4.9 million in 2018, as compared to of $6.1 million in 2017. See below for further discussion of working capital.

During 2018, MAXIM's cash flow used in financing increased $5.2 million from $0.2 million generated from financing in 2017 to $5.0 million used in financing in 2018, primarily due to purchasing and cancelling Common Shares of the Corporation under a normal course issuer bid.

MAXIM's investing activities in 2018 represented a cash outflow of $12.6 million, which primarily consisted of $25.2 million of development initiatives related to the first stage of M2 and Milner sustaining capital in Canada. These amounts were partially offset by a net withdrawal of short-term investments of $10.0 million, $1.1 million proceeds on sale of asset, interest income of $0.6 million not reinvested into short-term investment and a change in non-cash working capital of $0.9 million.

MAXIM's investing activities in 2017 represented a cash inflow of $55.7 million, which primarily consisted of net proceeds on the sale of the U.S operating segment of $110.5 million, recoveries on cooling tower claims of $4.3 million and $1.1 million of interest income. These amounts were partially offset by transferring $50.1 million of cash and cash equivalents into a short-term investment, cash collaterizing the Corporation's letters of credit for $7.9 million and $2.2 million of development capital expenditures in Canada.

Working Capital

The Corporation has a working capital surplus of $63.8 million at December 31, 2018, which represents a $33.5 million decrease from the working capital surplus of $97.3 million at December 31, 2017. The total decrease was due to a $33.2 million decrease in current assets and a $0.3 million increase in current liabilities.

The decrease in current assets was due to a $29.1 million decrease to unrestricted cash and $8.6 million decrease to short-term investment, both of which were primarily used to fund the first stage of M2 and current operations. This decrease which was partially offset by a $4.1 million increase in accounts receivable and $0.4 million increase to prepaid expenses.

The increase in current liabilities was due to a $0.3 million increase in accounts payable.

MAXIM anticipates that it will continue to have a working capital surplus for the next twelve months, subject to the adequacy of operating cash flows, final estimate for the first stage of M2 and potential collection of line loss factor claim or future financing for the first stage of M2. This preceding statement represents FLI and users are cautioned that actual results may vary.

Contractual Obligations

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

As at December 31, 2018 ($000's)	Total	2019	2020-2021	2022-2023	Thereafter
Purchase obligations - Canada	798	-	798	-	-
Operating leases[1]	509	233	276	-	-
Total	1,307	233	1,074	-	-

[1] Operating leases include office space, including operating costs, and office equipment in the Canada operating segment.

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 ("AUC") asserted its position on several matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the 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 collection of these prior overpayments and the time value of money component at the Bank of Canada Bank Rate +1.5% will occur late in 2019. This timing is subject to appeals by various industry participants. These preceding statements represent FLI and users are cautioned that actual results may vary.

During 2018, the Corporation has closed the sale of a development project. Under the sales agreement, the Corporation is entitled to additional compensation if the purchaser executes a renewable power purchase agreement or begins construction of the project. In addition, the Corporation is entitled to further compensation upon the date of commercial operation. This additional compensation, under both conditions, shall not exceed $2.8 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 $65.9 million for 2019. The majority of these expenditures relate to additional costs forecasted to complete construction of the first stage of M2, which will commence operations in 2019.

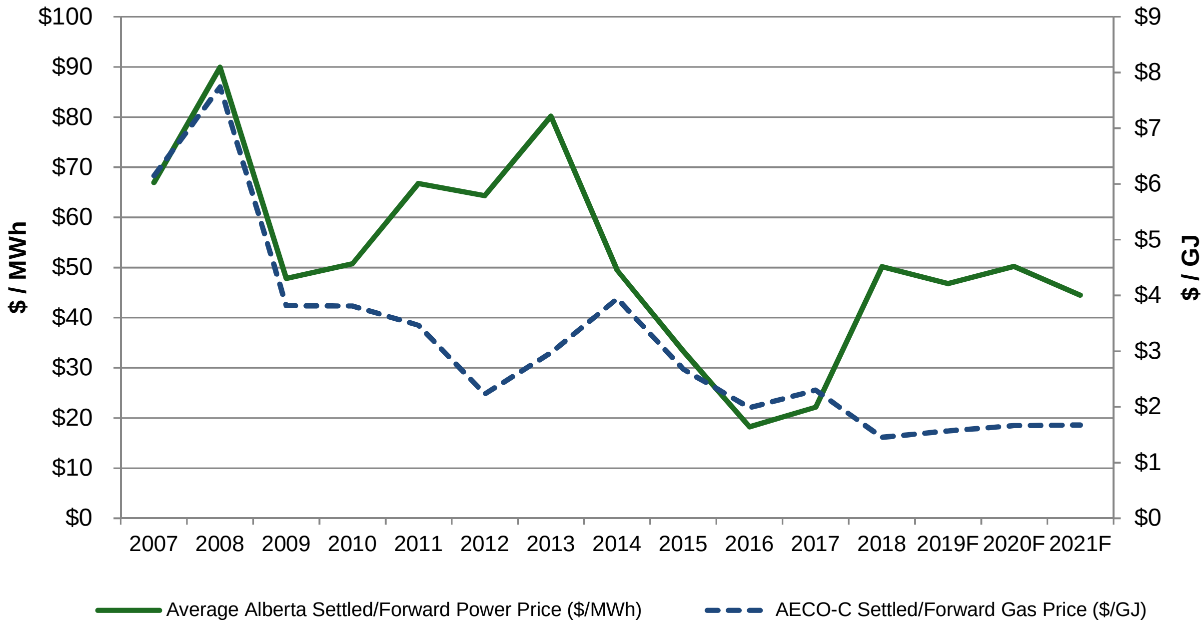
OUTLOOK

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 2007. 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, announced conversions of existing generating facilities from coal to gas and the impact of the potential capacity market. 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 late 2019.



Capacity Market Transition

On November 23, 2016, the Government of Alberta ("GoA") announced its plan to transition Alberta's energy-only market to an energy and capacity market structure. The capacity market is intended to ensure that there is sufficient supply as over 6,000 MW of coal generation retires by 2030, while still maintaining a competitive energy market within the overall market design. The new market structure is expected to reduce energy price volatility while compensating power plant owners with monthly capacity payments for making their capacity available, in addition to compensating power plant owners for production in the energy market. On June 29, 2018, the AESO published their final comprehensive market design proposal for the capacity market. The final proposal will be the basis to establish new rules and regulations for the new capacity market and create certain amendments to current rules and regulations. The AESO continues to engage stakeholders during the development of market rules to reflect the final market design. The first capacity auction is expected to begin in December 2019 with a contract delivery year targeted to begin on November 1, 2021.

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. MAXIM is continually evaluating its plans for these projects as clarity develops for the transition from the current "energy-only market" to a "capacity market" in Alberta.

M2

MAXIM is proceeding to develop the first stage of the M2 project. MAXIM anticipates that upon the commercial operations date of the first stage, the project will have generation capacity at the Milner site that will average 208 MW in simple cycle mode. Based on preliminary engineering, MAXIM is currently estimating total development costs to complete this stage in simple cycle mode of approximately $87.4 million, inclusive of the $21.5 million used to purchase equipment and development expenditures, and that commercial operation date will occur late in 2019. The Milner site has access to existing assets, which results in a cost-effective solution for new development. MAXIM retains the option in the future to increase the capacity of the facility, in conjunction with increasing the efficiency of the facility, by investing additional capital to convert M2 to operate with combined cycle technology.

Other Development Initiatives

In addition to first stage of M2 and the existing Milner facility, MAXIM has an additional 588 MW of permitted generation capacity in Alberta, of which 398 MW is at the Milner site. In addition, the Corporation's wind development project, Buffalo Atlee, 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 may require new capital (debt and equity), from external sources to finance a portion of the cost of the first 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

Climate Change

The Corporation's facilities and other operations and activities emit Green House Gas, which includes carbon dioxide, methane and nitrous oxide, ("GHG") which may require the Corporation to comply with greenhouse gas emissions legislation at the provincial or federal level. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As a signatory to the United Nations Framework Convention on Climate Change and a signatory to the Paris Agreement, which was ratified in Canada on October 3, 2016, the Government of Canada pledged to cut its GHG emissions by thirty percent from 2005 levels by 2030. One of the pertinent policies announced to date by the Government of Canada to reduce GHG emission is the planned implementation of a nation-wide price on carbon emissions. The federal carbon levy goes into effect on April 1, 2019 and will affect provinces which have not implemented their own carbon taxes, cap-and-trade systems or other plans for carbon pricing, namely Ontario, Manitoba, Saskatchewan and New Brunswick. The federal carbon levy will be at an initial rate of $20 per tonne. Provincially, the Government of Alberta has already implemented a carbon levy on almost all sources of GHG emissions, now at a rate of $30 per tonne. The implementation of the federal carbon levy is currently subject to constitutional challenges submitted by the Provinces of Saskatchewan and Ontario, which are supported by the province of New Brunswick. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. Some of the Corporation's significant facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions.

Concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Historically, political and legal opposition to the fossil fuel industry focused on public opinion and the regulatory process. More recently, however, there has been a movement to more directly hold governments and oil and natural gas companies responsible for climate change through climate litigation. In November 2018, ENvironment JEUnesse, a Quebec advocacy group, applied to the Quebec Superior Court to certify a class action against the Government of Canada for climate related matters. Given the evolving nature of the debate related to climate change and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the effect of increasing the Corporation's operating expenses.

In addition, there has been public discussion that climate change may be associated with extreme weather conditions and increased volatility in seasonal temperatures. Extreme weather could interfere with the Corporation's production and increase the Corporation's costs. At this time, the Corporation is unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting its operations.

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: i) GHG stringency requirements on new natural gas-fired generation facilities, ii) GHG stringency requirements on existing natural gas-fired generation components and facilities or coal-to-gas conversions, and more remotely, iii) 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 to 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.

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 CO2 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 does not anticipate operating the existing Milner facility as a dual fuel-fired facility at a 9% capacity factor beyond 2019. 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) ($000's unless otherwise noted)	31-Dec 2018	30-Sep 2018	30-Jun 2018	31-Mar 2018
Revenue				
Continuing operations	9,755	7,880	2,109	-
Discontinued operation	-	-	-	-
Total	9,755	7,880	2,109	-
Net income (loss) attributable to shareholders				
Continuing operations	8,833	(3,733)	2,816	(3,539)
Discontinued operation	-	-	-	-
Total	8,833	(3,733)	2,816	(3,539)
Basic and diluted income (loss) per share attributable to shareholders ($ per share)				
Continuing operations	0.17	(0.07)	0.05	(0.06)
Discontinued operation	-	-	-	-
Total	0.17	(0.07)	0.05	(0.06)
Total assets	172,188	160,410	164,971	168,237

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Dec 2017	30-Sep 2017	30-Jun 2017	31-Mar 2017
Revenue				
Continuing operations	-	-	45	1,979
Discontinued operation	-	-	-	14,246
Total	-	-	45	16,225
Net income (loss) attributable to shareholders				
Continuing operations	(12,454)	(3,281)	(10,479)	(4,511)
Discontinued operation	-	(2,156)	50,431	926
Total	(12,454)	(5,437)	39,952	(3,585)
Basic and diluted income (loss) per share attributable to shareholders ($ per share)				
Continuing operations	(0.23)	(0.06)	(0.19)	(0.08)
Discontinued operation	-	(0.04)	0.92	0.01
Total	(0.23)	(0.10)	0.73	(0.07)
Total assets	169,490	181,236	191,921	213,211

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

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. The second quarter of 2017 had a $33.8 million gain on sale of the U.S. operating segment, a $8.3 million impairment to PP&E and intangible assets and a $4.3 million recovery of claims. The first quarter of 2017 had a $0.3 million unrealized gain on foreign exchange and commodity swaps.

2018 FOURTH QUARTER

Selected fourth quarter financial information:

($000's, unless otherwise noted)	2018	2017
Revenue	9,755	-
Net income (loss) attributable to shareholders	8,833	(12,454)
Basic and diluted net loss per share attributable to shareholders ($ per share)	0.17	(0.23)
Total generation (MWh)	146,550	-
Average Alberta market power price ($ per MWh)	55.56	22.49
Average Milner realized power price ($ per MWh)	66.50	-

Revenue earned in the fourth quarter of 2018 increased by $9.8 million when compared to the same period in 2017. The variance was due to resuming the generation of electricity at Milner. Net income attributable to shareholders in the fourth quarter of 2018 increased by $21.3 million when compared to the same period in 2017. This variance is primarily due to recognizing deferred assets, an asset impairment charge relating to PP&E in 2017, partially offset by the same factor impacting revenue.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Contingencies

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 outcome is often difficult to predict, particularly in the earlier stages of the case. By their nature contingencies will only be resolved when one or more uncertain future events not wholly within the control of the Corporation occur or fail to occur. The assessment of the existence of contingencies inherently involves the exercise of significant judgment by management, which includes incorporating external legal advice.

Impairment indicators

At the end of each reporting period, management makes a judgment whether there are any indications of impairment of its PP&E and intangible assets at the lowest level at which there are separately identifiable cash flows. If there are indications of impairment, MAXIM performs an impairment test on the asset or the cash-generating unit ("CGU").

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

Decommissioning costs

Decommissioning costs are expected to be incurred at the end of the operating life of many of the facilities. A provision is recognized when there is a present obligation to restore the site, it is probable the expenditure will be required, and a reliable estimate of the costs can be determined. The ultimate cost to settle these obligations is uncertain due to timing and cost estimates that may vary in response to many different factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other facilities. As a result, there could be significant adjustments to the provisions established which could affect future financial results. Management bases these estimates on its best knowledge, experience in similar circumstances and in some cases reports from independent experts.

During 2018, the Corporation continued remediation of certain lands at the Milner site, and as a result management updated the cost estimate to decommission Milner. The updated cost estimates resulted in an increase to the decommissioning cost estimate as it reflects current information.

Useful life and residual value of PP&E

Each major component of PP&E is depreciated over its estimated useful life net of residual value. The estimated useful life of the assets are based upon current conditions and management's experience, which take into consideration specific contracts, agreements, condition of the asset, technology, production and use of the asset, and regular maintenance programs. The facilities are operated within manufacturers' specifications to realize the expected useful life of each asset. Notwithstanding these measures, the useful life of equipment may vary from that which is estimated by management.

Residual value is estimated by management to be the amount that MAXIM would receive from disposal of the asset after deducting the estimated costs of disposal if the asset was already of the age and in the condition expected at the end of its useful life. Actual amounts received may differ from estimated amounts.

During 2018, the Corporation revised its business plan for Milner. The existing facility is anticipated to be phased out during the latter portion of 2019, at which point it will be mothballed. The Corporation is constructing a new natural gas-fired facility, adjacent to the existing Milner facility, which will allow the Corporation to reuse certain components of the existing infrastructure. As a result, the useful life of these components have been extended from one year to a range of six to twenty five years. The useful life of coal-fired components remain unchanged at one year. In addition, the Corporation revised its expectation of the timing of decommissioning Milner's natural gas-fired components to be consistent with the useful life of the new natural gas-fired facility.

Impairment of non-financial assets

The recoverable amount of a CGU is determined based on the higher of its fair value less costs of disposal or its value-in-use (the present value of the estimated future cash flows). Management is required to make assumptions about future cash flows including future commodity prices, expected generation, future operating and development costs, discount rates, sustaining capital programs and tax rates. It is possible that future cash flow assumptions may change. This may impact the estimated fair value of the associated asset and may require a material adjustment to the carrying value of the asset.

Income taxes

The Corporation recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Corporation to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are dependent on generating taxable income in future periods and monetization of contingent assets. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the statements of financial position date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Corporation operates could limit the ability of the Corporation to obtain estimated tax deductions in future periods.

Changes in Accounting Estimates

The use of judgments and estimates used in the preparation of the consolidated 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, with the exception of Useful life and residual value of PP&E above and Decommissioning costs on page 16.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Adoption of New International Accounting Standards ("IAS") and Amendments

On January 1, 2018, the Corporation adopted Financial Instruments (IFRS 9) and Revenue from Contracts with Customers (IFRS 15), as well as the amendments to Investments in Associates and Joint Ventures (IAS 28), Transfers of Investment Property (IAS 40), Share-Based Payments (IFRS 2) and Insurance Contracts (IFRS 4). With the exception of IFRS 9 and 15, the adoption of these new standards and amendments had no impact to the amounts recorded or related disclosures in the Corporation's consolidated financial statements as of January 1, 2018 or comparative periods. The effect of the changes from IFRS 9 and 15 were disclosed in the Corporation's December 31, 2018 Consolidated Financial Statements.

IFRS Standards Issued Not Yet Effective

The International Accounting Standards Board ("IASB") has issued the following new standards to March 19, 2019. These standards have not been applied in preparing MAXIM's annual 2018 consolidated financial statements as the effective date falls in a subsequent period.

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

Leases

IFRS 16, Leases, was issued in January 2016 and replaces IAS 17. IFRS 16 brings all leases on-balance sheet for lessees under a single model, with limited exemptions, eliminating the distinction between operating and finance leases. Lessor accounting remains substantially unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019. Management has assessed the impact of the application of this standard and while it is expected that the Corporation's assets and liabilities will increase on January 1, 2019, as MAXIM recognizes leases on its balance sheet that were not recognized prior to adoption of IFRS 16, these amounts are not considered significant to the Corporations financial statements as the Corporation currently only utilizes operating leases for office space and fixtures therein.

IFRS amendments

The IASB has issued the following amendments to March 18, 2019. These amendments have not been applied in preparing MAXIM's annual 2018 consolidated financial statements as the effective date falls in a subsequent period.

Standard amended	Issued Date	Effective Date [1]	Impact on MAXIM
IAS 1 Presentation of Financial Statements	October 2018	January 2020	No impact to MAXIM
IAS 12 Income Taxes	December 2017	January 1, 2019	Not applicable to MAXIM
IAS 19 Employee Benefits	February 2018	January 1, 2019	Not applicable to MAXIM
IAS 23 Borrowing Costs	December 2017	January 1, 2019	Not applicable to MAXIM
IAS 28 Investments in Associates and Joint Ventures	October 2017	January 1, 2019	Not applicable to MAXIM
IFRS 3 Business Combinations	December 2017	January 1, 2019	Not applicable to MAXIM
IFRS 9 Financial Instruments	October 2017	January 1, 2019	Not applicable 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.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

The Board of Directors has overall responsibility for the establishment and oversight of MAXIM's risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring MAXIM's compliance with risk management policies and procedures. The Audit and Risk Management Committee reports regularly to the Board of Directors on its activities.

MAXIM's risk management policies are established to identify and analyze the risks faced by MAXIM, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and MAXIM's activities. MAXIM, through its training programs and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Financial risks and financial instruments

At the date of this MD&A, the Corporation's financial instruments consist primarily of cash and cash equivalents, short-term investment, restricted cash, trade and other receivables, Milner decommissioning reimbursement, and trade and other payables.

The fair value of a financial instrument is a point in time estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. MAXIM faces the risk that fair values of financial instruments will fluctuate or that estimates used regarding fair values will be inaccurate.

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

MAXIM may utilize derivative financial instruments to manage market risk arising from volatile commodity prices, floating interest rates and changes in foreign currency rates. MAXIM periodically utilizes derivative financial instruments in the form of commodity swaps and foreign currency put options.

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

(a) Credit risk

Credit risk arises from the possibility that a counterparty to which the Corporation provides goods or services is unable or unwilling to fulfill their obligations. The extent of the risk depends on the credit quality of the counterparty to which the Corporation provides goods or service. At December 31, 2018, MAXIM's credit exposure consisted primarily of the carrying amounts of cash and cash equivalents, short-term investment, trade and other receivables, income taxes recoverable and deposits.

Cash and cash equivalents are held with one Canadian chartered bank which is rated A-, based on rating agency Standard & Poor's.

Short-term investment is held with one Canadian financial institution which is rated A+, based on rating agency Standard & Poor's. Further to this rating, this financial institution has full deposit coverage provided by the Government of Alberta.

Trade and other receivables are predominantly with entities formed by governments for the purpose of facilitating commerce in the power and utility sector or a banking counterparty with a Standard & Poor's rating discussed below. For trade and other receivables from third parties and deposits to vendors who are not government sponsored entities, the Corporation utilizes regular credit monitoring processes to mitigate credit risk. MAXIM does not expect any losses from trade and other receivables.

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they come due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. MAXIM uses cash and cash equivalents to manage short-term working capital requirements as well as the timing of development capital. MAXIM does not require or have availability under a facility to manage cash flows as of the date of this MD&A. Refer to the Liquidity and Capital Resources section on page 10 and Forward Looking Information section on page 2 for further details.

(c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and commodity price risks will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures, while optimizing cash flows to the Corporation.

(i) Foreign currency exchange risk:

The Corporation is exposed to foreign currency exchange risk to the extent that revenue, expenses and monetary assets and liabilities are denominated in currencies that differ from the functional currency of the respective entity within the consolidated group. The Corporation has not hedged the exposure related to capital expenditures, revenues and expenses. At December 31, 2018, the Corporation is not exposed to foreign currency exchange risk as all continuing operations are in Canadian dollars.

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing and investing rates of the Corporation. As at December 31, 2018 and 2017, the Corporation has no debt from continuing operations and therefore is not exposed to interest rate risk on liabilities. The Corporation earns interest income on its cash and cash equivalents, short-term investment and restricted cash at bank prime rates less a predetermined fixed amount. An increase to bank prime rates of 100 basis points, would increase pre-tax profit or loss by $0.7 million in 2018 (2017 - $0.9 million). A decrease to bank prime rates by this amount would have the opposite effect on pre-tax profit or loss.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity and natural gas. Under certain contracts, the selling price of electricity varies according to changes in natural gas price providing an operating hedge against changes in natural gas price. The Corporation periodically reduces its exposure to commodity price risk by entering into fixed for floating swaps for the selling price of the electricity in Alberta.

For the year ended December 31, 2018, an appreciation in electricity prices in the Alberta power market by $1 per MWh would have increased net income by $0.3 million. A weakening of electricity prices by this amount would have the opposite effect on other comprehensive income and net income. This analysis assumes that all other variables, in particular natural gas prices, coal prices and interest rates remain constant. The analysis for 2017 was not performed on the same basis at December 31, 2017 as the Corporation was not exposed to commodity price risk as the Corporation had temporarily suspended operations at Milner.

Industry risks

MAXIM's continuing operations are currently subject to risks as Canada and Alberta continue to focus on phasing out coal-fired generation and moving forward on natural gas-fired generation capacity and renewable power. These risks are being mitigated with the Corporation's development projects which include developing the first stage of M2, and increasing the existing non-coal generating capacity via its development projects.

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

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

MAXIM has exposure to market fluctuations in the demand for and price of electricity and generating capacity, and is exposed to the risk of operational problems with facilities and extensive government regulation relating to price, taxes, royalties, exports and many other aspects of the electric energy business. The Corporation is also subject to a variety of waste disposal, pollution control and similar environmental laws. These risks are managed by environmental monitoring, compliance reporting, and practices pertaining to tax compliance. MAXIM assumes gas and power price risk, and periodically employees hedging to manage this risk.

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

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

Regulation of industry

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

Project development

MAXIM's project development activities, including M2, may not be successful. The development of power generation facilities and power related projects, is subject to substantial risks. In connection with the development of a power generation facility, MAXIM must generally obtain necessary power generation equipment, governmental permits and approvals, fuel supply and transportation agreements, sufficient equity capital and debt financing, electrical interconnection agreements, site agreements and construction contracts, and access to power grids. Failure to obtain any of the foregoing may result in increased costs or termination of projects, which may lead to a write down of the carrying amount of projects. MAXIM mitigates these risks by using skilled staff, hiring consultants, contracting certain activities on a turn-key basis, and following a disciplined model of managing capital at risk on a progressive basis.

Competition

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

Management

MAXIM strongly depends, and will continue to depend, on the business and technical expertise of its management. The unexpected loss of any of MAXIM's key management personnel may have a serious impact on MAXIM's business. At present, no employee has a key-man insurance policy in place. All members of MAXIM's management have entered into non-competition and non-disclosure agreements with MAXIM.

Future financing and project financing

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

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

Off-balance sheet arrangements

MAXIM does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition, including the Corporation's liquidity and capital resources, with the exception of contingent liabilities, contingent assets, purchase obligations and operating leases, which are disclosed on page 11.

TRANSACTIONS WITH RELATED PARTIES

($000's)	2018	2017
Short-term employee benefits, including wages and benefits	1,536	2,222
Share-based payments	91	346
Total	1,627	2,568

Key management personnel includes the Corporation's Directors and Named Executive Officers. There were no other related party transactions during 2018 or 2017.

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and President and Chief Financial Officer ("CFO"), together with management have designed and maintained disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The CEO and the CFO are also responsible for designing and maintaining internal control over financial reporting, as defined under rules adopted by the Canadian Securities Administrators, within the Corporation that are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. MAXIM has adopted the 2013 Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission for the design of its internal control over financial reporting.

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the design and effectiveness of the Corporation's internal control over financial reporting and have found them to be effective as of December 31, 2018. Previously the Corporation identified material weaknesses in the design of the Corporation's internal control over financial reporting. These weaknesses have been remediated as of December 31, 2018. At December 31, 2016, the Corporation, predominately in its discontinued France operating segment and as a result of the complexities surrounding the accounting and disclosures associated with the disposition of both the France and United States operating segments, did not have a sufficient number of finance personnel with the required technical knowledge to address all complex accounting and tax issues that may arise and this may result in inaccuracies in financial reporting. Management remediated this weakness in second quarter of 2017 upon completion of disposals of both the France and United States operating segments and resulting simplification of operations.

The Corporation is required to disclose herein any change in the Corporation's internal control over financial reporting that occurred during the period beginning January 1, 2018 and ended on December 31, 2018 that has materially affected, or is reasonably likely to materially affect, the Corporation’s internal control over financial reporting. No material changes in the Corporation's internal control over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Notwithstanding the foregoing, because of its inherent limitations a control system can provide only reasonable assurance that the objectives of the control system are met and may not prevent or detect misstatements. Management’s estimates may be incorrect, or assumptions about future events may be incorrect, resulting in varying results. In addition, management has attempted to minimize the likelihood of fraud. However, any control system can be circumvented through collusion and illegal acts.

OTHER INFORMATION

Outstanding share data:

Issued common shares at December 31, 2018	52,526,173
Outstanding share options at December 31, 2018	1,862,653
Total diluted common shares at December 31, 2018	**54,388,826**
Share options granted in January 2019	85,000
Shares purchased and cancelled under NCIB in January 2019	(21,860)
Total diluted common shares at March 18, 2019	**54,451,966**

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
AUC	Alberta Utilities Commission
Buffalo Atlee	Buffalo Atlee is a development project for up to 200 MW of wind generation situated near Brooks, Alberta
Capacity	The rated continuous load-carrying ability, expressed in megawatts, of generation equipment, with the exception of "capacity payments" and "capacity market" (throughout the MD&A references to capacity are stated in nameplate capacity)
CCIR	Carbon Competitiveness Incentive Regulation
CEO	Chief Executive Officer
CFO	President and Chief Financial Officer
CGU	Cash generating unit
CLP	Climate Leadership Plan
CT	Combustion turbine
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
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
M14	Mine 14 is a development project of Summit Coal and is located north of Grande Cache, Alberta
M16	Mine 16 is a development project of Summit Coal containing 1,792 hectares of coal leases and is located 30 kilometers northwest of Mine 14 in Smokey River Coalfield
M2	Milner 2, a gas expansion initiative to develop a 520 MW natural gas-fired generating facility, previously known as MGE
M3	Milner gas expansion initiative to increase generating capacity at Milner by 86 MW, comprised of two natural gas-fired turbines located next to Milner, previously known as MGR
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
PP&E	Property, plant and equipment
O&M	Operations and maintenance
SUMMIT	Summit Coal is a wholly-owned MAXIM subsidiary, which owns the Mine 14 and Mine 16S development projects
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.