Consolidated Financial Statements of

MAXIM POWER CORP.

For the Years Ended December 31, 2019 and 2018

(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, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, 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.

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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 19, 2020

MAXIM POWER CORP.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	**December 31, 2019**	December 31, 2018
ASSETS			
Cash and cash equivalents		**20,924**	22,246
Short-term investment	6	**-**	41,552
Trade and other receivables	7	**4,064**	6,260
Prepaid expenses and deposits		**1,030**	480
Total current assets		**26,018**	70,538
Property, plant and equipment, net	8	**170,317**	71,877
Restricted cash	9	**7,849**	7,795
Deferred tax assets	23	**13,336**	14,547
Other assets	10	**7,754**	7,431
Total non-current assets		**199,256**	101,650
TOTAL ASSETS		**225,274**	172,188
LIABILITIES			
Trade and other payables	11	**21,659**	6,671
Loans and borrowings	12	**2,559**	-
Total current liabilities		**24,218**	6,671
Provisions for decommissioning	13	**13,744**	16,977
Other long-term liability	11	**1,638**	-
Loans and borrowings	12	**46,442**	-
Total non-current liabilities		**61,824**	16,977
TOTAL LIABILITIES		**86,042**	23,648
EQUITY			
Share capital	14	**144,771**	151,430
Contributed surplus		**12,175**	11,839
Deficit		**(17,714)**	(14,729)
TOTAL EQUITY		**139,232**	148,540
Commitments and Contingencies	21,22		
TOTAL LIABILITIES AND EQUITY		**225,274**	172,188

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

On behalf of the Board:

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

MAXIM POWER CORP.

Consolidated Statements of Income and Comprehensive Income (Loss)

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

	Note	**2019**	2018
Revenue	16	**28,335**	19,744
Expenses			
Operating	17	**29,086**	21,819
General and administrative	17	**3,725**	4,104
Depreciation and amortization	8,10	**2,732**	5,894
Gain on commodity swaps	28	**(2,737)**	-
Asset impairment charges	8	**1,078**	-
Other (income) expense, net	18	**(726)**	524
Operating loss		**(4,823)**	(12,597)
Finance income, net	19	**(171)**	(1,728)
Loss before income taxes		**(4,652)**	(10,869)
Income tax (benefit) expense			
Current	23	**(13)**	(10)
Deferred	23	**1,211**	(15,236)
		1,198	(15,246)
Net income (loss) and comprehensive income (loss)		**(5,850)**	4,377
Earnings per share	20		
Basic earnings		**(0.11)**	0.08
Diluted earnings		**(0.11)**	0.08

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	Deficit	Total
Equity at December 31, 2018	52,526	151,430	11,839	(14,729)	148,540
Net loss	-	-	-	(5,850)	(5,850)
Repurchase of common shares for cancellation	(2,312)	(6,659)	-	2,865	(3,794)
Share-based compensation	-	-	336	-	336
Equity at December 31, 2019	**50,214**	**144,771**	**12,175**	**(17,714)**	**139,232**
Equity at December 31, 2017	54,624	157,471	11,517	(20,314)	148,674
Net income	-	-	-	4,377	4,377
Repurchase of common shares for cancellation	(2,098)	(6,041)	-	1,208	(4,833)
Share-based compensation	-	-	322	-	322
Equity at December 31, 2018	52,526	151,430	11,839	(14,729)	148,540

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	**2019**	2018
Cash flows from operating activities:			
Net income (loss)		**(5,850)**	4,377
Adjustments for items not involving cash or operations:			
Depreciation and amortization	8,10	**2,732**	5,894
Asset impairment charges	8	**1,078**	-
Share-based compensation	15	**336**	322
Income tax expense (benefit)	23	**1,198**	(15,246)
Income taxes refunded	23	**13**	10
Finance income, net	19	**(171)**	(1,728)
Gain on disposal of asset	18	**(1,202)**	(93)
Funds used in operating activities before changes in working capital		**(1,866)**	(6,464)
Change in non-cash working capital from operations	26	**7,357**	(4,948)
Net cash generated from (used in) operating activities		**5,491**	(11,412)
Cash flows from financing activities:			
Issuance of loans and borrowings		**78,860**	-
Repayment of loans and borrowings		**(26,027)**	-
Issue costs on loans and borrowings		**(4,164)**	-
Repurchase of common shares for cancellation	14	**(3,794)**	(4,833)
Interest and bank charges		**(1,483)**	(143)
Net cash generated from (used in) financing activities		**43,392**	(4,976)
Cash flows from investing activities:			
Property, plant and equipment additions	8	**(104,550)**	(25,159)
Purchase of short-term investment	6	-	(25,000)
Proceeds from withdrawal of short-term investment	6	**41,779**	35,000
Reinvested interest income from short-term investment	6	**(227)**	(1,414)
Proceeds on sale of asset, net of closing costs	18	**1,222**	1,071
Interest income	19	**874**	2,027
Change in non-cash working capital	26	**10,730**	845
Net cash used in investing activities		**(50,172)**	(12,630)
Unrealized foreign exchange loss on cash and cash equivalents		**(33)**	-
Decrease in cash and cash equivalents		**(1,322)**	(29,018)
Cash and cash equivalents, beginning of period		**22,246**	51,264
Cash and cash equivalents, end of period		**20,924**	22,246

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'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 19, 2020.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the reimbursement of decommissioning costs and commodity swaps, 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 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 2019, 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 a decrease to the decommissioning cost estimate as it reflects current information. The effect of these changes has been disclosed in note 13.

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 lives 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.

(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.

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.

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

3. New accounting pronouncements

IFRS adoption of new or amended standards

IFRS 16: Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

Effective January 1, 2019, the Corporation adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under Leases IAS 17 ("IAS 17") and related interpretations. On adoption, management elected to use the following practical expedients permitted under the standard:

- Apply the practical expedient permitted to measure the right-of-use asset at the amount equal to the lease liability and sublease asset. Therefore there was no impact to retained earnings;
- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than twelve months as at January 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a right-of-use asset if the underlying asset is of a low dollar value (less than $6); and
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease;

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation measures its lease liability and sublease asset initially at the present value of the lease payments that are not paid or received at the commencement date, discounted using the Corporation's incremental borrowing rate. The lease liability and sublease asset are measured at amortized cost using the effective interest method. It is remeasured if there is a change in future lease payments.

The following table reconciles the Corporation's operating lease obligations at December 31, 2018, as previously disclosed in the Corporation's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at January 1, 2019:

Operating lease commitments disclosed as at December 31, 2018	509
Variable portion of operating lease commitments disclosed as at December 31, 2018	(293)
Discount impact using the incremental borrowing rate at January 1, 2019	(12)
Recognition exemption for low-value leases	(17)
Lease liability recognized on January 1, 2019	187

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

3. New accounting pronouncements (continued)

The impacts of the adoption of IFRS 16 as at January 1, 2019 are as follows:

	As reported December 31, 2018	IFRS 16 adjustment	Balance on Adoption as at January 1, 2019
ASSETS			
Cash and cash equivalents	22,246	-	22,246
Short-term investment	41,552	-	41,552
Trade and other receivables (i)	6,260	56	6,316
Prepaid expenses and deposits	480	-	480
Total current assets	70,538	56	70,594
Property, plant and equipment, net (ii)	71,877	131	72,008
Restricted cash	7,795	-	7,795
Deferred tax assets	14,547	-	14,547
Other assets	7,431	-	7,431
Total non-current assets	101,650	131	101,781
TOTAL ASSETS	172,188	187	172,375
LIABILITIES			
Trade and other payables (iii)	6,671	187	6,858
Total current liabilities	6,671	187	6,858
Provisions for decommissioning	16,977	-	16,977
Total non-current liabilities	16,977	-	16,977
TOTAL LIABILITIES	23,648	187	23,835
EQUITY			
Share capital	151,430	-	151,430
Contributed surplus	11,839	-	11,839
Deficit	(14,729)	-	(14,729)
TOTAL EQUITY	148,540	-	148,540
TOTAL LIABILITIES AND EQUITY	172,188	187	172,375

i) Sublease asset

On adoption, the Corporation reassessed the classification of its sublease contract previously classified as operating leases under IAS 17. The Corporation concluded this sublease is a finance lease under IFRS 16 and as a result a $56 finance lease was recognized on adoption of IFRS 16.

ii) Right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liability, net of the sublease asset, on January 1, 2019 for $131.

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

3. New accounting pronouncements (continued)

iii) Lease obligation

On adoption, the Corporation recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. Under the principles of the new standard these leases have been measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rates at January 1, 2019. The Corporation's incremental borrowing rate as at January 1, 2019 was 5.45%. Leases with a remaining term of less than twelve months and low-value leases were excluded. Total lease liabilities of $187 were recorded as at January 1, 2019.

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.

The Consolidated Financial Statements of MAXIM include the following entities:

	Country of Incorporation	Ownership Interest % 2019	2018
Milner Power Limited Partnership ("MPLP")	Canada	100	100
Milner Power II Limited Partnership	Canada	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.

4. Significant accounting policies (continued)

(ii) Foreign currency transactions

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

(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.

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.

(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

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.

4. Significant accounting policies (continued)

(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 payable, other long-term liabilities and loans and borrowings, 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.

(vii) 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.

(e) 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.

(f) Short-term investment

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

4. Significant accounting policies (continued)

(g) 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.

(h) 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.

(i) 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.

4. Significant accounting policies (continued)

(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.

(j) 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.

4. Significant accounting policies (continued)

(k) 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.

(l) Finance income and finance expense

Finance income is comprised of 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 is comprised of 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.

(m) 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.

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.

4. Significant accounting policies (continued)

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.

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.

(n) 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.

(o) 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, 2019 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.

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

5. Determination of fair value (continued)

(b) Other assets

The fair value of long-term prepaid expenses and deposits and the Milner decommissioning reimbursement (note 10) is estimated at the present value of future cash flows, discounted at the risk-free rate specific to the asset.

(c) Commodity and interest rate swaps

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

(d) 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.

6. Short-term investment

	December 31, 2019	December 31, 2018
Beginning of period	41,552	50,138
Deposits	-	25,000
Withdrawal	(41,779)	(35,000)
Reinvested interest income	227	1,414
Total short-term investment	-	41,552

7. Trade and other receivable

	December 31, 2019	December 31, 2018
Trade receivables	1,390	6,008
GST receivable	1,848	-
Risk management receivable	502	-
Lease receivable	31	-
Other receivables (a)	293	252
Total accounts receivable	4,064	6,260

(a) Other receivables, in 2019, are primarily comprised of amounts due from Balancing Pool for billings related to the reclamation of certain lands at Milner in 2019 and 2018 (note 13).

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

8. Property, plant and equipment, net

	Land	Generating Facilities	Equipment	Right-of-use Asset	Assets under Construction (a)	Total
Cost						
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	-	-	-	-	(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
Additions	-	368	-	-	104,182	104,550
Adoption of IFRS 16	-	-	-	131	-	131
Capitalized interest	-	-	-	-	1,326	1,326
Revisions to decommissioning provisions	-	(3,801)	-	-	-	(3,801)
Disposals (b)	-	(2,848)	-	-	-	(2,848)
Impairment (c)	(1,078)	-	-	-	-	(1,078)
Balance, December 31, 2019	4,077	86,131	3,248	131	171,900	265,487
Accumulated depreciation						
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
Depreciation	-	2,572	36	60	-	2,668
Disposal (b)	-	(2,828)	-	-	-	(2,828)
Balance, December 31, 2019	-	68,264	2,876	60	23,970	95,170
Property, plant and equipment, net						
December 31, 2018	5,155	23,892	408	-	42,422	71,877
December 31, 2019	4,077	17,867	372	71	147,930	170,317

(a) Assets under construction

During the year, the Corporation incurred direct costs for assets under construction totaling $104,182 primarily related to the purchase and construction of a natural gas-fired combustion turbine generator and certain other equipment (2018 - $20,726).

(b) Disposals

During 2019, the Corporation sold the Gold Creek generating facility assets with a carrying value of $20 classified as PP&E (note 18b).

During 2018, the Corporation sold a development project with a carrying value of $978 classified as PP&E (note 18b).

(c) Asset impairment charges

During 2019, the Corporation obtained an appraisal for certain 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 $1,078 asset impairment charge. Due to changes in market conditions, the recoverable amount was estimated based on the appraisal to be US$3,250.

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

9. 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, 2019, the Corporation has $7,849 (December 31, 2018 - $7,795) of outstanding letters of credit and this amount was deposited into a restricted bank account maintained by the bank.

10. Other assets

	December 31, 2019	December 31, 2018
Long term prepaid expenses	180	180
Intangible assets, net	-	64
Milner decommissioning reimbursement (note 13a)	7,574	7,187
Total other assets	7,754	7,431

11. Trade and other payables

	December 31, 2019	December 31, 2018
Trade and other payables	6,836	1,485
Accrued liabilities and other payables	10,295	5,186
Deferred vendor payments (a)	4,424	-
Lease obligation	104	-
Total trade and other payables	21,659	6,671

Other long-term liability (a)	1,638	-

(a) Deferred vendor payments

During 2019, the Corporation entered into an agreement to purchase and install certain equipment related to the first stage of Milner 2 (“M2”). The terms of this agreement defer payments beyond standard trade payable terms with the final payment in 2021. As at December 31, 2019, the cash price equivalent, plus accrued interest in trade and other payables and other long-term liability for those deferred payments, is $4,424 and $1,638, respectively.

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

12. Loans and borrowings

	December 31, 2019	December 31, 2018
Construction loan facility (a)	28,238	-
Convertible loan facility (b)	21,595	-
Revolver facility (a)	3,000	-
	52,833	-
Less: deferred financing costs	(3,832)	-
Net loans and borrowings	49,001	-
Less: current portion	2,559	-
	46,442	-

(a) ATB Financial ("ATB") Credit Facilities

On December 19, 2019, MAXIM entered into a credit agreement with ATB for a thirty-five month term that provides for senior debt financing of up to $44,000 to support financing requirements of M2, plus a cash collaterized letter of credit facility and hedging facility.

Financing is provided as follows:

(i) Construction loan facility

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

(ii) Revolver facility

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

The construction loan and revolver facility bear interest at variable rates upon receipt of the advance. As at December 31, 2019, the Corporation interest rate for its first advance is at 5.03% on the $28,238 and $3,000 drawn under the construction loan and revolver facility, respectively.

(iii) Revolver facility #2

$4,000 maturing on November 19, 2022, available after M2 is completed and only for certain working capital requirements, undrawn at December 31, 2019.

(iv) Letter of credit facility

Cash collaterized availability up to $8,000 to replace MAXIM's current outstanding letters of credit for equal amounts disclosed under note 9, maturing on November 19, 2022. As at December 31, 2019, the Corporation has no issued cash collaterized letters of credit under this facility.

(v) Hedging facility

A risk management facility allowing for interest rate, commodity and foreign exchange hedging. As at December 31, 2019, the Corporation has entered into a $10,000 interest rate swap until June 30, 2020 at 5.23%.

12. Loans and borrowings (continued)

(b) Convertible loan facility

During 2019, MAXIM entered into, amended and subordinated credit agreements for $75,000 to fully fund the construction and development of M2. The convertible loan is a revolving, secured credit facility with a maximum available to be drawn of $75,000. It is convertible into common shares at $2.25 per share, bears interest at 12% per annum and is subordinated to the ATB credit facilities. The convertible feature of the loan was valued at $nil and therefore has no impact to equity. The term of the convertible loan ends upon repayment of the ATB credit facilities. As at December 31, 2019, the Corporation has $21,595 outstanding under the convertible loan facility.

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

(c) Debt covenants

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

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

As at December 31, 2019, MAXIM is in compliance with all debt covenants.

13. 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 1.6% to 1.7% (December 31, 2018 – 1.8% to 2.0%) depending on the timeframe of when the liability will be settled and inflation rates, which were 1.3% (December 31, 2018 – 1.9%). 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 are approximately $19,827 (December 31, 2018 - $27,351) and are expected to be incurred in two to twenty five years from the date of these consolidated financial statements.

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

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

13. Provisions for decommissioning (continued)

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
Accretion	381
Changes in estimate	(3,338)
Remediation of certain lands at the Milner site in progress	(276)
Balance, December 31, 2019	13,744

(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 2019 and as at December 31, 2019, the Corporation has billed the Balancing Pool $4,398 (December 31, 2018 - $4,121). At December 31, 2019 the fair value of the remaining reimbursement from the Balancing Pool of $7,574 (December 31, 2018 - $7,187) is included in other assets (note 10) and accretion of the asset is included as a credit to finance expense (note 19).

14. Share capital

During 2019, the Corporation purchased and cancelled 2,312,067 (2018 – 2,097,652) common shares under the normal course issuer bid ("NCIB") program at a cost of $3,794 (2018 - $4,833). Common shares purchased were recognized as a $6,659 (2018 - $6,041) reduction to share capital which is 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 $2,865 (2018 - $1,208) was recorded as an increase in retained earnings.

	Number of Shares	$
Common Shares of MAXIM		
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
Common Shares purchased and cancelled under NCIB	(2,312,067)	(6,659)
Common Shares, December 31, 2019	50,214,106	144,771

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, 2019 and 2018, there are nil Preferred Shares outstanding.

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

15. 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, 2019			December 31, 2018
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of period	1,862,653	$	2.45	1,516,119	$	2.66
Cancelled	(144,451)		2.59	-		-
Granted (a)	1,145,467		1.86	1,062,552		2.27
Expired	(715,467)		2.68	(716,018)		2.64
Outstanding, end of period	2,148,202	$	2.05	1,862,653	$	2.45
Exercisable	586,069	$	2.32	811,768	$	2.68

The Corporation recorded non-cash share-based expense of $336 (December 31, 2018 - $322) for the year ended December 31, 2019.

(a) During 2019 and 2018, 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:

	2019	2018
Fair value of each option ($)	0.36	0.29
Share price at grant date ($)	1.86	2.27
Exercise price ($)	1.86	2.27
Risk-free interest rate (%)	1.53	2.14
Expected life (years)	1.68	1.48
Expected volatility (%)	28.70	28.36
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, 2019, the range of exercise prices was $1.60 - $2.50 (December 31, 2018 - $2.11 - $2.77) and the weighted average remaining contractual life was 1.8 years (December 31, 2018 – 1.5 years).

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

16. Revenue

	December 31, 2019	December 31, 2018
Revenue from contracts with customers	28,303	19,708
Other revenue	32	36
Total revenue	28,335	19,744

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.

17. Operating, general and administrative expenses by nature

	December 31, 2019	December 31, 2018
Fuel costs	10,566	4,414
Operating and maintenance	12,790	12,976
Wages and employee benefits	9,455	8,533
Total operating and general and administrative expenses	32,811	25,923

18. Other expense (income), net

	December 31, 2019	December 31, 2018
Restructuring of Alberta operations (a)	447	713
Other expense (income)	29	(96)
Gain on sale of asset (b)	(1,202)	(93)
Total other expense (income), net	(726)	524

(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 2019, the Corporation sold the assets of the Gold Creek generating facility, classified as PP&E, for a cash consideration of $1,222, net of closing costs. As a result, the Corporation realized a pre-tax gain of $1,202.

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.

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

19. Finance income, net

	December 31, 2019	December 31, 2018
Interest expense and bank charges	157	143
Amortization of deferred financing costs	332	-
Accretion of provisions	181	161
Foreign exchange (gain) loss	33	(5)
Finance expense	703	299
Interest income (a)	(874)	(2,027)
Total finance income, net	(171)	(1,728)

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

20. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share the year ended December 31, 2019 was based on the net loss attributable to common shareholders of $5,850 (December 31, 2018 – income of $4,377) and weighted average number of common shares outstanding for the period of 52,244,935 (December 31, 2018 – 53,833,450), calculated below:

Weighted average number of common shares (basic):

	2019	2018
Issued common shares at January 1	52,526,173	54,623,825
Effect of stock options exercised	-	-
Effect of NCIB	(281,238)	(790,375)
Weighted average number of common shares at December 31	52,244,935	53,833,450

(b) Diluted earnings per share

For the year ended December 31, 2019, no shares were added to the average number of common shares outstanding as the effects of exercisable stock options were antidilutive. For the year ended December 31, 2018 diluted earnings per share calculation, 72,231 shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options.

Weighted average number of common shares (diluted):

	2019	2018
Weighted average number of common shares (basic)	52,244,935	53,833,450
Effect of exercisable stock options	-	72,231
Weighted average number of common shares (diluted) at December 31	52,244,935	53,905,681

21. 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.

During 2019, the Corporation has billed the Balancing Pool for $276, of which $122 has been collected for remediation of certain lands at Milner. As at December 31, 2019, on a life-to-date basis, the Corporation has billed the Balancing Pool for $4,398, of which $4,244 has been collected for remediation of certain lands at Milner. The present value of the residual balance of $7,574 has been recorded in other assets. Should there be a material breach of environmental laws by MPLP during the period of ownership, then MPLP is required to contribute fully to the incremental costs caused by such material breach.

(b) The Corporation has entered into contracts for engineering, construction, maintenance and procurement of equipment for M2. These contracts expire in 2020 with commitments totaling $5,397.

(c) The Corporation has entered into a natural gas transportation service agreement from March 1, 2020 to February 28, 2025 to deliver natural gas to M2. The total commitment from this five-year contract is $13,570.

(d) The Corporation has entered into a natural gas transportation service agreement from November 1, 2020 to October 31, 2028 for the Deerland peaking station development project whereby it is committed to reimburse out-of-pocket costs of the counterparty for the construction of the project. The maximum authorization of expenditure is $1,570 and $15 has been incurred by the counterparty as at December 31, 2019. The Corporation has an additional commitment of $798 regarding the service portion of the contract.

22. 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.

22. Contingencies (continued)

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

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

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

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

(b) Contingent assets

Through its Decision 790-D06-2017 ("Decision"), the Alberta Utilities Commission ("AUC") asserted its position on several matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the Alberta Electric System Operator (“AESO”) Line Loss Rule. The Decision confirmed that the same method that was used to calculate 2017 prospective loss factor rates would be used for the historic period of January 1, 2006 – December 31, 2016. The AUC deemed that a single settlement approach will be used whereby the AESO calculates all eleven years before cash is settled. The Decision further confirms that the settlement be 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, 2019, 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, 2019, the precise amount and timing of compensation under the sales agreement cannot be determined.

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

23. Income taxes

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

	December 31, 2019	December 31, 2018
Current tax benefit		
Current year	(13)	(10)
Adjustment for prior years tax returns	-	-
	(13)	(10)
Deferred tax (benefit) expense		
Origination and reversal of temporary differences	(1,079)	(2,802)
Changes in tax rates	8,232	(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	(5,385)	(13,374)
Adjustment for prior years tax returns	(557)	(707)
	1,211	(15,236)
Total tax (benefit) expense	1,198	(15,246)

(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, 2019 of 26.5% (December 31, 2018 - 27%) to income before income taxes. A reconciliation of this difference is presented below.

A reconciliation of the differences is as follows:

	December 31, 2019	December 31, 2018
Net loss before tax from continuing operations	(4,652)	(10,869)
Statutory tax rate	26.50%	27.00%
Computed income taxes	(1,233)	(2,935)
Increase (decrease) in taxes:		
Change in recognized deductible temporary differences	(5,385)	(13,374)
Changes in tax rates	8,251	0
Effect of tax rates in foreign jurisdictions	(20)	(31)
Non-deductible expenses (non-taxable income), net	142	133
Adjustments for prior years	(557)	961
Total tax (benefit) expense	1,198	(15,246)

(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, 2019, there are non-capital loss carry-forwards of $195,999 (December 31, 2018 - $188,743) in Canada. As at December 31, 2019, $153,220 (December 31, 2018 - $148,753) 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)

23. Income taxes (continued)

(d) Unrecognized deferred tax liabilities

As at December 31, 2019, there are no net taxable temporary differences (December 31, 2018 - $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,	2019	2018	2019	2018	2019	2018
Non-capital loss carry forwards	9,927	10,392	-	-	9,927	10,392
Capital assets	2,235	15,908	-	(9,919)	2,235	5,989
Other	1,227	-	(53)	(1,834)	1,174	(1,834)
	13,389	26,300	(53)	(11,753)	13,336	14,547
Set off of tax	(53)	(11,753)	53	11,753	-	-
Net tax assets (liabilities)	13,336	14,547	-	-	13,336	14,547

As at December 31, 2019, there is a deferred tax asset (net of tax liabilities) of $13,336 (December 31, 2018 - $14,547) 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 2019 and 2018. 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, 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
Credited (charged) to income	(465)	(3,754)	3,008	(1,211)
At December 31, 2019	9,927	2,235	1,174	13,336

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

24. Related party transactions

Compensation of key management personnel:

	December 31, 2019	December 31, 2018
Short-term employee benefits, including wages and benefits	1,745	1,536
Share-based compensation	305	288
Total	2,050	1,824

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

Other than the Corporations subordinated conversion facility (note 12b), there were no other related party transactions during 2019 or 2018.

25. Employee benefits

Benefits are based on plan contributions under the defined contribution pension plan. During 2019, the pension expense for this plan was $178 (2018 - $159). There has been no change in the contribution rate during 2019.

26. Change in non-cash working capital

	December 31, 2019	December 31, 2018
Operations		
Trade and other receivables	2,196	(4,091)
Prepaid expenses and deposits	(550)	(358)
Trade and other payables	5,711	(499)
	7,357	(4,948)

	December 31, 2019	December 31, 2018
Investing		
Trade and other payables	9,146	732
Other long-term liabilities	1,638	-
Restricted cash	(54)	113
	10,730	845

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

27. 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 have 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.

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, 2019	December 31, 2018
Cash and cash equivalents	20,924	22,246
Short-term investment	-	41,552
Milner decommissioning reimbursement (note 10)	7,574	7,187
Trade and other receivables	4,064	6,260
Total	32,562	77,245

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

27. Financial risk management (continued)

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, 2019, the Corporation had no past due receivables.

Cash and cash equivalents are held with a banking counterparties, which are rated A- and 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, 2019	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	21,659	22,020	18,448	3,572	-	-	-
Other long-term liability	1,638	1,975	-	-	1,975	-	-
Loans and borrowings	49,001	65,444	-	1,500	63,944	-	-
	72,298	89,439	18,448	5,072	65,919	-	-

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	-	-	-	-

(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.

27. Financial risk management (continued)

(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, 2019, the Corporation is exposed to foreign currency exchange risk relating to accounts payable denominated in United States dollars. A strengthening (weakening) of the Canadian dollar by 10% against the United States dollar for the year ended December 31, 2019 would have decreased (increased) accounts payable by $428 as a result of these exposures.

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing and investing rates of the Corporation. MAXIM partially mitigates its interest rate risk by maintaining fixed rate loans and borrowings and periodically entering into interest rate swap agreements to change floating rate debt to fixed rate debt. MAXIM's convertible loan is a fixed rate debt. The construction and revolver facilities are at variable rates. An increase of interest rates of 100 basis points, of the remaining unhedged position, would have impacted MAXIM, in 2019, by $7.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity and natural gas. The Corporation periodically reduces its exposure to commodity price risk by entering into fixed for floating swaps for the price of the electricity and natural gas in Alberta. For the year ended December 31, 2019, an appreciation in electricity prices in the Alberta power market by $1 per MWh would have increased net income by $443 (2018 - $305). A weakening of electricity prices by this amount would have the opposite effect on other comprehensive income and net income

28. 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)

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

28. Fair value (continued)

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

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

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.

The fair value of the loans and borrowings are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. MAXIM determined the fair value of the loans and borrowings using comparable debt instruments with similar maturities. The carrying value of floating rate debt approximates fair value

(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, 2019, the unrealized gain on commodity price swaps was $nil (December 31, 2018 –$nil). For the year ended December 31, 2019, the realized gain on commodity risk management swaps and options was $2,737 (December 31, 2018 - $nil). At December 31, 2019, the Corporation had no outstanding commodity swaps or options.

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

28. Fair value (continued)

(b) Foreign exchange risk management swap and options

The Corporation manages 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.

At December 31, 2019 and 2018, the Corporation had no outstanding foreign exchange risk management swaps and options.

(c) Interest rate swaps and options

The Corporation manages this exposure by entering into a interest swap and purchasing put options, for a portion of the proceeds. The fair value of the interest rate swap and put options are classified as Level II under the fair value hierarchy as the fair values are based on observable market data.

For the year ended December 31, 2019, the realized and unrealized gain on interest rate swaps and options was $nil (December 31, 2018 - $nil).

29. 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.

The Corporation has sought out loans and borrowings as a source of financing for capital projects.

The following table represents the net capital of the Corporation:

	December 31, 2019	December 31, 2018
Long-term debt	49,001	-
Less: Unrestricted cash	(20,924)	(63,798)
Net debt	28,077	(63,798)
Equity attributable to shareholders	139,232	148,540
Net capital	167,309	84,742

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated March 19, 2020 and should be read in conjunction with the audited consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for year ended December 31, 2019. 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 continues to construct the simple cycle phase of Milner 2, a natural gas expansion project ("M2"). This phase is a 204 MW simple cycle gas turbine facility that will be located on the existing HR Milner ("Milner") site, which provides access to existing assets, and therefore is a cost-effective solution. MAXIM anticipates that M2 will commence commercial operations late in the second quarter of 2020.
- Based on settled and forward power and gas prices, MAXIM anticipates generating electricity at the existing Milner facility until early in the second quarter of 2020. Milner is allowed to operate at an annual capacity factor of up to 9% (using coal as a portion of its fuel supply), which is approximately 113,500 MWh per annum. Milner is a dual-fuel facility that is capable of running on coal up to 144 MW or gas up to 90 MW. MAXIM continues to evaluate market conditions to determine if purchasing additional coal is economical. During the second and third quarter of 2019, modifications to the Milner facility have increased its generation, under gas only, from 70 MW to 90 MW.
- Management forecasts that cash flows for operating, general and administrative expenses will be funded by its operating revenue and existing cash on hand. Based on near final engineering estimates, management forecasts that development of the simple cycle phase of M2 will be funded with existing cash on hand and its existing credit facilities.
- MAXIM estimates total capital expenditures to construct M2 of $147.0 million, excluding capitalized borrowing costs of approximately $3.4 million. Refer to the Acquisitions and Development Initiatives section on page 12 for further discussion on capital spending.
- MAXIM estimates total capital expenditures, excluding capitalized borrowing costs of approximately $21.2 million to be incurred in 2020. These expenditures relate to forecast costs to substantially complete the construction of the first phase of M2.
- In determining the economic potential of development sites, management estimates future power prices in Alberta. The actual future capacity and power prices in these areas may vary from expectations.
- MAXIM anticipates compliance with all necessary provincial and federal regulations for environmental and climate change legislation. Changes to environmental legislation and operational issues may affect the ability of MAXIM to comply with regulations.
- MAXIM anticipates that it will have a working capital surplus within the next twelve months, subject to the timing of commissioning of the simple cycle phase of M2.
- Other matters and factors described under the Outlook section on page 11.

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, 2019, and as at the date of this MD&A, MAXIM has one operating power generating facility, Milner, with 150 MW of electric generating capacity in Canada and has 740 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 is constructing the first phase of M2, which is a 204 MW simple cycle gas turbine facility at the Milner site. MAXIM anticipates that the commercial operation date of this phase will occur late in the second quarter of 2020. In addition, MAXIM has the option in the future to increase the capacity of the facility to approximately 300 MW, in conjunction with increasing the efficiency of the facility, by investing capital to expand M2 to operate with combined cycle technology.

The Corporation has permits to develop an additional 346 MW of natural gas-fired generating capacity at its Milner facility and MAXIM has received regulatory approvals to construct and operate the 190 MW natural gas-fired Deerland peaking station located near Bruderheim, Alberta ("Deerland"). 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 LP ("SUMMIT") is a wholly owned subsidiary of MAXIM that owns metallurgical coal leases for Mine 14 ("M14") and Mine 16 ("M16") located north of Grande Cache, Alberta. 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

On December 19, 2019, MAXIM announced that it entered into a credit agreement with ATB Financial (“ATB”) for a thirty-five month term that provides for senior debt financing of up to $44.0 million to support financing requirements of M2, plus a cash collateralized letter of credit facility of $8.0 million to replace MAXIM's current outstanding letters of credit for equal amounts. The loan provides for the financing of M2 under three credit facilities. The Corporation is able to borrow up to $30.0 million under a construction loan that has a term of thirty-five months with an amortization requirement of ten years commencing when construction of M2 is complete. The Corporation is also able to borrow up to $10.0 million under a revolving credit facility for the construction of M2. Upon completion of construction of M2, this revolving facility will become available for general corporate purposes and the Corporation will be able to access a second revolving credit facility to finance certain short-term working capital requirements up to $4.0 million.

During 2019, MAXIM announced that it entered into, amended and subordinated credit agreements with two related parties, Alpine Capital Corp. and Prairie Merchant Corporation, that collectively provide for up to $75.0 million to fully fund the construction and development of M2. Alpine Capital Corp. is a company majority owned by M. Bruce Chernoff, a director, Chairman and significant shareholder of the Corporation and Prairie Merchant Corporation is a company owned and controlled by W. Brett Wilson, a director and significant shareholder of MAXIM. The loan is convertible at $2.25 per share and bears interest at 12% per annum. This revolving, secured credit facility is subordinated to the ATB credit facilities. The term of the convertible loan ends upon repayment of the ATB credit facilities.

On August 27, 2019, the Corporation announced that it has entered into an Engineering, Procurement and Construction ("EPC") contract for completion of M2. As at the date of this MD&A, MAXIM estimates that construction of M2 is approximately 93% complete.

On July 24, 2019, the Government of Alberta ("GoA") announced its decision to maintain Alberta's energy-only market and end the implementation of a capacity market initiated in 2016. The decision of the GoA does not have a material impact to MAXIM. M2 is an efficient generating unit that responds to energy price volatility in energy-only markets.

On May 16, 2019, the Corporation provided notice to the Toronto Stock Exchange of its intention to make a Normal Course Issuer Bid ("NCIB") to purchase for cancellation up to 2,600,000 Common Shares. As of the date of this MD&A, the Corporation has repurchased and cancelled 2,223,322 common shares under this NCIB at an average cost of $1.62 per share. This NCIB follows the expiration of MAXIM's previous NCIB which was effective from May 11, 2018 and expired on May 10, 2019. Under MAXIM's previous NCIB, MAXIM completed the purchase of 2,213,832 Shares at a weighted average price of $2.27 per share.

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

Key Performance Indicators ("KPI")

(000's unless otherwise noted)	2019	2018	2017
Revenue			
Continuing operations	28,335	19,744	2,024
Discontinued operations	-	-	14,246
Total	28,335	19,744	16,270
Net income (loss) attributable to shareholders			
Continuing operations	(5,850)	4,377	(30,725)
Discontinued operations	-	-	49,201
Total	(5,850)	4,377	18,476
Basic and diluted net income (loss) per share attributable to shareholders ($ per share)			
Continuing operations	(0.11)	0.08	(0.56)
Discontinued operations	-	-	0.90
Total	(0.11)	0.08	0.34
Total assets	225,274	172,188	169,490
Total generation (MWh)	442,916	304,711	85,894
Average Alberta market power price ($ per MWh) (2)	55.31	50.19	22.16
Average Milner realized power price ($ per MWh) (2)	63.90	64.68	23.32

(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 in 2017.

Net loss increased in 2019 when compared to income in 2018. The change in this financial measure was primarily due to the recognition of a future tax asset in 2018, partially offset by realized gains on commodity risk management activities, increased revenue from resuming operations at Milner and lower depreciation in 2019. Net loss in 2017 was greater than 2018 and 2019, primarily due to asset impairment charges and the temporary suspension of operations at Milner in 2017.

RESULTS OF CONTINUING OPERATIONS

Revenue

($000's)	2019	2018
Revenue [1]	28,335	19,744

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

Revenue in 2019 increased $8.6 million or 44%, from $19.7 million in 2018 to $28.3 million in 2019, primarily due to increased generation volumes as a result of a full year of operations at Milner versus seven months of operations in 2018, increased capacity under natural gas only operation and improved reliability. Milner generated 442,916 MWh of electricity in 2019, as compared to 304,711 MWh in 2018.

Plant Operations

Summary of plant operations expense by type:

	2019			2018		
($000's)	Fuel	O&M	Total	Fuel	O&M	Total
Total	10,566	18,520	29,086	4,414	17,405	21,819
Percent	36%	64%	100%	20%	80%	100%

Fuel expenses in 2019 increased $6.2 million, from $4.4 million in 2018 to $10.6 million in 2019, primarily due to higher consumption of natural gas as compared to coal, increased generation volumes in 2019 and higher per unit natural gas costs. Operations and Maintenance (“O&M”) expenses in 2019 increased $1.1 million or 6%, from $17.4 million in 2018 to $18.5 million in 2019, primarily due to a full year of operations at Milner in 2019 versus seven months in 2018, partially offset by lower salaries as a result of staffing reductions, and lower maintenance and coal handling costs as the facility operated primarily on natural gas during the second half of 2019.

General and Administrative Expense

($000's)	2019	2018
Total general and administrative expense	3,725	4,104

General and administration expense in 2019 decreased $0.4 million or 10%, from $4.1 million in 2018 to $3.7 million in 2019, primarily due to general and administrative capital allocations to the M2 project.

Depreciation and Amortization Expense

($000's)	2019	2018
Total depreciation and amortization	2,732	5,894

Depreciation and amortization expense in 2019 decreased $3.2 million or 54%, from $5.9 million in 2018 to $2.7 million in 2019, primarily due to lower depreciation on existing Milner assets as a result of a change in useful life.

Other Expense (Income), Net

($000's)	2019	2018
Other expense (income), net	(726)	524

Net other income in 2019 increased from an expense of $0.5 million in 2018 to income of $0.7 million in 2019. The increase is primarily due to a gain on sale of generation equipment in 2019 and lower costs incurred to restructure the Corporation.

Gain on Commodity Swaps

In 2019, MAXIM realized a $2.7 million gain on Alberta power price risk management swaps due to Alberta spot prices settling lower than the fixed swap price.

Finance Income, Net

($000's)	2019	2018
Interest expense and bank charges	157	143
Amortization of deferred financing costs	332	-
Accretion of provisions	181	161
Foreign exchange loss (gain)	33	(5)
Finance expense	703	299
Interest income	(874)	(2,027)
Total finance income, net	(171)	(1,728)

Net finance income in 2019 decreased from $1.7 million in 2018 to $0.2 million in 2019. The decrease is primarily due to lower interest income earned on cash and cash equivalents, short-term investment and restricted cash in 2019, as a result of withdrawing funds to finance the M2 project and the amortization of deferred financing costs.

Income Tax Expense (Benefit)

($000's)	2019	2018
Current tax benefit	(13)	(10)
Deferred tax expense (benefit)	1,211	(15,236)
Total income tax expense (benefit)	1,198	(15,246)

Income tax expense in 2019 increased $14.0 million, from a benefit of $15.2 million in 2018 to an expense of $1.2 million. In 2019, MAXIM recognized $1.2 million in income tax expense due to a lower expected benefit of future tax assets as a result of a reduction in enacted provincial tax rates. In 2018, MAXIM recognized a tax benefit of $15.2 million as it was probable that sufficient future taxable income will be available to utilize underlying tax losses and derecognized a tax liability as the Corporation is now able to control the timing of the reversal of these differences.

Financial Position

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

As at ($000's)	December 31, 2019	December 31, 2018	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents and short-term investment	20,924	63,798	(42,874)	Decreased as a result of capital additions for the first phase of the M2 project partially offset by operating and financing cash inflows
Trade and other receivables	4,064	6,260	(2,196)	Decreased as a result of timing of collection of receivables
Property, plant and equipment, net	170,317	71,877	98,440	Increased as a result of capital additions, partially offset by depreciation
Future income tax asset (liability)	13,336	14,547	(1,211)	Decreased as a result of lower provincial tax rates
Net other assets	16,633	15,706	927	Increased as a result of decreased discount rates
Liabilities & Equity				
Trade and other payables	21,659	6,671	14,988	Higher payables as a result of construction of M2
Loans and borrowings	49,001	-	49,001	Increased as a result of debt issuances
Other long-term liability	1,638	-	1,638	Long-term accounts payable relating to the construction of M2
Provision for decommissioning	13,744	16,977	(3,233)	Change in estimated decommissioning costs, partially offset by decreased discount rates
Equity	139,232	148,540	(9,308)	Primarily due to a net loss for the period and the purchase and cancellation of common shares

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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

On December 19, 2019, MAXIM entered into a credit agreement with ATB for a thirty-five month term that provides for senior debt financing of up to $44,000 to support financing requirements of M2, plus a cash collaterized letter of credit facility and hedging facility. This loan is subject to financial covenants, but not until the completion of M2, which is expected to occur in the second quarter of 2020. Once completed, MAXIM will have to maintain a Debt Service Coverage Ratio of not less than 1.50:1:00 on each quarter until December 31, 2020 and annually thereafter, determined as at the last day of each financial year and not exceed a debt to earnings before interest, taxes, depreciation and amortization of 3.00:1.00 determined as at the last day of each financial quarter on a rolling four quarter basis. As at December 31, 2019, the Corporation has $31.2 million outstanding under the construction loan and revolver facility.

During 2019, MAXIM entered into, amended and subordinated credit agreements for $75.0 million to fully fund the construction and development of M2. The convertible loan is a revolving, secured credit facility with a maximum of $75.0 million available to be drawn. It is convertible into common shares at $2.25 per share, bears interest at 12% per annum and is subordinated to the ATB credit facilities. Pursuant to an intercreditor agreement, the term of the convertible loan ends upon repayment of the ATB credit facilities. As at December 31, 2019, the Corporation has $21.6 million outstanding under the convertible loan facility.

The convertible loan facility was provided by two significant shareholders of the Corporation, one of whom is also Chief Executive Officer and Chairman of the Board and the other of whom is Vice Chairman of the Board, and was subject to the approval of disinterested shareholders of the Corporation (in accordance with applicable securities laws and the rules and polices of the TSX) at a special meeting of shareholders held on October 15, 2019. At such meeting, the convertible loan was approved by disinterested shareholders representing over 97% of the Common Shares who voted (in person or by proxy) at such meeting. Upon receipt of such shareholder approval, the amount available under the convertible loan became available to the Corporation for borrowing and the construction loan previously entered into (which was not subject to shareholder approval) terminated in accordance with its terms, and all borrowings thereunder, totaling approximately $6.0 million as at the date thereof, were assumed under the convertible loan. In connection with the ATB loan, the lenders under the convertible loan agreed to subordinate the security granted under the convertible loan to the security granted to ATB loans.

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, 2019, the Corporation has $7.9 million of outstanding letters of credit and cash of the same amount was deposited into a restricted bank account maintained by the bank. There are no financial covenants under this credit agreement.

At December 31, 2019, the Corporation had unrestricted cash of $20.9 million included in the net working capital surplus of $1.8 million. Unrestricted cash balances are invested with one Canadian chartered bank and one Canadian financial institution. The Corporation no longer holds funds in a short-term demand notice investment account as all funds have been withdrawn and transferred to unrestricted cash. The Corporation is funding the simple cycle phase of M2 with cash on hand, operating cash flows, and existing credit facilities. Based on current operations and estimated total project costs, excluding borrowing costs, MAXIM estimates total capital expenditures to construct M2 for approximately $147.0 million before financing costs. This preceding statement represents FLI and users are cautioned that actual results may vary.

Cash flow summary:

Year ended December 31 ($000's)	2019	2018
Cash on hand, unrestricted, January 1	22,246	51,264
Cash flow generated from (used in) operations	5,491	(11,412)
Cash flow from (used in) financing	43,392	(4,976)
Available for investments	71,129	34,876
Cash flow used in investing	(50,172)	(12,630)
Effect of foreign exchange rates on cash	(33)	-
	20,924	22,246
Short-term investment	-	41,552
Undrawn Convertible Loan	53,406	-
Undrawn ATB construction loan and revolver facilities	12,762	-
Net liquidity available, December 31	87,092	63,798

Cash flow generated from operations in 2019 of $5.5 million increased by $16.9 million from cash flow used in operations of $11.4 million in 2018. The increase in inflow is primarily due to favourable cash flows from resuming operations at Milner, gains from commodity swaps and lower general and administrative costs in 2019. In addition, fluctuations in working capital represented a cash inflow of $7.4 million in 2019, as compared to an outflow of $4.9 million in 2018. See working capital section below for further discussion.

During 2019, MAXIM's cash flow from financing in 2019 of $43.4 million increased by $48.4 million from cash flow used in financing of $5.0 million in 2018, primarily due to borrowings, net of repayments, on new credit facilities and lower purchasing of Common Shares of the Corporation in 2019 under its Normal Course Issuer Bid.

MAXIM's investing activities in 2019 represented a cash outflow of $50.2 million. MAXIM spent $104.6 million on the development of the simple cycle phase of M2. This amount was partially offset by a withdrawal of short-term investments of $41.8 million, $1.2 million proceeds from the sale of asset, net interest income of $0.7 million not reinvested into short-term investment and a change in non-cash working capital of $10.7 million.

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.

The following table represents the net capital of the Corporation:

As at ($000's)	December 31, 2019	December 31, 2018
Long-term debt	49,001	-
Less: Unrestricted cash	(20,924)	(63,798)
Net debt	28,077	(63,798)
Shareholders' equity	139,232	148,540
Capital	167,309	84,742
Net debt to capital	16.8%	(75.3%)

The Corporation uses the percent of net debt to capital to monitor leverage. The increase in net debt to capital from December 31, 2018 to December 31, 2019 is primarily due to new financing obtained in 2019 for the construction of M2.

Working Capital

The Corporation has a working capital surplus of $1.8 million at December 31, 2019, which represents a $62.0 million decrease from the working capital surplus of $63.8 million at December 31, 2018. The total decrease is comprised of a $44.5 million decrease in current assets and a $17.5 million increase in current liabilities.

The decrease in current assets was due to a net decrease of $42.9 million in unrestricted cash and short-term investments, both of which were primarily used to fund the simple cycle phase of M2 and current operations, and a decrease in accounts receivable of $2.2 million due to timing of collection of receivables. This decrease which was partially offset by a $0.6 million increase to prepaid expenses.

The increase in current liabilities was due to a $14.9 million increase in accounts payable primarily due to outstanding payables related to the M2 project and a $2.6 million increase in the current portion of loans and borrowings.

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

Contractual Obligations

In the normal course of operations, MAXIM assumes various contractual obligations and commitments. MAXIM considers these obligations and commitments in its assessment of liquidity. The Corporation has entered into a natural gas transportation service agreement from March 1, 2020 to February 28, 2025 to deliver natural gas to M2. The total commitment from this five-year contract is $13.6 million and is included in the table below.

As at December 31, 2019 ($000's)	Total	2020	2021-2022	2023-2024	Thereafter
Purchase obligations	19,765	8,457	5,428	5,428	452
Total	19,765	8,457	5,428	5,428	452

Contingencies

Contingent liabilities

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

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

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

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

Contingent assets

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

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

Capital Resources

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

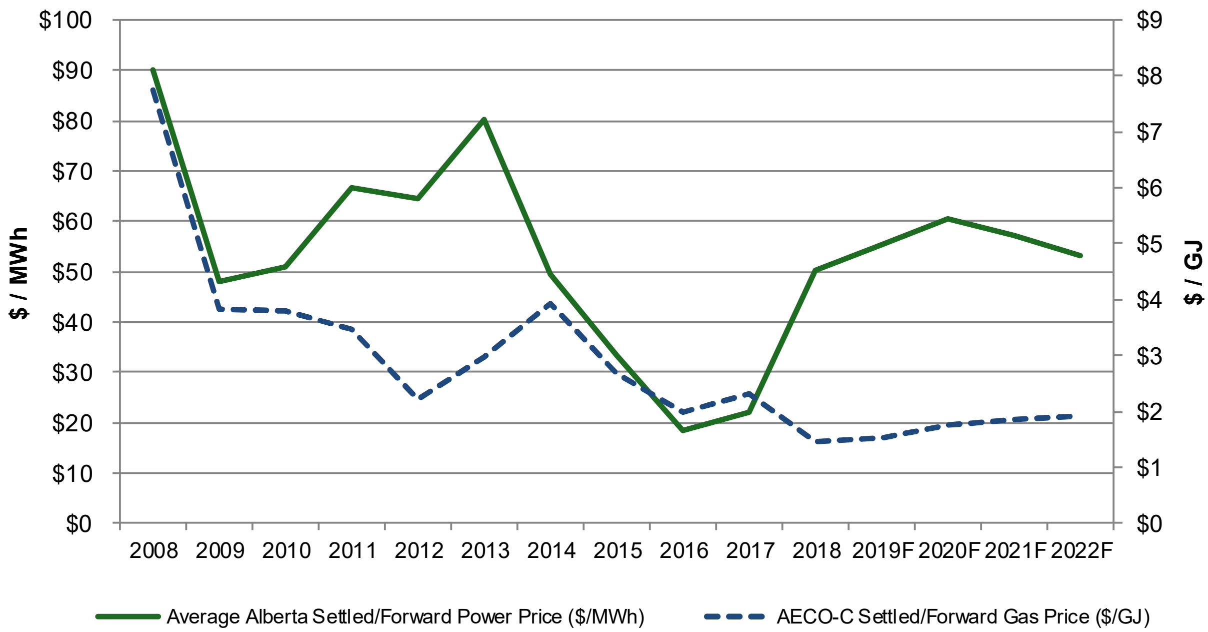
OUTLOOK

Alberta Power Price

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

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



ACQUISITION AND DEVELOPMENT INITIATIVES

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

M2

During 2019, MAXIM entered into an EPC agreement where the EPC contractor is responsible for delivering a fully operational power plant, subject to conditions that are customary for these forms of agreement. MAXIM believes strongly that this asset will be a top performing facility in its class in the Alberta market. MAXIM currently estimates that total capital expenditures to construct M2, excluding borrowing costs, will be $147.0 million and currently anticipates that M2 will commence commercial operations late in the second quarter of 2020. MAXIM is closely monitoring the potential effects of recent disruptions caused by the novel coronavirus (COVID-19) on M2, including as it relates to access to products, services and labour and other relevant market and economic conditions, which may affect M2, including construction costs and timing of commercial operations thereof. MAXIM has the option in the future to increase the capacity of the facility to 300 MW, in conjunction with increasing the efficiency of the facility, by investing capital to expand M2 to operate with combined cycle technology.

Other Development Initiatives

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

Financing

MAXIM has sufficient financing to complete construction of the simple cycle phase of M2. Regarding its other development projects, MAXIM maintains the flexibility to manage the timing of its acquisition and development initiatives. MAXIM accounts for its development projects as assets under construction included in Property, Plant and Equipment ("PP&E"). Capitalization of costs associated with these projects commences once technical and economic feasibility is established. If a project no longer meets these criteria, any capitalized costs for the project are expensed in the period.

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

Risks

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

Provincial and Federal Legislation

In 2015, the GoA announced its Climate Leadership Plan ("CLP"). The CLP recommended that Alberta move forward on phasing out coal-fired electricity generation by 2030 and encourages more renewable energy. Under the CLP, the GoA replaced the existing Specified Gas Emitters Regulation with the Carbon Competitiveness Incentive Regulation ("CCIR") which came into effect on January 1, 2018. The CCIR requires electricity generators to pay $30 per tonne of carbon dioxide on emissions above what Alberta's cleanest natural gas-fired plant would emit to generate the same amount of electricity. In 2018, the Government of Canada enacted regulations to create a federal carbon pricing plan. The Greenhouse Gas Pollution Pricing Act became effective on January 1, 2019 and will act as a backstop to any province that has not implemented a compliant carbon pricing regime. Based on the current compliant carbon pricing regime in Alberta, these enacted regulations do not have an impact on carbon emitters in Alberta. If the Alberta provincial government modifies or repeals the price of carbon, these regulations are anticipated to impact Alberta carbon emitters.

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

In 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, operated to its full capacity to December 31, 2019. After December 31, 2019, Milner is allowed to operate at an annual capacity factor of up to 9% (using coal as a portion of its fuel supply), which is approximately 113,500 MWh per annum, until December 31, 2029. In December 2018, the Government of Canada issued finalized regulations in relation to natural gas-fired units and, more specifically, in relation to coal-to-gas conversions. In the regulations, any generation facility that previously used a boiler in conjunction with coal-fired generation that continues to generate electricity without coal as a fuel source, and instead uses natural gas as a fuel source, will be deemed to be a coal-to-gas conversion and will be subject to CO2 emissions stringency requirements prospectively commencing at the unit’s end of life as defined in the current federal coal regulations. Milner falls under this provision.

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

SELECTED QUARTERLY FINANCIAL INFORMATION

KPI's

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Dec 2019	30-Sep 2019	30-Jun 2019	30-Mar 2019
Revenue	4,972	8,488	6,676	8,199
Net income (loss)	(2,173)	2,204	(4,087)	(1,794)
Basic and diluted net income (loss) per share ($ per share)	(0.04)	0.04	(0.08)	(0.03)
Total assets	225,274	189,939	168,599	171,928

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Dec 2018	30-Sep 2018	30-Jun 2018	30-Mar 2018
Revenue	9,755	7,880	2,109	-
Net income (loss) (1)	8,833	(3,733)	2,816	(3,539)
Basic and diluted net income (loss) per share ($ per share) (1)	0.17	(0.07)	0.05	(0.06)
Total assets	172,188	160,410	164,971	168,237

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

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

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

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

2019 FOURTH QUARTER

Selected fourth quarter financial information:

($000's, unless otherwise noted)	2019	2018
Revenue	4,972	9,755
Net income (loss) attributable to shareholders	(2,173)	8,833
Basic and diluted net loss per share attributable to shareholders ($ per share	(0.04)	0.17
Total generation (MWh)	74,181	146,550
Average Alberta market power price ($ per MWh)	47.16	55.56
Average Milner realized power price ($ per MWh)	66.92	66.50

Revenue earned in the fourth quarter of 2019 decreased by $4.8 million when compared to the same period in 2018 due to lower generation volumes. Net loss attributable to shareholders in the fourth quarter of 2019 increased by $11.0 million when compared to the same period in 2018. This variance is primarily due to recognizing tax deferred assets in 2018 and 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 2019, 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 a decrease 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 lives 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.

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, 2019, with the exception of Decommissioning costs above.

NEW ACCOUNTING PRONOUNCEMENTS

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

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

IFRS 16

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

IFRS amendments

The IASB has issued the following amendments to March 19, 2020. These amendments have not been applied in preparing MAXIM's annual 2019 consolidated financial statements as the effective date falls in a subsequent period

Standard	amended	Issued Date	Effective Date (1)	Impact on MAXIM
IAS 1 Presentation of Financial Statements		October 2018	January 2020	No impact to MAXIM
IFRS 17 Insurance Contracts		May 2017	January 1, 2021	Not applicable to MAXIM
Conceptual Framework		March 2018	January 1, 2020	No impact to MAXIM

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

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

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 have 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, interest rate 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, 2019, MAXIM's credit exposure consisted primarily of the carrying amounts of cash and cash equivalents, trade and other receivables, income taxes recoverable and deposits.

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

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 additional financing to manage cash flows as of the date of this MD&A. Refer to the Liquidity and Capital Resources section on page 7 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, 2019, the Corporation is exposed to foreign currency exchange risk relating to accounts payable denominated in United States dollars. A strengthening (weakening) of the Canadian dollar by 10% against the United States dollar for the year ended December 31, 2019 would have decreased (increased) accounts payable by $0.4 million as a result of these exposures.

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing and investing rates of the Corporation. MAXIM partially mitigates its interest rate risk by maintaining fixed rate loans and borrowings and periodically entering into interest rate swap agreements to change floating rate debt to fixed rate debt. MAXIM's convertible loan is a fixed rate debt. The construction and revolver facility are at variable rates. An increase of interest rates of 100 basis points, of the remaining unhedged position, would have impacted MAXIM, in 2019, by $nil million.

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity and natural gas. The Corporation periodically reduces its exposure to commodity price risk by entering into fixed for floating swaps for the price of the electricity and natural gas in Alberta.

For the year ended December 31, 2019, an appreciation in electricity prices in the Alberta power market by $1 per MWh would have increased net income by $0.4 million (2018 - $0.3 million). A weakening of electricity prices by this amount would have the opposite effect on other comprehensive income and net income.

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 phase 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 are 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 employs 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 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 various sources. 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.

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 power producer in that industry, faces competition from other independent power producers and major companies whose electricity production and sale is collateral to their core business. 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 timely investments, 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.

Novel Coronavirus (“COVID-19”)

MAXIM's operations with respect to Milner and M2 are located in areas relatively remote from local towns and villages and represent a concentration of personnel working and residing in close proximity to one another. Should an employee or visitor become infected with a serious illness that has the potential to spread rapidly, this could place MAXIM's workforce at risk. The 2020 outbreak of the novel coronavirus (COVID-19) in China and other countries around the world is one example of such an illness. MAXIM takes every precaution to strictly follow industrial hygiene and occupational health guidelines. There can be no assurance that this virus or another infectious illness will not impact MAXIM's personnel and ultimately its operations.

The demand for electricity, is generally linked to broad-based economic activities in the jurisdictions MAXIM operates (or intends to operate). If there was a slowdown in economic growth, an economic downturn or recession or other adverse economic or political development in the jurisdictions where MAXIM operates (or intends to operate), there could be a significant adverse effect on global financial markets and market prices. Global or national health concerns, including the outbreak of pandemic or contagious diseases, such as the recent COVID-19 (coronavirus), may adversely affect MAXIM by (i) reducing economic activity thereby resulting in lower demand for electricity consumption (with related effects of pricing), (ii) impairing its supply chain (for example, by limiting the manufacturing of materials or the supply of services used in MAXIM's operations), and (iii) affecting the health of its workforce, rendering employees unable to work or travel.

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 10.

TRANSACTIONS WITH RELATED PARTIES

($000's)	2019	2018
Short-term employee benefits, including wages and benefits	1,745	1,536
Share-based payments	305	288
Total	2,050	1,627

Key management personnel includes the Corporation's Directors and Named Executive Officers. Other than the convertible loan discussed on page 7, there were no other related party transactions during 2019 or 2018.

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, 2019.

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, 2019 and ended on December 31, 2019 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, 2019	50,214,106
Outstanding share options at December 31, 2019	2,148,202
Total diluted common shares at December 31, 2019	**52,362,308**
Shares purchased and cancelled under NCIB in January,February and March 2020	(27,435)
Total diluted common shares at March 19, 2020	**52,334,873**

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

GLOSSARY OF TERMS

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

AESO	Alberta Electric System Operator
ATB	ATB Financial
AUC	Alberta Utilities Commission
Buffalo Atlee	Buffalo Atlee is a development project for up to 200 MW of wind generation situated near Brooks, Alberta
Capacity	The rated continuous load-carrying ability, expressed in megawatts, of generation equipment, with the exception of "capacity payments" and "capacity market" (throughout the MD&A references to capacity are stated in nameplate capacity)
CCIR	Carbon Competitiveness Incentive Regulation
CEO	Chief Executive Officer
CFO	President and Chief Financial Officer
CGU	Cash Generating Unit
CLP	Climate Leadership Plan
Decision	Decision 790-D06-2017 issued by the AUC
Deerland	Deerland is a development project for a 190 MW natural gas-fired peaking station located near Bruderheim, Alberta
EPC	Engineering, procurement and construction
FLI	Forward-looking information
GAAP	IFRS, as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants
GHG	Greenhouse gas, which includes carbon dioxide, methane and nitrous oxide
GoA	Government of Alberta
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicators
Milner	HR Milner**,** a 150 MW (nameplate capacity) generating facility located near the town of Grande Cache, Alberta has been in continuous operation since 1972 and was acquired by MAXIM on March 31, 2005
M2	Milner 2, a gas expansion initiative to develop up to 520 MW natural gas-fired generating facility, previously known as MGE
MAXIM or the Corporation	Maxim Power Corp.
MD&A	Management's Discussion and Analysis
MW	Megawatt, a measure of electrical generating capacity that is equivalent to one million watts
MWh	Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour
NCIB	Normal Course Issuer Bid
O&M	Operations and maintenance
PP&E	Property, plant and equipment
TIER	Technology Innovation and Emissions Reduction Regulation
U.S. or **United States**	The United States of America

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