

Condensed Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the Third Quarter ended September 30, 2018

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

(signed) "M. Bruce Chernoff"

(signed) "Michael R. Mayder"

M. Bruce Chernoff
Interim Chief Executive Officer
MAXIM Power Corp.

Michael R. Mayder
Senior VP Finance and Chief Financial Officer
MAXIM Power Corp.

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

	Note	September 30, 2018	December 31, 2017
ASSETS			
Cash and cash equivalents		12,399	51,264
Short-term investment	5	51,221	50,138
Trade and other receivables		5,961	2,169
Prepaid expenses and deposits		285	122
Total current assets		69,866	103,693
Property, plant and equipment, net	3,6	69,542	47,574
Intangible assets, net		241	677
Restricted cash		7,871	7,908
Deferred tax assets	10	6,158	2,679
Other assets	3	6,732	6,959
Total non-current assets		90,544	65,797
TOTAL ASSETS		160,410	169,490
LIABILITIES			
Trade and other payables		4,480	6,393
Total current liabilities		4,480	6,393
Provisions for decommissioning	3	15,041	11,055
Deferred tax liabilities	10	-	3,368
Total non-current liabilities		15,041	14,423
TOTAL LIABILITIES		19,521	20,816
EQUITY			
Share capital	7	153,218	157,471
Contributed surplus		11,771	11,517
Deficit		(24,100)	(20,314)
TOTAL EQUITY		140,889	148,674
<i>Commitments and Contingencies</i>	12,13		
TOTAL LIABILITIES AND EQUITY		160,410	169,490

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

On behalf of the Board:

M. Bruce Chernoff
Director

Wiley Auch
Director

MAXIM POWER CORP.

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

For the three months and nine months ended September 30
(in thousands of Canadian dollars)

	Note	Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
Revenue		7,880	-	9,989	2,024
Expenses					
Operating		8,206	1,527	13,199	9,641
General and administrative		901	1,429	3,082	3,958
Depreciation and amortization		1,993	940	5,137	3,781
Gain on commodity swaps	16	-	-	-	(975)
Asset impairment charges		-	-	-	8,344
Other expense (income), net	8	881	(269)	1,259	(3,638)
Operating loss		(4,101)	(3,627)	(12,688)	(19,087)
Finance income, net	9	(358)	(275)	(1,361)	(55)
Loss before income taxes		(3,743)	(3,352)	(11,327)	(19,032)
Income tax expense (benefit)					
Current		(10)	(71)	(24)	81
Deferred	10	-	-	(6,847)	(842)
		(10)	(71)	(6,871)	(761)
Net loss from continuing operations		(3,733)	(3,281)	(4,456)	(18,271)
Discontinued operation					
Net income (loss) from discontinued operation (net of tax)	4	-	(2,156)	-	49,205
Net income (loss)		(3,733)	(5,437)	(4,456)	30,934
Other comprehensive income (loss), net of tax:					
Item that are or may be reclassified to net income:					
Reclassification to net income on disposal of discontinued foreign operation		-	-	-	(26,729)
Translation of discontinued foreign operation		-	-	-	(1,443)
Total comprehensive income (loss)		(3,733)	(5,437)	(4,456)	2,762
Net income (loss) attributable to:					
Non-controlling interest		-	-	-	4
Shareholders		(3,733)	(5,437)	(4,456)	30,930
Net income (loss) attributable to shareholders per share:					
Basic earnings	11	(0.07)	(0.10)	(0.08)	0.57
Diluted earnings		(0.07)	(0.10)	(0.08)	0.57
Net loss attributable to shareholders per share continuing operations:					
Basic earnings	11	(0.07)	(0.06)	(0.08)	(0.34)
Diluted earnings		(0.07)	(0.06)	(0.08)	(0.34)
Comprehensive income (loss) attributable to:					
Non-controlling interest		-	-	-	2
Shareholders		(3,733)	(5,437)	(4,456)	2,760

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

For the nine months ended September 30

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

	Common shares (thousands)	Share capital	Contributed surplus	Accumulated other comprehensive gain (loss)	Deficit	Equity attributable to shareholders	Non- controlling interest	Total
Equity at December 31, 2017	54,624	157,471	11,517	-	(20,314)	148,674	-	148,674
Net loss	-	-	-	-	(4,456)	(4,456)	-	(4,456)
Repurchase of common shares for cancellation (note 7)	(1,477)	(4,253)	-	-	670	(3,583)	-	(3,583)
Share-based compensation	-	-	254	-	-	254	-	254
Equity at September 30, 2018	53,147	153,218	11,771	-	(24,100)	140,889	-	140,889
Equity at December 31, 2016	54,301	156,482	11,423	28,172	(38,790)	157,287	194	157,481
Net income	-	-	-	-	30,930	30,930	4	30,934
Stock options exercised	314	965	(313)	-	-	652	-	652
Share-based compensation	-	-	348	-	-	348	-	348
Translation of foreign operation	-	-	-	(1,443)	-	(1,443)	(2)	(1,445)
Distributions to non-controlling interest	-	-	-	-	-	-	(31)	(31)
Disposal of foreign operation	-	-	-	(26,729)	-	(26,729)	(165)	(26,894)
Equity at September 30, 2017	54,615	157,447	11,458	-	(7,860)	161,045	-	161,045

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the nine months ended September 30
(in thousands of Canadian dollars)

	Note	2018	2017
Cash flows from operating activities:			
Net loss from continuing operations		(4,456)	(18,271)
Adjustments for items not involving cash or operations:			
Depreciation and amortization		5,137	3,781
Asset impairment charges		-	8,344
Share-based compensation		254	348
Income tax benefit	10	(6,871)	(761)
Income taxes refunded (paid)		24	(80)
Finance income, net	9	(1,361)	(55)
Loss on disposal of asset	8	614	-
Commodity price call option expired out of the money	16	-	378
Cooling tower claims recoveries	8	-	(4,275)
Approved emission performance credits		-	(36)
Funds used in continuing operating activities before changes in working capital		(6,659)	(10,627)
Change in non-cash working capital from continuing operations	14	(6,023)	(6,374)
Net cash used in operating activities from continuing operations		(12,682)	(17,001)
Cash flows from financing activities:			
Repurchase of common shares for cancellation	7	(3,583)	-
Net proceeds from exercise of stock options		-	652
Interest and bank charges	9	(107)	(379)
Net cash generated from (used in) financing activities from continuing operations		(3,690)	273
Cash flows from investing activities:			
Proceeds on sale of operating segment		-	116,644
Closing costs on sale of United States operating segment		-	(6,176)
Property, plant and equipment additions	6	(23,460)	(2,029)
Purchase of short-term investment	5	(25,000)	-
Proceeds from withdrawal of short-term investment	5	25,000	-
Reinvested interest income from short-term investment		(1,083)	-
Proceeds on sale of asset, net of closing costs	8	364	-
Proceeds from the cooling tower claims recoveries	8	-	4,275
Interest income	9	1,580	688
Change in non-cash working capital	14	106	(7,551)
Net cash generated from (used in) investing activities from continuing operations		(22,493)	105,851
Increase (decrease) in cash and cash equivalents from continuing operations		(38,865)	89,123
Cash and cash equivalents held at discontinued operation, beginning of period		-	3,535
Net decrease in cash and cash equivalents from discontinued operation	4	-	(3,535)
Cash and cash equivalents, beginning of period		51,264	15,303
Cash and cash equivalents, end of period		12,399	104,426

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

MAXIM POWER CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 1

For the three and nine months ended September 30, 2018 and 2017
(Amounts in thousands of Canadian dollars except as otherwise noted)

1. Reporting entity

Maxim Power Corp. is incorporated in the province of Alberta, Canada. Maxim Power Corp. and its subsidiaries (together "MAXIM" or the "Corporation") is an independent power producer, which acquires or develops, owns and operates power and power related projects in Alberta. The Corporation closed the sale of its United States operating segment on April 3, 2017 and has presented the result of this segment as discontinued operation (note 4). 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

These unaudited condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The unaudited condensed consolidated interim financial statements do not include all the information required for annual financial statements. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Corporation's December 31, 2017 annual audited financial statements, available at www.sedar.com.

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on November 8, 2018.

3. Significant accounting policies

Except as noted below, the significant accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements have been applied consistently for all periods presented and are unchanged from the policies disclosed in the notes to the consolidated financial statements for the year ended December 31, 2017.

On January 1, 2018, the Corporation adopted *Financial Instruments* ("IFRS 9") and *Revenue from Contracts with Customers* ("IFRS 15"), as well as the amendments to *Investments in Associates and Joint Ventures* ("IAS 28"), *Transfers of Investment Property* ("IAS 40"), *Share-Based Payments* ("IFRS 2") and *Insurance Contracts* ("IFRS 4"). With the exception of IFRS 9, the adoption of these new standards and amendments had no impact to the amounts recorded in the Corporation's consolidated financial statements as of January 1, 2018 or comparative periods. The effect of the changes from IFRS 9 were disclosed in the Corporation's condensed consolidated interim financial statements for the first quarter ended March 31, 2018. In addition, IFRS 15 did not impact amounts recorded, but did impact the Corporation's significant accounting policies disclosure which was disclosed in the Corporation's condensed consolidated interim financial statements for the second quarter ended June 30, 2018.

The use of judgments and estimates in the preparation of these unaudited condensed consolidated interim financial statements has been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2017, with the exception of the following.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 2

For the three and nine months ended September 30, 2018 and 2017
(Amounts in thousands of Canadian dollars except as otherwise noted)

3. Significant accounting policies (continued)

During the third quarter of 2018, the Corporation revised its business plan for the HR Milner generating facility ("Milner"). The existing facility is anticipated to be phased out during the latter stages of 2019, at which point it will be mothballed and a new natural gas-fired facility will be constructed adjacent to the existing facility (note 6). As a result, certain components of the existing facility will have a revised useful life of 5 to 25 years. Coal-fired components remain unchanged with useful lives ending at December 31, 2019. In addition, the Corporation revised its expectation of the timing of decommissioning Milner's natural gas-fired components to be consistent with the useful life of the new natural gas-fired facility. As a result, there was an increase in property, plant and equipment of \$1,135, an increase to other assets related to the decommissioning reimbursement of \$1,549 and an increase to provisions for decommissioning of \$2,684.

During the first quarter of 2018, the Corporation continued remediation of certain lands at the Milner site, and as a result management updated the cost estimate to decommission Milner. The cost estimates were updated to reflect current information.

4. Discontinued operation

The following tables represent the discontinued net income and cash flows for the United States operating segment at September 30, 2017:

	Three months ended September 30, 2017	Nine months ended September 30, 2017
Revenue	-	14,246
Expenses (income) (i)	2,156	(20,065)
Operating income (loss)	(2,156)	34,311
Finance income, net (ii)	-	(14,891)
Income (loss) before income taxes	(2,156)	49,202
Income tax expense (benefit)		
Current	-	25
Deferred	-	(28)
	-	(3)
Net income (loss) from discontinued operation	(2,156)	49,205
Attributable to:		
Non-controlling interest	-	4
Shareholders	(2,156)	49,201

(i) Includes a gain on disposal of the United States operating segment for \$31,613 in the first nine months of 2017.

(ii) Includes a realized gain on translation on disposal of discontinued operations for \$15,349.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 3

For the three and nine months ended September 30, 2018 and 2017
(Amounts in thousands of Canadian dollars except as otherwise noted)

4. Discontinued operation (continued)

	Nine months ended September 30, 2017
Cash flows from (used in) discontinued operation	
Net cash generated from operating activities	87
Net cash used in financing activities	(842)
Net cash used in investing activities	(313)
Cash component of net assets disposed	(2,443)
Unrealized foreign exchange loss on cash	(24)
Net cash flows for the period	(3,535)

5. Short-term investment

During the first quarter of 2018, the Corporation invested \$25,000 into a certificate of deposit held with a Canadian financial institution. The deposit requires a ninety day notice for redemption to cash and cash equivalents.

During the third quarter of 2018, \$25,000 was withdrawn from short-term investments and transferred into a demand deposit bank account under cash and cash equivalents to fund the purchase of a natural gas-fired combustion turbine and certain other equipment (note 6).

6. Property, Plant and Equipment

During the third quarter of 2018, MAXIM closed the purchase of a natural gas-fired combustion turbine generator and certain other equipment for \$20,321. Additional capital spending on sustaining projects at Milner and other development projects totaled \$3,139 in the first nine months of 2018.

7. Share capital

During 2018, the Corporation purchased and cancelled 1,476,716 common shares under the normal course issuer bid ("NCIB") program at a cost of \$3,583. Common shares purchased were recognized as a \$4,253 reduction to share capital equal to the average carrying value of common shares. The difference between the aggregate purchase price and the average carrying value of the common shares of \$670 was recorded as an increase in retained earnings.

	Number of Shares	\$
Common Shares of MAXIM		
Common Shares, December 31, 2016	54,301,391	156,482
Share options exercised	322,434	989
Common Shares, December 31, 2017	54,623,825	157,471
Common Shares purchased and cancelled under NCIB	(1,476,716)	(4,253)
Common Shares, September 30, 2018	53,147,109	153,218

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 4

For the three and nine months ended September 30, 2018 and 2017
(Amounts in thousands of Canadian dollars except as otherwise noted)

8. Other expense (income), net

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Cooling tower claims recoveries	-	-	-	(4,275)
Restructuring of Alberta operations	241	64	563	1,390
Transition service income	-	(333)	-	(699)
Loss on sale of asset (i)	614	-	614	-
Other expense (income)	26	-	82	(54)
Total other expense (income), net	881	(269)	1,259	(3,638)

- (i) During the third quarter of 2018, the Corporation closed the sale of a subset of its renewable generation development project, classified as PP&E, for a cash consideration of \$400, less closing costs of \$36. As a result, the Corporation realized a pre-tax loss of \$614.

In addition to the cash consideration, the purchaser has agreed to pay MAXIM a contingent consideration if the purchaser executes a renewable power purchase arrangement or commences construction related to the renewable generation development project. The purchaser will also pay MAXIM further consideration upon the commencement of commercial operations (note 13b).

9. Finance income, net

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Interest expense and bank charges	36	36	107	379
Accretion of provisions	50	24	117	63
Foreign exchange loss (gain)	73	59	(5)	191
Finance expense	159	119	219	633
Interest income (i)	(517)	(394)	(1,580)	(688)
Total finance income, net	(358)	(275)	(1,361)	(55)

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

10. Income taxes

During the second quarter of 2018, the Corporation reversed a portion of a previously derecognized tax assets of \$3,479. The Corporation rerecognized the assets as it is now considered probable that sufficient future taxable income will be available from the Corporation's continuing operations to utilize the underlying tax losses due to the resumption of economic operations at Milner.

During the second quarter of 2018, the Corporation derecognized \$3,368 of deferred tax liabilities related to timing differences generated from the recognition of capital expenditures for tax purposes, as the Corporation is now able to control the timing of the reversal of these differences.

MAXIM POWER CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 5

For the three and nine months ended September 30, 2018 and 2017
(Amounts in thousands of Canadian dollars except as otherwise noted)

11. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the three months ended September 30, 2018 was based on the net loss attributable to common shareholders and net loss attributable to common shareholders from continuing operations of \$3,733 (September 30, 2017 – \$5,437 and \$3,281, respectively) and weighted average number of common shares outstanding for the period of 53,300,709 (September 30, 2017 – 54,574,089). For the nine months ended September 30, 2018 basic earnings per share was based on the net loss attributable to common shareholders and net loss attributable to common shareholders from continuing operations of \$4,456 (September 30, 2017 – income of \$30,930 and losses of \$18,271, respectively) and weighted average number of common shares outstanding for the period of 54,080,371 (September 30, 2017 – 54,445,342).

(b) Dilutive earnings per share

For the nine months ended September 30, 2017 diluted earnings per share calculation, 74,309 shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options. For the three and nine months ended September 30, 2018, and three months ended September 30, 2017, no shares were added to the average number of common shares outstanding because they were antidilutive.

12. Commitments

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

As at September 30, 2018, on a year-to-date basis, the Corporation has billed the Balancing Pool for \$1,588, of which \$1,527 has been collected for remediation of certain lands at Milner. As at September 30, 2018, on a life-to-date basis, the Corporation has billed the Balancing Pool for \$3,932, of which \$3,871 has been collected for remediation of certain lands at Milner. The present value of the residual balance of \$6,552 has been recorded in other assets. Should there be a material breach of environmental laws by MPLP during the period of ownership, then MPLP is required to contribute fully to the incremental costs caused by such material breach.

- (b) The Corporation has entered into a natural gas transportation service agreement from November 1, 2020 to October 31, 2028 for the Deerland peaking station development project whereby it is committed to reimburse out-of-pocket costs of the counterparty for the construction of the project. The maximum authorization of expenditure is \$1,570 and \$15 has been incurred by the counterparty as at September 30, 2018. The Corporation has an additional commitment of \$798 regarding the service portion of the contract.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 6

For the three and nine months ended September 30, 2018 and 2017
(Amounts in thousands of Canadian dollars except as otherwise noted)

13. Contingencies

(a) Contingent liabilities

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

The Corporation closed the sale of the France operating segment on December 2, 2016. Under the agreement, the Corporation continues to be subject to the claims received for €1,700 thousand in additional costs from suppliers in France. Costs in relation to these claims and potential claims are only recognized when they become probable and based on the information presently known, it is the view of the Corporation that these claims and potential claims are without merit. Further under the agreement, the Corporation is subject to performance criteria of certain generating units in the France operating segment until October 31, 2017. The Corporation is responsible to reimburse the buyer of the France operating segment for penalties incurred until that time up to a maximum of €1,500 thousand. Any amounts claimed by the buyer in relation to these two amounts will be reduced by any recoveries attained by the buyer from legal proceedings against third parties that were ongoing at the time of the sale and date of these Consolidated Financial Statements. The Corporation is further subject to tax indemnities until December 2, 2019. In addition, the Corporation is subject to customary closing indemnities until December 2, 2019 to a maximum claim of €3,500 thousand.

The Corporation closed the sale of the United States operating segment on April 3, 2017. Under the sales agreement, the Corporation is subject to tax indemnities with an expiry date in accordance with all applicable statutes of limitations with respect to the matters covered thereby. During the first nine months of 2018, MAXIM settled US\$177 thousand of indemnity claims relating to tax matters for a payment of US\$115 thousand.

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

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

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 7

For the three and nine months ended September 30, 2018 and 2017
(Amounts in thousands of Canadian dollars except as otherwise noted)

13. Contingencies (continued)

(b) Contingent assets

Through its Decision 790-D06-2017 ("Decision"), the Alberta Utilities Commission ("AUC") asserted its position on several matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the Alberta Electric System Operator ("AESO") Line Loss Rule. The Decision confirms that the same method that was used to calculate 2017 prospective loss factor rates would be used for the retrospective period of January 1, 2006 – December 31, 2016. A single settlement approach will be used whereby the AESO calculates all eleven years before cash is settled. The Decision further confirms that the settlement be effected by reissuing invoices to the original party and that a rider will be applied to transmission rates across the industry to collect any shortfall from the inability to collect from an original party. The Corporation estimates that overpayments of approximately \$40,100 were made by Milner Power Inc. to the AESO for the period January 1, 2006 to December 31, 2016, based on calculations established by information currently available on final public record, before accounting for the time value of money. As at September 30, 2018, the precise amount and timing of compensation under Module C cannot be determined.

The Corporation has closed the sale of a subset of its renewable generation development project. Under the sales agreement, the Corporation is entitled to additional compensation if the purchaser executes a renewable power purchase agreement or begins construction of the project. In addition, the Corporation is entitled to further compensation upon the date of commercial operation. This additional compensation, under both conditions, shall not exceed \$3,535. As at September 30, 2018, the precise amount and timing of compensation under the sales agreement cannot be determined.

14. Change in non-cash working capital

	September 30, 2018	September 30, 2017
Operations		
Trade and other receivables	(3,792)	617
Prepaid expenses and deposits	(163)	(13)
Inventories	-	(9)
Trade and other payables	(2,068)	(6,969)
	(6,023)	(6,374)
	September 30, 2018	September 30, 2017
Investing		
Trade and other payables	66	359
Restricted cash	40	(7,910)
	106	(7,551)

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 8

For the three and nine months ended September 30, 2018 and 2017
(Amounts in thousands of Canadian dollars except as otherwise noted)

15. Segmented information

MAXIM is an independent power producer engaged in the development, ownership and operation of power generation facilities and the sale of electricity. In 2018, the Corporation operated in one reportable segment with power generation facilities located in Canada. Results are reviewed regularly by the Corporation's interim CEO to make decisions about resources to be allocated to the segments and to assess their performance. The United States operating segment ceased to be a strategic segment in the second quarter of 2017, as a result of the sale of this business segment. The Corporation has modified the composition of the reportable segments.

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

(a) Three months ended

September 30, 2018	Milner and development projects	Corporate amounts		Total consolidated
Revenues from external customers	7,880	-		7,880
Operating loss	(2,933)	(1,168)		(4,101)

September 30, 2017	Milner and development projects	Corporate amounts	Continuing operations	Discontinued operation from United States	Total consolidated
Revenues from external customers	-	-	-	-	-
Operating income (loss)	(2,526)	(1,101)	(3,627)	(2,156)	(5,783)

(b) Nine months ended

September 30, 2018	Milner and development projects	Corporate amounts		Total consolidated
Revenues from external customers	9,989	-		9,989
Operating loss	(9,009)	(3,679)		(12,688)

September 30, 2017	Milner and development projects	Corporate amounts	Continuing operations	Discontinued operations from United States	Total consolidated
Revenues from external customers	2,024	-	2,024	14,246	16,270
Operating income (loss)	(14,218)	(4,869)	(19,087)	34,311	15,224

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 9

For the three and nine months ended September 30, 2018 and 2017
(Amounts in thousands of Canadian dollars except as otherwise noted)

16. Financial instruments, financial risk management and fair value

The fair value measurement of a financial instrument or derivative contract is included in one of three levels as follows:

- Level I: unadjusted quoted prices in active markets for identical assets or liabilities
- Level II: inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly
- Level III: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Corporation's financial assets and financial liabilities that are not risk management contracts are all classified as Level I under the fair value hierarchy as they are based on unadjusted quoted prices in active markets for identical instruments.

(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 nine months ended September 30, 2018, the unrealized gain on commodity price swaps was \$nil (September 30, 2017 - \$58). For the nine months ended September 30, 2018, the realized gain on commodity risk management swaps and option was \$nil (September 30, 2017 - \$1,295 gain on swap and \$378 loss on option). At September 30, 2018, the Corporation had no outstanding commodity swaps or options.

(b) Foreign exchange risk management swap and options

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

For the nine months ended September 30, 2018, the Corporation, realized \$nil (September 30, 2017 - \$421, recognized in discontinued operation, on the US\$78,000 thousand swap to lock-in a portion of the sales proceeds of the United States operating segment).

For the nine months ended September 30, 2018, the Corporation realized a net loss of \$nil (September 30, 2017 - \$1,092 upon the expiry of two put options expiring March 24, 2017, consisting of the amortization of premiums paid of \$1,378, partially offset by proceeds on exercise of \$286. These amounts have been recognized in discontinued operation).

At September 30, 2018, the Corporation had no outstanding foreign exchange risk management swaps and options.