

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated November 7, 2019 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the three and nine months ended September 30, 2019. The MD&A should also be read in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2018. MAXIM prepares its unaudited condensed consolidated interim financial statements in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting, under International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("GAAP").

Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in the Glossary of Terms. Throughout this MD&A, dollar amounts within tables are in thousands of Canadian dollars unless otherwise noted.

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FORWARD-LOOKING INFORMATION

Certain information in this MD&A is forward-looking information ("FLI") and is subject to important risks and uncertainties. The results or events predicted in this information may differ from actual results or events. Factors which could cause actual results or events to differ materially from current expectations include the ability of the Corporation to implement its strategic initiatives, the availability and price of energy commodities, government and regulatory decisions, power plant availability, competitive factors in the power industry, prevailing economic conditions in the regions that the Corporation operates and the other risks described herein and under the heading "Risk Factors" in the Corporation's most recently filed annual information form filed on SEDAR at www.sedar.com. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Corporation believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements speak only to the date of this MD&A. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws.

Readers are cautioned that management's expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. With respect to forward-looking statements contained within this MD&A, MAXIM has made the following assumptions as at the date of this MD&A:

- MAXIM continues to construct the simple cycle stage of Milner 2, a natural gas expansion project ("M2"). This stage is a 204 MW simple cycle gas turbine facility that will be located on the existing HR Milner ("Milner") site, which provides access to existing assets, and therefore is a cost-effective solution. MAXIM anticipates that M2 will commence operations in the middle of 2020, as compared to early 2020 which was previously reported, due to delays as a result of having to remanufacture certain equipment to meet local compliance requirements.
- Based on settled and forward power and gas prices, MAXIM anticipates generating electricity at the existing Milner facility until late in the first quarter of 2020. Milner is a dual-fuel facility that is capable of running on coal up to 144 MW or gas up to 90 MW. MAXIM has consumed substantially all coal inventory on hand and continues to evaluate market conditions to determine if purchasing additional coal is economical. During the second 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 stage of M2 will be funded with existing cash on hand and existing credit facilities. MAXIM continues to work with parties to obtain alternate financing for M2 at a lower cost.
- MAXIM estimates total capital expenditures to construct M2 of \$144.4 million excluding capitalized borrowing costs of approximately \$3.4 million. Capital costs increased \$2.0 million as compared to \$142.4 million previously reported in the second quarter of 2019. The majority of this increase in expenditures relate to scheduling delays and additional costs forecasted to complete construction of the first phase of M2. Refer to the Acquisitions and Development Initiatives section on page 10 for further discussion on capital spending.
- MAXIM estimates total capital expenditures of approximately \$113.0 million to be incurred in 2019. These expenditures relate to forecasted costs to substantially complete the construction of the first phase of M2.
- In determining potential development sites, management estimates future power prices in Alberta. The actual future capacity and power prices in these areas may 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 deficit within the next twelve months, subject to the timing of commissioning of the simple cycle stage of M2.
- Other matters and factors described under the Outlook section on page 9.

OVERALL PERFORMANCE

Highlights and Notable Events

On November 7, 2019, MAXIM announced that Michael R. Mayder, President and Chief Financial Officer (“CFO”), will be retiring effective June 30, 2020. MAXIM intends to recruit a new CFO prior to Mr. Mayder’s retirement date in order to provide a seamless transition.

On September 10, 2019, MAXIM announced that it entered into two credit agreements with two related parties, Alpine Capital Corp. and Prairie Merchant Corporation, that collectively provide for \$75.0 million to fully fund the construction and development of M2. The first loan is a \$22.0 million, one-year, 12% per annum, revolving, secured loan (the “Construction Loan”) and the second loan is a \$75.0 million, one-year, 12% per annum, revolving, secured loan (the “Convertible Loan” together with the Construction Loan, the “Loans”). The term of the Loans may be extended by six months subject to certain conditions. On October 3, 2019, conversion pricing of the Convertible Loan was increased from \$1.90 per share to \$2.25 per share and an additional extension of six months was added to the loan. The Convertible Loan was subsequently approved by disinterested shareholders on October 15, 2019 and was drawn to repay the Construction Loan, which matured and became repayable on October 15, 2019.

On August 27, 2019, the Corporation announced that it has entered into an Engineering, Procurement and Construction (“EPC”) contract for completion of M2. Through the EPC agreement, the contractor will complete and deliver M2, at a fixed price of approximately \$83.0 million, of which MAXIM has incurred \$49.6 million as at September 30, 2019.

Key Performance Indicators (“KPI”)

(\$000's, unless otherwise noted)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Revenue	8,488	7,880	23,363	9,989
Net income (loss) attributable to shareholders	2,204	(3,733)	(3,677)	(4,456)
Basic and diluted net income (loss) per share attributable to shareholders (\$ per share)	0.04	(0.07)	(0.07)	(0.08)
Total generation (MWh)	150,443	136,293	368,736	158,162
Average Alberta market power price (\$ per MWh)	46.95	54.46	58.02	48.39
Average Milner realized power price (\$ per MWh)	56.35	57.76	63.29	62.99
Total assets	189,939	160,410	189,939	160,410

Financial Results

Net income increased in the third quarter of 2019 when compared to 2018. The change in this financial measure was primarily due to increased generation, lower per unit natural gas costs, gains from commodity swaps and lower depreciation on existing Milner assets as a result of change in useful life estimates in the fourth quarter of 2018.

Net loss decreased in the first nine months of 2019 when compared to 2018. The change in this financial measure was primarily due to the same factors impacting the third quarter, partially offset by a reduction in enacted provincial tax rates in 2019 and the non-reoccurrence of a 2018 income tax benefit in 2019.

RESULTS OF CONTINUING OPERATIONS

Revenue

Segment (\$000's)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Revenue ⁽¹⁾	8,488	7,880	23,363	9,989

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

Revenue in the third quarter of 2019 increased \$0.6 million or 8%, from \$7.9 million in 2018 to \$8.5 million 2019, due to increased generation volumes as a result of increased capacity under natural gas only operation and improved reliability. Milner generated 150,443 MWh of electricity in the third quarter of 2019, as compared to 136,293 MWh in the same period of 2018. This favourable variance was partially offset by lower realized power prices of \$56.35 per MWh in the third quarter of 2019, as compared to \$57.76 per MWh in the same period of 2018.

Revenue in the first nine months of 2019 increased \$13.4 million, from \$10.0 million in 2018 to \$23.4 million in 2019, due to the resumption of operations at Milner which occurred in June 2018 and the same factors impacting the third quarter. Milner generated 368,736 MWh of electricity in the first nine months of 2019, as compared to 158,162 MWh in the same period of 2018. In addition to this favourable variance, Milner realized higher power prices of \$63.29 per MWh in the first nine months of 2019, as compared to \$62.99 per MWh in the same period of 2018.

Plant Operations

Summary of plant operations expense by type:

Three months ended September 30 (\$000's)	2019			2018		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	2,406	4,504	6,910	1,970	6,236	8,206
Percent	35%	65%	100%	24%	76%	100%

Nine months ended September 30 (\$000's)	2019			2018		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	7,512	14,621	22,133	2,197	11,002	13,199
Percent	34%	66%	100%	17%	83%	100%

Fuel expenses in the third quarter of 2019 increased \$0.4 million or 20%, from \$2.0 million in 2018 to \$2.4 million in 2019, primarily due to higher consumption of natural gas as compared to coal and increased generation volumes in 2019. This was partially offset by lower per unit natural gas costs in 2019. Fuel expenses in the first nine months of 2019 increased \$5.3 million, from \$2.2 million in 2018 to \$7.5 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 the third quarter of 2019 decreased \$1.7 million or 27%, from \$6.2 million in 2018 to \$4.5 million in 2019, primarily due to lower salaries as a result of staffing reductions, and lower maintenance and coal handling costs as the facility operated primarily on natural gas during third quarter of 2019. O&M expenses in the first nine months of 2019 increased \$3.6 million or 33%, from \$11.0 million in 2018 to \$14.6 million in 2019, primarily due to the resumption of operations at Milner which occurred in June 2018, partially offset by same factors impacting the third quarter.

General and Administrative Expense

(\$000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
Total general and administrative expense	850	901	2,477	3,082

General and administration expense in third quarter of 2019 was \$0.9 million which is comparable to the same period in 2018.

General and administration expense in the first nine months of 2019 decreased \$0.6 million or 19%, from \$3.1 million in 2018 to \$2.5 million in 2019, primarily due to general and administrative capital allocations to the M2 project.

Depreciation and Amortization Expense

(\$000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
Total depreciation and amortization	491	1,993	2,100	5,137

Depreciation and amortization expense in the third quarter of 2019 decreased \$1.5 million or 75%, from \$2.0 million in 2018 to \$0.5 million in 2019, primarily due to lower depreciation on existing Milner assets as a result of a change in useful life.

Depreciation and amortization expense in the first nine months of 2019 decreased \$3.0 million or 59%, from \$5.1 million in 2018 to \$2.1 million in 2019, primarily due to the same factor impacting the third quarter.

Other Expense (Income), Net

(\$000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
Other expense (income), net	(55)	881	379	1,259

Net other income in the third quarter of 2019 increased from an expense of \$0.9 million in 2018 to income of \$0.1 million in 2019. The increase is primarily due to a loss on sale of a generation development project in 2018 and lower costs incurred to restructure the Corporation.

Net other expense in the first nine months of 2019 decreased from \$1.3 million in 2018 to \$0.4 million in 2019. The decrease is primarily due to the same factors impacting the third quarter.

Gain on Commodity Swaps

In the third quarter and first nine months of 2019, MAXIM realized a \$1.8 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)	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
Interest expense	40	36	116	107
Accretion of provisions	37	50	126	117
Foreign exchange loss (gain)	(52)	73	72	(5)
Finance expense	25	159	314	219
Interest income	(146)	(517)	(792)	(1,580)
Total finance income, net	(121)	(358)	(478)	(1,361)

Net finance income in the third quarter of 2019 decreased from \$0.4 million in 2018 to \$0.1 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.

Net finance income in the first nine months of 2019 decreased from \$1.4 million in 2018 to \$0.5 million in 2019, primarily due to the same factors impacting the third quarter.

Income Tax Expense (Benefit)

(\$000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
Current tax benefit	(13)	(10)	(13)	(24)
Deferred tax expense (benefit)	-	-	2,220	(6,847)
Total income tax expense (benefit)	(13)	(10)	2,207	(6,871)

Income tax benefit in the third quarter of 2019 is comparable to the same period in 2018.

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

Financial Position

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

As at (\$000's)	September 30, 2019	December 31, 2018	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents and short-term investment	14,879	63,798	(48,919)	Decreased as a result of capital additions for the first stage of the M2 project partially offset by operating cash inflows
Trade and other receivables	4,568	6,260	(1,692)	Decreased as a result of timing of collection of receivables
Property, plant and equipment, net	139,237	71,877	67,360	Increased as a result of capital additions, partially offset by depreciation
Net deferred tax asset	12,327	14,547	(2,220)	Decreased as a result of lower provincial tax rates
Net other assets, net	18,803	15,706	3,097	Increased as a result of decreased discount rates and increased inflation rates on decommissioning assets
Liabilities & Equity				
Trade and other payables	20,422	6,671	13,751	Higher payables as a result of construction of M2
Other long-term liability	3,217	-	3,217	Long-term accounts payable relating to the construction of M2
Provision for decommissioning	21,339	16,977	4,362	Increased as a result of a decrease in discount rates and increased inflation rates
Equity	144,836	148,540	(3,704)	Primarily due to a net loss for the period

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Management has determined that cash flows for operating, general and administrative expenses will be funded by MAXIM's existing cash on hand and operating revenues. Cash flows for the simple cycle stage of M2 will be funded by the Corporation's existing cash on hand and existing credit facilities. As at the date of this MD&A, MAXIM is actively working with parties to finance M2 at a lower cost.

On September 10, 2019, MAXIM announced that it entered into two credit agreements that collectively provide for \$75.0 million to fully fund the construction and development of M2. The first loan is a \$22.0 million, one-year, 12% per annum, revolving, secured Construction Loan and the second loan is a \$75.0 million, one-year, 12% per annum, revolving, secured Convertible Loan. The term of the Loans may be extended by six months subject to certain conditions. On October 3, 2019, conversion pricing of the Convertible Loan was increased from \$1.90 per share to \$2.25 per share and an additional extension of six months was added to the loan. The Convertible Loan was subsequently approved by disinterested shareholders on October 15, 2019 and was drawn to repay the Construction Loan, which matured and became repayable on October 15, 2019. The Conversion Loan is expected, at a minimum, to be used to finance the remaining requirements of the M2 project. There are no financial covenants under either the 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 September 30, 2019, the Corporation has \$7.9 million of outstanding letters of credit and cash of the same amount was deposited into a restricted bank account maintained by the bank. There are no financial covenants under this credit agreement.

At September 30, 2019, the Corporation had unrestricted cash of \$14.9 million included in the net working capital surplus of \$0.2 million. Unrestricted cash balances are invested with one Canadian chartered bank. The Corporation no longer holds funds in a short-term demand notice investment account as all funds have been withdrawn and transferred to unrestricted cash. The Corporation anticipates funding the simple cycle stage of M2 with cash on hand, operating cash flows, and 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 \$144.4 million before financing. This preceding statement represents FLI and users are cautioned that actual results may vary.

Cash flow summary:

Nine months ended September 30 (\$000's)	2019	2018
Cash on hand, unrestricted, January 1	22,246	51,264
Cash flow generated from (used in) operations	4,057	(12,682)
Cash flow used in financing	(456)	(3,690)
Available for investments	25,847	34,892
Cash flow used in investing	(10,896)	(22,493)
Effect of foreign exchange rates on cash	(72)	-
	14,879	12,399
Undrawn Construction Loan	22,000	-
Net liquidity available, September 30	36,879	12,399

Cash flow generated from operations in the first nine months of 2019 increased from cash flow used in operations of \$12.7 million in 2018 to generated from operations of \$4.1 million in 2019, which is an increase of \$16.8 million. 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 \$3.6 million in first nine months of 2019, as compared to an outflow of \$6.0 million in 2018. See working capital section below for further discussion.

During the first nine months of 2019, MAXIM's cash flow used in financing decreased \$3.2 million from \$3.7 million in 2018 to \$0.5 million in 2019, primarily due to lower purchasing and cancelling of Common Shares of the Corporation in 2019 under its Normal Course Issuer Bid.

MAXIM's investing activities in the first nine months of 2019 represented a cash outflow of \$10.9 million, which primarily consisted of \$66.1 million of development initiatives related to the simple cycle stage of M2. This amount was partially offset by a withdrawal of short-term investments of \$41.8 million, net interest income of \$0.5 million not reinvested into short-term investment and a change in non-cash working capital of \$12.9 million.

MAXIM's investing activities in the first nine months of 2018 represented a cash outflow of \$22.5 million, which primarily consisted of \$23.5 million of development initiatives and Milner sustaining capital in Canada. These amounts were partially offset by interest income of \$0.5 million not reinvested into short-term investment, \$0.4 million proceeds on sale of asset and a change in non-cash working capital of \$0.1 million.

Working Capital

The Corporation has a working capital surplus of \$0.2 million at September 30, 2019, which represents a \$63.6 million decrease from the working capital surplus of \$63.8 million at December 31, 2018. The total decrease is comprised of a \$49.8 million decrease in current assets and a \$13.8 million increase in current liabilities.

The decrease in current assets was due to a net decrease of \$48.9 million in unrestricted cash and short-term investment, both of which were primarily used to fund the simple cycle stage of M2 and current operations, and a decrease in accounts receivable of \$1.7 million due to timing of collection of receivables. This decrease which was partially offset by a \$0.8 million increase to prepaid expenses.

The increase in current liabilities was due to a \$13.7 million increase in accounts payable primarily due to outstanding payables related to the M2 project and a \$0.1 million increase in the lease obligation.

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

Contractual Obligations

In the normal course of operations, MAXIM assumes various contractual obligations and commitments. MAXIM considers these obligations and commitments in its assessment of liquidity. In addition to this, in the third quarter of 2019 MAXIM entered into capital contracts for engineering, construction and procurement of equipment for M2. These contracts expire in 2019 and 2020 with commitments totaling \$41.6 million.

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.

Contingencies

Contingent liabilities

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

The Corporation closed the sale of the France operating segment on December 2, 2016. Under the agreement, the Corporation continues to be subject to the claims received for €1.7 million in additional costs from suppliers in France. Costs in relation to these claims and potential claims are only recognized when they become probable and, based on the information presently known, it is the view of the Corporation that these claims and potential claims are without merit. Further under the agreement, the Corporation is subject to performance criteria of certain generating units in the France operating segment until October 31, 2017. The Corporation is responsible to reimburse the buyer of the France operating segment for penalties incurred until that time up to a maximum of €1.5 million. Any amounts claimed by the buyer in relation to these two amounts will be reduced by any recoveries attained by the buyer from legal proceedings against third parties that were ongoing at the time of the sale and date of these Consolidated Financial Statements. The Corporation is further subject to tax indemnities until December 2, 2019 and is subject to customary closing indemnities until December 2, 2019 to a maximum claim of €3.5 million.

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

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

Contingent assets

Through its Decision 790-D06-2017 ("Decision"), released December 18, 2017, the Alberta Utilities Commission asserted its position on several matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the Alberta Electric System Operator ("AESO") Line Loss Rule. The Decision confirms that the new method that was used to calculate 2017 prospective loss factor rates would be used for the retrospective period of January 1, 2006 – December 31, 2016. A single settlement approach will be used whereby the AESO will calculate all eleven years before cash is settled. The Decision further confirms that the settlement be effected by reissuing invoices to the original party and that a rider will be applied to transmission rates across the industry to collect any shortfall from the inability to collect from an original party. The Corporation estimates that overpayments of approximately \$40.1 million were made by Milner Power Inc. to the AESO for the period January 1, 2006 to December 31, 2016, based on calculations established using information currently available on the final public record, before accounting for the time value of money. The Corporation anticipates, based on the AESO's current published timelines that the collection of these prior overpayments and the time value of money component at the Bank of Canada Bank Rate +1.5%, will occur in the middle of 2021. During the second quarter of 2019 the AESO revised the repayment schedule from late 2019 to the middle of 2021. Certain industry participants have sought permission to appeal in the Alberta courts and their applications were denied. As of September 2, 2019, the deadline to appeal to the Supreme Court of Canada has passed and there is no evidence that any party has sought leave to appeal the Alberta Court of Appeal's decisions. As at September 30, 2019, MAXIM's counsel was engaged to determine if all avenues for appeal by the parties have been exhausted.

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

Capital Resources

The following represents FLI and users are cautioned that actual results may vary. The Corporation is currently estimating capital expenditures of approximately \$113.0 million for 2019. The majority of these expenditures relate to costs forecasted to complete construction of the simple cycle stage of M2, which will commence operations in the middle of 2020.

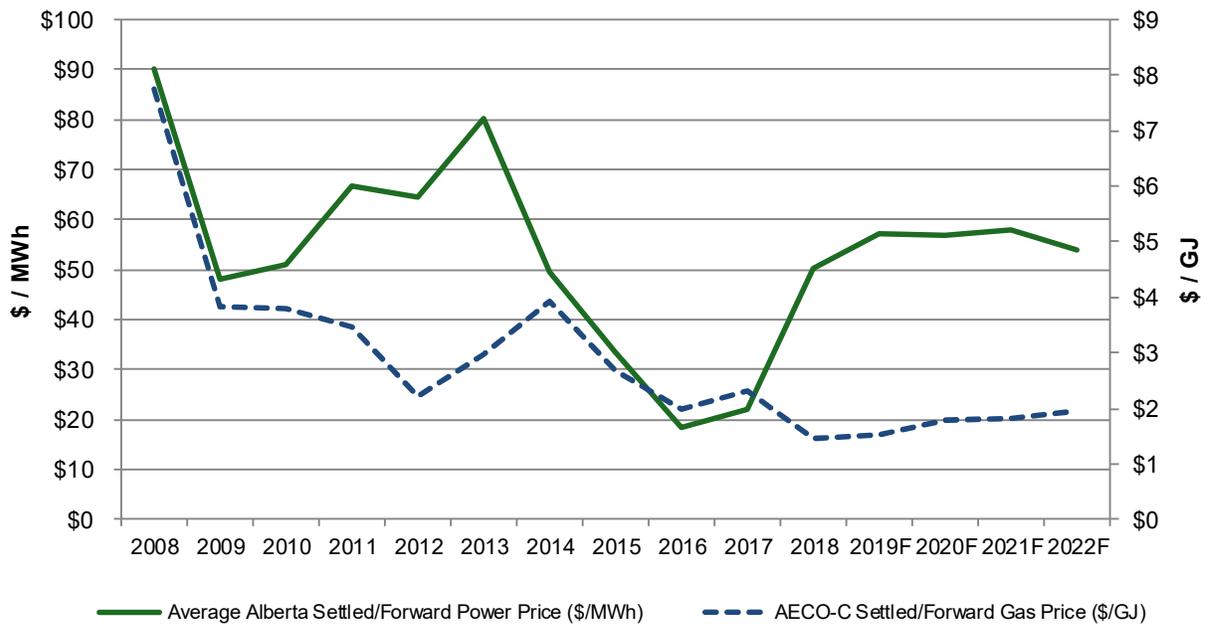
OUTLOOK

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, 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 as a result of oversupply within the province which will contribute further to the break in correlation. Based on settled and forward power and gas prices, MAXIM anticipates generating electricity at the existing Milner facility until the first quarter of 2020.



ACQUISITION AND DEVELOPMENT INITIATIVES

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

M2

During the third quarter of 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 estimates that total capital expenditures to construct M2, excluding borrowing costs, will be \$144.4 million of which \$83.0 million is related to the EPC agreement. A significant portion of the project's capital cost increase from \$142.4 million to \$144.4 million is due to scheduling delays and additional costs forecasted to complete construction of the first phase of M2. 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 stage of M2 and the existing Milner facility, MAXIM has 592 MW of permitted generation capacity in Alberta, of which 402 MW is at the Milner site. MAXIM is currently in the process of amending its permit related to the M2 project which may alter the final amount of permitted generation at the Milner site. In addition, MAXIM has a wind development project, Buffalo Atlee, which has the potential for up to 200 MW of wind generation capacity. As at the date of this MD&A, no definitive commitments on these projects have been made.

Financing

MAXIM has sufficient financing to complete the simple cycle stage of M2. MAXIM continues to work with parties to reduce the cost of financing 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 Government of Alberta ("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 will replace 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 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, is allowed to operate to its full capacity to December 31, 2019. After December 31, 2019, Milner is allowed to operate at an annual capacity factor of up to 9% (using coal in the fuel supply), which is approximately 113,500 MWh per annum, until December 31, 2029. In December 2018, the Government of Canada issued finalized regulations in relation to natural gas-fired units and, more specifically, in relation to coal-to-gas conversions. In the regulations, any generation facility that previously used a boiler in conjunction with coal-fired generation that continues to generate electricity without coal as a fuel source, and instead uses natural gas as a fuel source, will be deemed to be a coal-to-gas conversion and will be subject to CO₂ emissions stringency requirements prospectively commencing at the unit's end of life as defined in the current federal coal regulations.

As at the date of this MD&A, MAXIM anticipates that it will continue to be permitted to run Milner at full capacity until December 31, 2019 and subsequently at a 9% capacity factor for the next ten years 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 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 not adversely impacted by any of the provincial or federal legislation above.

SELECTED QUARTERLY FINANCIAL INFORMATION

KPI's

Quarter ended: (unaudited) (\$000's unless otherwise noted)	30-Sep 2019	30-Jun 2019	30-Mar 2019	31-Dec 2018
Revenue	8,488	6,676	8,199	9,755
Net income (loss)	2,204	(4,087)	(1,794)	8,833
Basic and diluted net income (loss) per share (\$ per share)	0.04	(0.08)	(0.03)	0.17
Total assets	189,939	168,599	171,928	172,188

Quarter ended: (unaudited) (\$000's unless otherwise noted)	30-Sep 2018	30-Jun 2018	30-Mar 2018	31-Dec 2017
Revenue	7,880	2,109	-	-
Net income (loss) ⁽¹⁾	(3,733)	2,816	(3,539)	(12,454)
Basic and diluted net loss per share (\$ per share) ⁽¹⁾	(0.07)	0.05	(0.06)	(0.23)
Total assets	160,410	164,971	168,237	169,490

(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 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.

The fourth quarter of 2017 had asset impairment charges totaling \$7.4 million relating to PP&E.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The judgements and estimates used in the preparation of the condensed consolidated interim financial statements has been applied consistently for all periods presented and are unchanged from the judgements and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2018.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Adoption of New IAS and Amendments

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

IFRS 16

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

IFRS Standards Issued Not Yet Effective and Amendments

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

The International Accounting Standards Board ("IASB") has issued the following amendments to November 7, 2019. These amendments have not been applied in preparing MAXIM's third quarter condensed consolidated interim financial statements as the effective date falls in a subsequent period.

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

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

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

TRANSACTIONS WITH RELATED PARTIES

During the third quarter of 2019, MAXIM entered into two credit agreements that collectively provide for \$75.0 million to fully fund the construction and development of M2. The loans were provided by two significant shareholders of the Corporation, one of whom is also Chief Executive Officer ("CEO") and Chairman of the Board and the other of whom is Vice Chairman of the Board. This transaction details are included in note 6 of the September 30, 2019 condensed consolidated interim financial statements.

Other than the transaction noted above, the Corporation did not enter any related party transactions during the first nine months of 2019, with the exception of transactions with the Corporation's Directors and members of the Executive Committee in the normal course of business. These transactions in the normal course of business are detailed in note 26 of the 2018 audited annual financial statements.

CONTROLS AND PROCEDURES

The CEO and CFO are responsible for the design of internal controls over financial reporting ("ICFR") and disclosure controls of the Corporation.

In accordance with National Instrument NI 52-109, the CEO and CFO have filed certifications that ICFR and disclosure controls have been adequately designed, and that there have been no changes in ICFR that materially affected, or are reasonably likely to materially affect ICFR, during the quarter ended September 30, 2019.

OTHER INFORMATION

Outstanding share data:

Issued common shares at September 30, 2019	52,387,905
Outstanding share options at September 30, 2019	2,148,202
Total diluted common shares at September 30, 2019	54,536,107
Share options expired in October 2019	(265,284)
Share options granted in October 2019	265,284
Shares purchased and cancelled under NCIB in November 1 2019	(26,335)
Total diluted common shares at November 7, 2019	54,509,772

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

GLOSSARY OF TERMS

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

AESO	Alberta Electric System Operator
Buffalo Atlee	Buffalo Atlee is a development project for up to 200 MW of wind generation situated near Brooks, Alberta
Capacity	The rated continuous load-carrying ability, expressed in megawatts, of generation equipment, with the exception of "capacity payments" and "capacity market" (throughout the MD&A references to capacity are stated in nameplate capacity)
CCIR	Carbon Competitiveness Incentive Regulation
CEO	Chief Executive Officer
CFO	President and Chief Financial Officer
CLP	Climate Leadership Plan
Construction Loan	\$22.0 million, one year, 12% per annum, revolving, secured loan
Convertible Loan	\$75.0 million, one year, 12% per annum, revolving, secured loan
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
Loans	The Convertible and Construction Loan
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
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.