

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This MD&A is dated November 10, 2020 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the three and nine months ended September 30, 2020. This MD&A should be read in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2019. MAXIM prepares its unaudited condensed consolidated interim financial statements in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting, under International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("GAAP").

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

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OVERALL PERFORMANCE

Highlights

During the third quarter of 2020, MAXIM recorded adjusted EBITDA of \$5.7 million. A significant proportion of the increase is primarily the result of the operation of MAXIM's state-of-the-art 204 MW simple-cycle gas turbine facility Milner 2 ("M2"), which was commissioned in the second quarter of 2020. M2 generated 349,756 MWh during its first full quarter of operations and realized power prices of \$50.68 per MWh.

On October 22, 2020, the Alberta Electric System Operator ("AESO") issued a final statement related to years 2014, 2015 and 2016 of the Line Loss Proceeding payable to Milner Power LP ("MPLP") in the amount of \$6.4 million. In the final statement, the AESO disclosed that payment of the \$6.4 million will occur on December 30, 2020 and, of the balance, \$5.5 million relates to overpayments from prior periods and \$0.9 million of interest.

Based on a decision rendered by the Alberta Utilities Commission ("AUC") on July 9, 2020, the Corporation expects to receive the estimated remaining \$46 million of proceeds from the Line Loss Proceeding in two separate payments for the two four year periods of 2013 to 2010 and 2009 to 2006 within the next twelve months.

On September 9, 2020, MAXIM announced that Robert Emmott, formerly Executive Vice President and Chief Operating Officer, has been appointed President and Chief Operating Officer.

Quarterly Key Performance Indicators ("KPI")

(\$000's, unless otherwise noted)	Three months ended		Nine months ended	
	2020	2019	2020	2019
Revenue	17,726	8,488	29,444	23,363
Adjusted EBITDA ⁽¹⁾	5,698	2,601	6,304	782
Net income (loss) attributable to shareholders	498	2,204	337	(3,677)
Basic and diluted net income (loss) per share	0.01	0.04	0.01	(0.07)
Total generation - Milner (MWh)	-	150,443	42,301	368,736
Total generation - M2 (MWh) ⁽²⁾	349,756	-	457,257	-
Average Alberta market power price (\$ per MWh)	43.83	46.95	46.91	58.02
Average Milner realized power price (\$ per MWh) ⁽³⁾	-	56.35	171.45	63.29
Average M2 realized power price (\$ per MWh) ^{(2) (3)}	50.68	-	48.52	-
Total assets	235,915	189,939	235,915	189,939

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

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

(3) Combined realized price for M2 and Milner for the nine months ended September 30, 2020 was \$58.93.

Financial Results

During the third quarter and first nine months of 2020, Adjusted EBITDA increased as compared to 2019, primarily due from the operations of M2 which was commissioned in the second quarter of 2020. M2 not only increased revenues as a result of its greater generation capacity and reliability, but it also reduced Operations and Maintenance ("O&M") costs as it requires less maintenance and operating costs, as well as pays significantly less carbon tax. These favourable variances were partially offset by lower realized power prices, higher fuel costs due to higher generation volumes and higher per unit natural gas costs in 2020 as compared to 2019.

Net income decreased in the third quarter of 2020, primarily due to the depreciation of M2 and higher financing costs incurred in relation to the M2 project, partially offset by the same factors impacting Adjusted EBITDA. Net income increased in the first nine months of 2020, primarily due to the same factors impacting Adjusted EBITDA and the recognition of a future tax benefit, partially offset by the depreciation of M2 and higher financing costs incurred in relation to the M2 project.

OUTLOOK

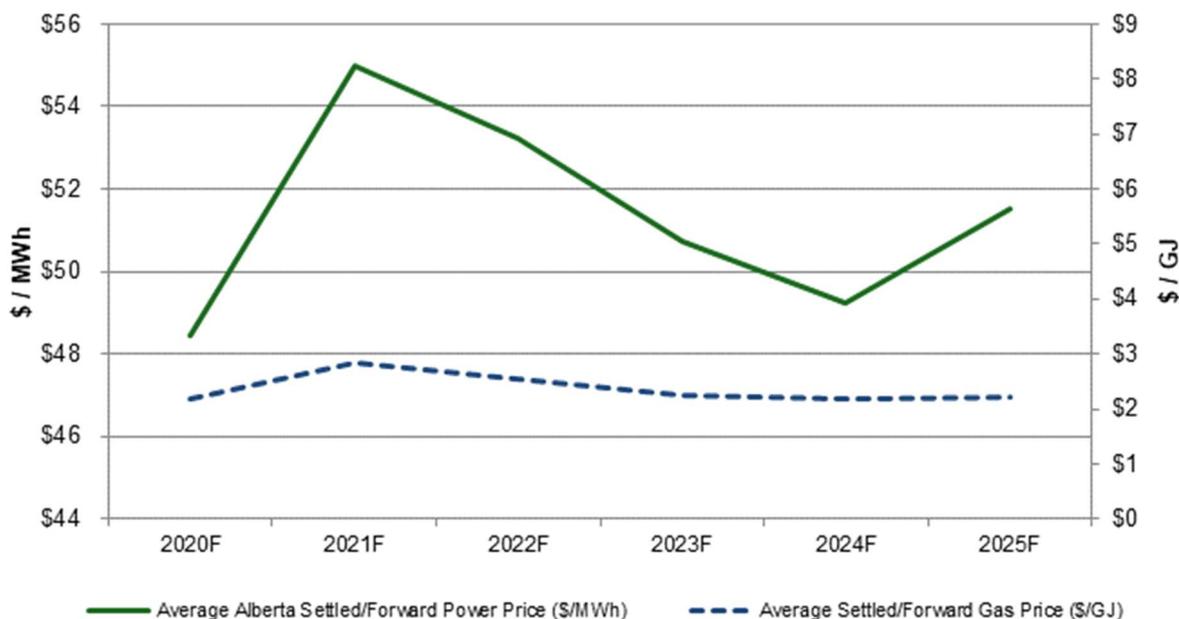
Alberta Power Price

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

For the nine months ending September 30, 2020, the average Alberta market power price was \$46.91 as compared to \$58.02 for the same period in 2019. The Corporation believes that the decline in power prices is primarily due to lower demand for power in Alberta as a result of low oil prices and COVID-19. The Corporation believes that the demand for power will remain lower than normal in 2020 as these impacts are expected to continue through the remainder of the year. The Corporation is well positioned to partially mitigate this impact through the operations of M2, which is an efficient, state of the art power generating facility, with low operating costs. M2 is more economical during periods of lower power prices than Milner.

In 2021, management expects to see an increase in power prices as a result of dispatch control of six coal fired units, totaling 2,380MW of generation capacity, returning to independent power producers from the Balancing Pool, partially offset by the continuing impacts of COVID-19 in relation to power prices. This change of control and impact from COVID-19 is reflected in the current forward power prices for 2021 as shown in the graph below which covers the period from 2020 through to 2025. Of note, beginning in 2022 forward power prices decline as new wind generation projects from the renewable energy program are expected to come online. Prices bottom in 2024 after the expected completion of the 900MW gas-fired Cascade Power Project in 2023.

Current natural gas forward prices for the years 2021 through 2025 are consistent with the range of historical prices and in line with management's expectations.



DEVELOPMENT INITIATIVES

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

Current Project Developments

During the second quarter of 2020, MAXIM successfully commissioned M2, which began generating electricity to the Alberta power grid on May 8, 2020. Total capital costs of the project, incurred to date and put into service, including borrowing costs, is \$144.8 million. An additional \$1.0 million is expected to be incurred for compliance costs, increasing the total cost to \$145.8 million.

Future Development Initiatives

In addition to the simple cycle phase of M2 and the existing Milner facility, MAXIM has 536 MW of permits to develop generation capacity in Alberta, of which 346 MW is at the Milner site.

Management continues to review development options to invest in heat recovery technology to expand M2 into a combined cycle gas turbine ("CCGT") facility. The CCGT project would increase total MW capacity and operational efficiency resulting in positive operating economics. The costs for the CCGT construction, commissioning and the next steps in the project are being reviewed by management. In order to proceed with the CCGT project, the Corporation would need to secure additional financing and no decisions have been made at this time.

MAXIM also has a wind development project, Buffalo Atlee, which has the potential for up to 200 MW of wind generation capacity. As at the date of this MD&A, no definitive commitments on these projects have been made.

Financing

MAXIM maintains the flexibility to manage the timing of its development initiatives. MAXIM accounts for its development projects as assets under construction included in Property, Plant and Equipment. Capitalization of costs associated with these projects commences once technical and economic feasibility is established. If a project no longer meets these criteria, any capitalized costs for the project are expensed in the period.

FORWARD-LOOKING INFORMATION

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

Readers are cautioned that management's expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Corporation believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements speak only to the date of this MD&A. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws. Certain information in this MD&A is FLI and is subject to important risks and uncertainties. The results or events predicted in this information may differ from actual results or events.

Factors which could cause actual results or events to differ materially from current expectations include the ability of the Corporation to implement its strategic initiatives, the availability of capital and contractors to execute its development initiatives, the availability and price of energy commodities, government and regulatory decisions including carbon pricing, power plant availability, competitive factors in the power industry, foreign exchange and tax rates, pandemics, prevailing economic conditions in the regions that the Corporation operates, operational efficiency and planned or unplanned outages, the timing and finalization of settlement amounts for the AESO Line Loss Proceeding and the other risks described herein and under the heading "Risk Factors" in the Corporation's most recently filed annual information form filed on SEDAR at www.sedar.com.

With respect to forward-looking statements contained within this MD&A, MAXIM has made the following assumptions as at the date of this MD&A:

- MAXIM's working capital is very dependent on electric power and natural gas prices and management forecasts that cash flows for operating, general and administrative expenses will be funded by its operating revenue and existing cash on hand. MAXIM estimates total capital expenditures to construct phase one of M2 of \$145.8 million, of which \$144.8 million has been incurred as at September 30, 2020, including capitalized borrowing costs of approximately \$3.2 million. Refer to the Development Initiatives section on page 4 for further discussion on capital spending.
- MAXIM anticipates compliance with all necessary provincial and federal regulations for environmental and climate change legislation and all necessary requirements of operating permits. Changes to environmental legislation and operational issues may affect the ability of MAXIM to comply with regulations.
- MAXIM's anticipated receipt of the estimated remaining Line Loss Proceeding claim on pages two and twelve.
- Other matters and factors described under the Outlook section on page 3.
- See Risks and Risk Management in the Company's December 31, 2019 annual MD&A and Risks and Risk Management, for further discussion of risks and uncertainties.

SELECTED QUARTERLY FINANCIAL INFORMATION

KPI's

Quarter ended: (unaudited) (\$000's unless otherwise noted)	30-Sep 2020	30-Jun 2020	31-Mar 2020	31-Dec 2019
Revenue	17,726	4,460	7,258	4,972
Net income (loss)	498	(1,167)	1,006	(2,173)
Basic and diluted net income (loss) per share (\$ per share)	0.01	(0.02)	0.02	(0.04)
Total assets	235,915	241,896	227,392	225,274

Quarter ended: (unaudited) (\$000's unless otherwise noted)	30-Sep 2019	30-Jun 2019	31-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

Reported revenue and net income increased in the third quarter of 2020 due to the commissioning of M2. Net income (loss) attributable to shareholders is affected by certain non-cash and non-recurring transactions as follows:

The third quarter of 2020 included commodity swap gains of \$0.2 million and \$0.6 of future tax expense. The second quarter of 2020 included commodity swap losses of \$0.5 million and \$3.8 million of future tax benefits. The first quarter of 2020 included commodity swap gains of \$0.9 million.

The fourth quarter of 2019 included a \$1.2 million gain on sale of assets, \$1.1 million in asset impairment charges and commodity swap gains of \$0.9 million. The third quarter of 2019 included commodity swap gains of \$1.8 million. The second quarter of 2019 included \$2.2 million of future tax expense related to changes in provincial tax rates. The first quarter of 2019 had \$nil impact to net loss attributable to shareholders from certain non-cash and non-recurring transactions. The fourth quarter of 2018 included \$8.4 million of future tax benefits related to recognizing deferred assets.

FINANCIAL RESULTS OF CONTINUING OPERATIONS

Revenue

Segment (\$000's)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Revenue ⁽¹⁾	17,726	8,488	29,444	23,363

⁽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 2020 increased \$9.2 million or 108%, to \$17.7 million from \$8.5 million in 2019, primarily due higher generation volumes as M2 generated 349,756 MWh of electricity in the third quarter of 2020, as compared to Milner of 150,443 MWh in 2019, partially offset by lower realized power prices. M2 realized power prices of \$50.68 per MWh in the third quarter of 2020 as compared to Milner of \$56.35 in 2019.

Revenue in the first nine months of 2020 increased \$6.0 million, or 26%, to \$29.4 million from \$23.4 million in 2019, primarily due to increased generation volumes, as a result of increased generation capacity through the operation of M2 versus Milner. M2 and Milner generated 499,558 MWh of electricity in the first nine months of 2020, as compared to 368,736 MWh in 2019. This was partially offset by lower realized prices of \$58.93 per MWh in 2020 for both M2 and Milner, as compared to \$63.29 in 2019.

Plant Operations

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

Three months ended September 30 (\$000's)	2020			2019		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	8,859	2,844	11,703	2,406	4,504	6,910
Percent	76%	24%	100%	35%	65%	100%

Nine months ended September 30 (\$000's)	2020			2019		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	12,858	9,244	22,102	7,512	14,621	22,133
Percent	58%	42%	100%	34%	66%	100%

Fuel expenses in the third quarter of 2020 increased \$6.5 million to \$8.9 million from \$2.4 million in 2019, primarily due to higher generation volumes and higher per unit natural gas costs in 2020 as compared to the same period in 2019. O&M expenses in the third quarter of 2020 decreased \$1.7 million, or 38%, to \$2.8 million from \$4.5 million in 2019, primarily due to lower carbon taxes as a result of operating M2, lower salaries due to staffing reductions and lower maintenance costs for the operation of M2 versus Milner.

Fuel expenses in the first nine months of 2020 increased \$5.4 million, or 72%, to \$12.9 million from \$7.5 million in 2019, primarily due to the same factors impacting the third quarter. O&M expenses in the first nine months of 2020 decreased \$5.4 million, or 37%, to \$9.2 million from \$14.6 million in 2019, primarily due to the same factors impacting the third quarter, partially offset by staff training for M2 in 2020.

General and Administrative Expense

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Total general and administrative expense	1,042	850	2,917	2,477

General and administration expense in the third quarter of 2020 was \$1.0 million, which is comparable to the same period in 2019.

General and administration expense in the first nine months of 2020 increased by \$0.4 million, or 16%, to \$2.9 million from \$2.5 million in 2019, primarily due to lower general and administrative capital allocations to the M2 project as the asset was commissioned in the second quarter of 2020.

Depreciation and Amortization Expense

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Total depreciation and amortization	2,146	491	3,398	2,100

Depreciation and amortization expense in the third quarter of 2020 increased \$1.6 million, to \$2.1 million from \$0.5 million in 2019, due to the commissioning and commencement of depreciation of M2 which began in the second quarter of 2020.

Depreciation and amortization expense in the first nine months of 2020 increased \$1.3 million, or 62%, to \$3.4 million from \$2.1 million in 2019, primarily due to the same factors impacting the third quarter.

Other Expense (Income), Net

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Other expense (income), net	(48)	(55)	670	379

Net other income in the third quarter of 2020 was \$0.1 million, which is comparable to the same period in 2019.

Net other expense in the first nine months of 2020 increased to \$0.7 million in 2020 as compared to \$0.4 million in 2019. The increase is primarily due to higher costs incurred in 2020 to restructure the Corporation, partially offset by the proceeds from a non-refundable deposit to sell Forked River land in 2020.

Gain on Commodity Swaps

(\$000's)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Realized gain on commodity swaps	(647)	(1,778)	(1,563)	(1,778)
Unrealized loss on commodity swaps	491	-	970	-
Total gain on commodity swaps	(156)	(1,778)	(593)	(1,778)

In the third quarter and first nine months of 2020, MAXIM realized gains of \$0.6 million and \$1.6 million, respectively, on Alberta power price risk management swaps, as compared to the same periods in 2019 which realized gains of \$1.8 million. These gains are due to Alberta spot prices settling lower than the fixed swap price.

In the third quarter and first nine months of 2020, MAXIM has unrealized losses of \$0.5 million and \$1.0 million, respectively, on Alberta power and gas price risk management swaps, due to Alberta spot prices forecasted to settle higher than the fixed swap price.

Finance Expense (Income), Net

(\$000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Interest expense	1,534	40	2,178	116
Amortization of deferred financing costs	470	-	1,511	-
Loss on interest rate swaps	9	-	79	-
Accretion of provisions	20	37	54	126
Foreign exchange loss (gain)	(114)	(52)	140	72
Finance expense	1,919	25	3,962	314
Interest income	(22)	(146)	(180)	(792)
Total finance expense (income), net	1,897	(121)	3,782	(478)

Net finance expense in the third quarter of 2020 increased to \$1.9 million from income of \$0.1 million in 2019. The increase is primarily due to interest on loans and borrowings as these costs are no longer capitalized after the commissioning of M2 and amortization of deferred financing costs.

Net finance expense in the first nine months of 2020 increased to \$3.8 million from income of \$0.5 million in 2019. The increase is primarily due to the same factors impacting the third quarter and lower interest income on cash and cash equivalents in 2020, as a result of withdrawing funds to finance the M2 project.

Income Tax Expense (Benefit)

(\$000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Total income tax expense (benefit)	644	(13)	(3,169)	2,207

Income tax expense in the third quarter of 2020 increased to \$0.6 million, from income of \$nil in 2019. In 2020, MAXIM recognized a deferred tax expense of \$0.6 million due to changes in the ability to utilize underlying tax losses.

Income tax benefit in the first nine months of 2020 increased \$5.4 million to a benefit of \$3.2 million from an expense of \$2.2 million in 2019. In 2020, MAXIM recognized a deferred tax benefit of \$3.2 million as it was probable that sufficient future taxable income will be available to utilize underlying tax losses. In 2019, MAXIM recognized \$2.2 million in income tax expense as a result of a reduction in enacted provincial tax rates.

Financial Position

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

As at (\$000's)	September 30, 2020	December 31, 2019	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	5,771	20,924	(15,153)	Decreased as a result of capital additions for the first phase of the M2 project and operating cash outflows, partially offset by financing cash inflows
Trade and other receivables	5,469	4,064	1,405	Increased as a result of higher revenues
Property, plant and equipment, net	190,010	170,317	19,693	Increased as a result of capital additions, partially offset by depreciation
Net other assets, net	34,665	29,969	4,696	Increased as a result of future income tax benefit and decreased discount rates
Liabilities & Equity				
Trade and other payables	11,517	21,659	(10,142)	Decreased due to lower payables with the completion of M2
Loans and borrowings	66,355	49,001	17,354	Increased as a result of debt issuances
Provision for decommissioning and other long-term liability	19,129	15,382	3,747	Increased due to recognition of retirement provision for M2 and higher long-term accounts payable relating to the construction of M2
Equity	138,914	139,232	(318)	Decreased primarily due to the repurchase 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. The construction of the simple cycle phase of M2 was funded by the Corporation's existing cash on hand and credit facilities.

MAXIM has up to \$119.0 million of borrowing capacity under its ATB Financial (“ATB”) credit facility and a subordinated convertible loan. The ATB credit facility matures in November 2022 and provides senior debt financing of up to \$44.0 million to support financing requirements of M2, plus credit to cash collateralized letters of credit and hedging. This loan is subject to financial covenants and the Corporation is compliant with these covenants. Commencing on December 31, 2020, MAXIM will have to maintain a Debt Service Coverage Ratio of not less than 1.50:1.00 determined as at the last day of each financial quarter on a rolling four quarter basis, and not exceed a debt to EBITDA ratio of 3.00:1.00 determined as at the last day of each financial quarter on a rolling four quarter basis. In addition, MAXIM must maintain a minimum tangible asset test of 95% of the entities named under the agreement (note 4 of the Unaudited Condensed Consolidated Interim Financial Statements). On August 18, 2020, the Corporation converted the \$30.0 million construction facility, under the ATB credit facility, into a term facility. Upon conversion to a term facility, the first amortization payment of \$0.8 million was paid on September 30, 2020, with the second payment of the same amount payable on March 31, 2021 and quarterly thereafter, amortizing over ten years. As at September 30, 2020, the Corporation has \$39.3 million outstanding under the term and revolver facilities

The convertible loan provides debt financing of up to \$75.0 million to 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 September 30, 2020, the Corporation has \$29.4 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.

Cash interest payments on the convertible loan commenced monthly, after August 18, 2020, upon conversion of the ATB construction loan to a term facility under the ATB credit facility.

The Corporation has a credit agreement with the Bank of Montreal for a demand facility that requires full cash collateralization of letters of credit on a non-revolving basis. As at September 30, 2020, the Corporation has \$7.9 million of outstanding letters of credit and cash of the same amount was deposited into a restricted bank account maintained by the bank. There are no financial covenants under this credit agreement.

At September 30, 2020, the Corporation had unrestricted cash of \$5.8 million included in the net working capital surplus of \$0.3 million (see working capital on page 11). Unrestricted cash balances are invested with one Canadian financial institution. The Corporation funded the simple cycle phase of M2 with cash on hand, operating cash flows, and existing credit facilities.

Cash flow summary:

Nine months ended September 30 (\$000's)	2020	2019
Cash on hand, unrestricted, January 1	20,924	22,246
Cash flow generated from (used in) operations	(3,342)	4,057
Cash flow from (used in) financing	11,560	(456)
Available for investments	29,142	25,847
Cash flow used in investing	(23,288)	(10,896)
Effect of foreign exchange rates on cash	(83)	(72)
	5,771	14,879
Undrawn Convertible Loan	45,562	22,000
Undrawn ATB construction loan and revolver facilities	4,000	-
Net liquidity available, September 30	55,333	36,879

Cash flow used in operations in the first nine months of 2020 increased to \$3.3 million from an inflow of \$4.1 million in 2019, which is an increase of \$7.4 million. The increase in outflow is primarily due to changes in working capital, partially offset by higher revenues. Fluctuations in working capital represented a cash outflow of \$8.9 million in 2020, as compared to an inflow of \$3.6 million in 2019. See working capital section below for further discussion.

During the first nine months of 2020, MAXIM's cash flow from financing increased \$12.1 million to an inflow of \$11.6 million from an outflow of \$0.5 million in 2019, primarily due to higher loans and borrowings on new credit facilities to finance the construction of M2, partially offset by higher interest paid on the loans and borrowings.

MAXIM's investing activities in the first nine months of 2020 represented a cash outflow of \$23.3 million, increasing from \$10.9 million in 2019. During 2020, MAXIM spent \$19.0 million on the development of the simple cycle phase of M2 and changes in non-cash working capital of \$4.5 million. This amount was partially offset by interest income of \$0.2 million.

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.

The following table represents the net capital of the Corporation:

As at (\$000's)	September 30, 2020	December 31, 2019
Long-term debt	66,355	49,001
Less: Unrestricted cash	(5,771)	(20,924)
Net debt	60,584	28,077
Shareholders' equity	138,914	139,232
Capital	199,498	167,309
Net debt to capital	30.4%	16.8%

The Corporation uses the percent of net debt to capital to monitor leverage. The increase in net debt to capital from December 31, 2019 to September 30, 2020 is primarily due to further borrowings obtained in 2020 for the construction of M2.

Working Capital

The Corporation has a working capital surplus of \$0.3 million at September 30, 2020, which represents a \$1.5 million decrease from the working capital surplus of \$1.8 million at December 31, 2019. The total decrease is comprised of a \$13.4 million decrease in current assets and a \$11.9 million increase in current liabilities.

The decrease in current assets was due to a net decrease of \$15.1 million in unrestricted cash, which were primarily used to fund the simple cycle construction phase of M2 and current operations, an increase in accounts receivable of \$1.4 million due to timing of collection of receivables and a \$0.3 million decrease to prepaid expenses.

The increase in current liabilities was due to a \$10.1 million decrease in accounts payable primarily due to lower outstanding payables related to the M2 project and a \$1.8 million decrease in the current portion of loans and borrowings.

Capital Resources

The Corporation is currently estimating capital expenditures of \$19.7 million for 2020, of which \$18.3 million has been incurred as at September 30, 2020. The majority of these expenditures relate to costs to complete construction of the simple cycle phase of M2, which commenced operations in the second quarter of 2020.

Contractual Obligations and Contingencies

In the normal course of operations, MAXIM assumes various contractual obligations and commitments. MAXIM considers these obligations and commitments in its assessment of liquidity. For the current commitments, refer to note 8 and 9 of the September 30, 2020 Unaudited Condensed Consolidated Interim financial statements.

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

Through its Decision 790-D06-2017 ("D06-Decision"), released December 18, 2017, the AUC asserted its position on several matters related to remedy under Module C of MPLP's complaint relating to the AESO Line Loss Proceeding. The D06-Decision confirmed that the new method that was used to calculate 2017 prospective loss factor rates would be used for the historic period of January 1, 2006 to December 31, 2016. The AUC deemed that a single settlement approach will be used whereby the AESO will calculate all eleven years before cash is settled. The D06-Decision further confirmed that the settlement be affected by reissuing invoices to the original party and that a rider will be applied to transmission rates across the industry to collect any shortfall from the inability to collect from an original party.

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

On October 22, 2020, the AESO issued a final statement related to years 2014, 2015 and 2016 of the Line Loss Proceeding payable to MPLP in the amount of \$6.4 million. In the final statement, the AESO disclosed that payment of the \$6.4 million will occur on December 30, 2020 and, of the balance, \$5.5 million relates to overpayments from prior periods and \$0.9 million of interest. The Corporation estimates that remaining overpayments, including interest, of approximately \$46 million were made by MPLP to the AESO for the period January 1, 2006 to December 31, 2013, based on calculations established using information currently available on the public record.

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

Risks

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

Provincial and Carbon Tax

In 2015, the 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.

On October 30, 2019, the GoA released the Technology Innovation and Emissions 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, and an 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 2018, the Government of Canada enacted regulations to create a federal carbon pricing plan. The Greenhouse Gas Pollution Pricing Act became effective on January 1, 2019 and acts as a backstop to any province that has not implemented a compliant carbon pricing regime. Based on the current compliant carbon pricing regime in Alberta, these enacted regulations do not have an impact on carbon emitters in the Alberta power market. If the Alberta provincial government modifies or repeals the price of carbon, these regulations are anticipated to impact Alberta carbon emitters.

Additional Federal Restrictions on Carbon Dioxide Emissions

In 2012, the Government of Canada enacted regulations to reduce carbon dioxide emissions from coal-fired generation facilities. These new regulations dictate that power plants built before 1975 are able to operate at full capacity until the earlier of fifty years after the commissioning date and December 31, 2019. Moreover, power plants built after 1974 are able to operate until the earlier of fifty years after the commissioning date and December 31, 2029. The Milner facility was commissioned in 1972, and, accordingly, was allowed to operate to its full capacity to December 31, 2019. After December 31, 2019, Milner is allowed to operate at an annual capacity factor of up to 9% (using coal as a portion of its fuel supply), which is approximately 113,500 MWh per annum, until December 31, 2029. In December 2018, the Government of Canada issued finalized regulations in relation to natural gas-fired units and, more specifically, in relation to coal-to-gas conversions. In the regulations, any generation facility that previously used a boiler in conjunction with coal-fired generation that continues to generate electricity without coal as a fuel source, and instead uses natural gas as a fuel source, will be deemed to be a coal-to-gas conversion and will be subject to CO₂ emissions stringency requirements prospectively commencing at the unit's end of life as defined in the current federal coal regulations. If Milner ceases to burn coal as part of its fuel mix, then Milner would fall under this provision.

As at the date of this MD&A, MAXIM anticipates that it will continue to be permitted to run Milner at a 9% capacity factor until December 31, 2029 subject to utilizing coal for a portion of its fuel. Alternatively, MAXIM currently anticipates that if Milner does not include coal as a fuel source, it would not comply with the regulations for coal to gas conversions beyond 2019. Management is currently maintaining the ability to operate the existing Milner facility as a dual fuel-fired facility at a 9% capacity factor. The M2 project is subject to carbon tax, but exempt until 2023, and is not otherwise adversely impacted by any of the provincial or federal legislation above.

NON-GAAP MEASURES

Management evaluates MAXIM's performance using a variety of measures. The non-GAAP measures discussed below should not be considered as an alternative to or to be more meaningful than revenue, net income attributable to shareholders of the Corporation or net cash generated from operating activities, as determined in accordance with GAAP, when assessing MAXIM's financial performance or liquidity.

These measures do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies.

Adjusted EBITDA

(\$000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
GAAP Measures from Condensed Consolidated Statement of Income				
Net income (loss)	498	2,204	337	(3,677)
Income tax benefit	644	(13)	(3,169)	2,207
Finance expense (income), net	1,897	(121)	3,782	(478)
Depreciation and amortization	2,146	491	3,398	2,100
EBITDA	5,185	2,561	4,348	152
Adjustments:				
Other expense	(48)	(55)	670	379
Unrealized loss on commodity swaps	491	-	970	-
Share-based compensation	70	95	316	251
Adjusted EBITDA	5,698	2,601	6,304	782

Adjusted EBITDA is calculated as described above, adjusted for specific items that are significant but not reflective of the Corporation's underlying operations. Adjustment of these specific items is subjective; however, management uses its judgment and informed decision-making when identifying items for adjustment.

Adjusted EBITDA is provided to assist management and investors in determining the Corporation's approximate operating cash flows attributable to shareholders before finance expense, income taxes, depreciation and amortization, and certain other income and expenses. Financing expense, income taxes, depreciation and amortization are excluded from the EBITDA calculation, as they do not represent cash expenditures that are directly affected by operations. Furthermore, EBITDA is used in MAXIM's bank covenant calculations, which requires these items to be omitted. Management believes that presentation of this non-GAAP measure provides useful information to investors and shareholders as it provides predictive value and assists in the evaluation of performance trends. Management uses adjusted EBITDA to compare financial results among reporting periods and to evaluate MAXIM's operating performance and ability to generate funds from operating activities.

In calculating adjusted EBITDA for the three and nine months ended September 30, 2019 and September 30, 2020 management excluded certain non-cash and non-recurring transactions. In both 2020 and 2019, adjusted EBITDA excluded restructuring of Alberta operations and net proceeds from the option to sell Forked River land, unrealized mark-to-market on commodity swaps and share-based payments.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The judgments and estimates used in the preparation of the condensed consolidated interim financial statements has been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2019.

RISK MANAGEMENT UPDATE

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

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Adoption of New IAS and Amendments

On January 1, 2020, the Corporation adopted amendments to Presentation of Financial Statements ("IAS 1"). This amendment had no impact to the amounts recorded in the Corporation's consolidated financial statements as of January 1, 2020 or comparative periods.

IFRS Standards Issued Not Yet Effective and Amendments

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

TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter any related party transactions during the first nine months of 2020, with the exception of transactions with the Corporation's Directors and members of the Executive Committee in the normal course of business. These transactions in the normal course of business are detailed in note 12b and 24 of the 2019 audited annual financial statements.

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for the design of internal controls over financial reporting ("ICFR") and disclosure controls of the Corporation. In accordance with National Instrument NI 52-109, the CEO and CFO have filed certifications that ICFR and disclosure controls have been adequately designed, and that there have been no changes in ICFR that materially affected, or are reasonably likely to materially affect ICFR, during the quarter ended September 30, 2020.

OTHER INFORMATION

Outstanding share data:

Issued common shares at September 30, 2020	49,809,038
Outstanding convertible share options under the convertible loan at September 30, 2020	13,083,736
Outstanding share options at September 30, 2020	2,414,449
Total diluted common shares at September 30, 2020 and November 10, 2020	65,307,223

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

GLOSSARY OF TERMS

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

AESO	Alberta Electric System Operator
ATB	ATB Financial
AUC	Alberta Utilities Commission
Buffalo Atlee	Buffalo Atlee is a development project for up to 200 MW of wind generation situated near Brooks, Alberta
Capacity	The rated continuous load-carrying ability, expressed in megawatts, of generation equipment, with the exception of "capacity payments" and "capacity market" (throughout the MD&A references to capacity are stated in nameplate capacity)
COVID-19	Coronavirus
CCIR	Carbon Competitiveness Incentive Regulation
CCGT	Combined Cycle Gas Turbine
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLP	Climate Leadership Plan
D06-Decision	Decision 790-D06-2017 issued by the AUC
Deerland	Deerland is a development project for a 190 MW natural gas-fired peaking station located near Bruderheim, Alberta
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
FLI	Forward-looking information
GAAP	IFRS, as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants
GoA	Government of Alberta
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICFR	Internal Controls Over Financial Reporting
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicators
Milner	HR Milner, a 150 MW (nameplate capacity) generating facility located near the town of Grande Cache, Alberta has been in continuous operation since 1972 and was acquired by MAXIM on March 31, 2005
MPLP	Milner Power Limited Partnership
M2	Milner 2, a gas expansion initiative to develop up to 520 MW natural gas-fired generating facility, previously known as MGE
MAXIM or the Corporation	Maxim Power Corp.
MD&A	Management's Discussion and Analysis
MW	Megawatt, a measure of electrical generating capacity that is equivalent to one million watts
MWh	Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour
NCIB	Normal Course Issuer Bid
O&M	Operations and maintenance
TIER	Technology Innovation and Emissions Reduction Regulation
U.S. or United States	The United States of America

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