Condensed Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the Second Quarter ended June 30, 2018

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

(signed) "M. Bruce Chernoff"	*(signed) "Michael R. Mayder"*
M. Bruce Chernoff	Michael R. Mayder
Interim Chief Executive Officer	Senior VP Finance and Chief Financial Officer
MAXIM Power Corp.	MAXIM Power Corp.

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

	Note	**June 30, 2018**	December 31, 2017
ASSETS			
Cash and cash equivalents		**14,622**	51,264
Short-term investment	5	**75,853**	50,138
Trade and other receivables		**2,435**	2,169
Prepaid expenses and deposits		**394**	122
Total current assets		**93,304**	103,693
Property, plant and equipment, net		**51,519**	47,574
Intangible assets, net		**424**	677
Restricted cash		**7,913**	7,908
Deferred tax assets	9	**6,158**	2,679
Other assets		**5,653**	6,959
Total non-current assets		**71,667**	65,797
TOTAL ASSETS		**164,971**	169,490
LIABILITIES			
Trade and other payables		**5,847**	6,393
Total current liabilities		**5,847**	6,393
Provisions for decommissioning		**13,594**	11,055
Deferred tax liabilities	9	**-**	3,368
Total non-current liabilities		**13,594**	14,423
TOTAL LIABILITIES		**19,441**	20,816
EQUITY			
Share capital	6	**154,403**	157,471
Contributed surplus		**11,721**	11,517
Deficit		**(20,594)**	(20,314)
TOTAL EQUITY		**145,530**	148,674
Commitments and Contingencies	11,12		
TOTAL LIABILITIES AND EQUITY		**164,971**	169,490

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

On behalf of the Board:

M. Bruce Chernoff	Wiley Auch
Director	Director

MAXIM POWER CORP.

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

For the three months and six months ended June 30
(in thousands of Canadian dollars)

	Note	Three months ended June 30		Six months ended June 30	
		2018	2017	**2018**	2017
Revenue		**2,109**	45	**2,109**	2,024
Expenses					
Operating		**3,704**	2,428	**4,993**	8,114
General and administrative		**982**	1,988	**2,181**	2,529
Depreciation and amortization		**1,844**	1,252	**3,144**	2,841
Gain on commodity swaps	15	**-**	-	**-**	(975)
Asset impairment charges		**-**	8,344	**-**	8,344
Other expense (income), net	7	**180**	(3,315)	**378**	(3,369)
Operating loss		**(4,601)**	(10,652)	**(8,587)**	(15,460)
Finance expense (income), net	8	**(556)**	523	**(1,003)**	220
Loss before income taxes		**(4,045)**	(11,175)	**(7,584)**	(15,680)
Income tax expense (benefit)					
Current		**(14)**	146	**(14)**	152
Deferred	9	**(6,847)**	(842)	**(6,847)**	(842)
		(6,861)	(696)	**(6,861)**	(690)
Net income (loss) from continuing operations		**2,816**	(10,479)	**(723)**	(14,990)
Discontinued operation					
Net income from discontinued operation (net of tax)	4	**-**	50,431	**-**	51,361
Net income (loss)		**2,816**	39,952	**(723)**	36,371
Other comprehensive income (loss), net of tax:					
Item that are or may be reclassified to net income:					
Reclassification to net income on disposal of discontinued foreign operation		**-**	(26,729)	**-**	(26,729)
Translation of discontinued foreign operation		**-**	-	**-**	(1,443)
Total comprehensive income (loss)		**2,816**	13,223	**(723)**	8,199
Net income (loss) attributable to:					
Non-controlling interest		**-**	-	**-**	4
Shareholders		**2,816**	39,952	**(723)**	36,367
Net income (loss) attributable to shareholders per share:	10				
Basic earnings		**0.05**	0.73	**(0.01)**	0.67
Diluted earnings		**0.05**	0.73	**(0.01)**	0.67
Net income (loss) attributable to shareholders per share continuing operations:	10				
Basic earnings		**0.05**	(0.19)	**(0.01)**	(0.28)
Diluted earnings		**0.05**	(0.19)	**(0.01)**	(0.28)
Comprehensive income (loss) attributable to:					
Non-controlling interest		**-**	-	**-**	2
Shareholders		**2,816**	13,223	**(723)**	8,197

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

For the six months ended June 30
(in thousands of Canadian dollars, except common share data)

	Common shares (thousands)	Share capital	Contributed surplus	Accumulated other comprehensive gain (loss)	Deficit	Equity attributable to shareholders	Non-controlling interest	Total
Equity at December 31, 2017	54,624	157,471	11,517	-	(20,314)	148,674	-	148,674
Net loss	-	-	-	-	(723)	(723)	-	(723)
Repurchase of common shares for cancellation (note 6)	(1,066)	(3,068)	-	-	443	(2,625)	-	(2,625)
Share-based compensation	-	-	204	-	-	204	-	204
Equity at June 30, 2018	**53,558**	**154,403**	**11,721**	**-**	**(20,594)**	**145,530**	**-**	**145,530**
Equity at December 31, 2016	54,301	156,482	11,423	28,172	(38,790)	157,287	194	157,481
Net income	-	-	-	-	36,367	36,367	4	36,371
Stock options exercised	79	237	(184)	-	-	53	-	53
Share-based compensation	-	-	203	-	-	203	-	203
Translation of foreign operation	-	-	-	(1,443)	-	(1,443)	(2)	(1,445)
Distributions to non-controlling interest	-	-	-	-	-	-	(31)	(31)
Disposal of foreign operation	-	-	-	(26,729)	-	(26,729)	(165)	(26,894)
Equity at June 30, 2017	54,380	156,719	11,442	-	(2,423)	165,738	-	165,738

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the six months ended June 30
(in thousands of Canadian dollars)

	Note	**2018**	2017
Cash flows from operating activities:			
Net loss from continuing operations		**(723)**	(14,990)
Adjustments for items not involving cash or operations:			
Depreciation and amortization		**3,144**	2,841
Asset impairment charges		**-**	8,344
Share-based compensation		**204**	203
Income tax benefit		**(6,861)**	(690)
Income taxes refunded (paid)		**14**	(61)
Finance expense (income), net	8	**(1,003)**	220
Commodity price call option expired out of the money	15	**-**	378
Cooling tower claims recoveries	7	**-**	(4,275)
Approved emission performance credits		**-**	(36)
Funds used in continuing operating activities before changes in working capital		**(5,225)**	(8,066)
Change in non-cash working capital from continuing operations	13	**(1,235)**	(990)
Net cash used in operating activities from continuing operations		**(6,460)**	(9,056)
Cash flows from financing activities:			
Repurchase of common shares for cancellation	6	**(2,625)**	-
Net proceeds from exercise of stock options		**-**	53
Interest and bank charges	8	**(71)**	(343)
Net cash used in financing activities from continuing operations		**(2,696)**	(290)
Cash flows from investing activities:			
Proceeds on sale of operating segments		**-**	116,644
Closing costs on sale of United States operating segment		**-**	(4,020)
Property, plant and equipment additions		**(3,042)**	(626)
Purchase of short-term investment	5	**(25,000)**	-
Reinvested interest income from short-term investment		**(715)**	-
Proceeds from the cooling tower claims recoveries	7	**-**	4,275
Interest income	8	**1,063**	294
Change in non-cash working capital	13	**208**	(7,914)
Net cash generated from (used in) investing activities from continuing operations		**(27,486)**	108,653
Increase (decrease) in cash and cash equivalents from continuing operations		**(36,642)**	99,307
Cash and cash equivalents held at discontinued operation, beginning of period		**-**	3,535
Net decrease in cash and cash equivalents from discontinued operation	4	**-**	(3,535)
Cash and cash equivalents, beginning of period		**51,264**	15,303
Cash and cash equivalents, end of period		**14,622**	114,610

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

1. Reporting entity

Maxim Power Corp. is incorporated in the province of Alberta, Canada. Maxim Power Corp. and its subsidiaries (together "MAXIM" or the "Corporation") is an independent power producer, which acquires or develops, owns and operates power and power related projects in Alberta. The Corporation closed the sale of its United States operating segment on April 3, 2017 and has presented the result of this segment as discontinued operation (note 4). The Corporation’s common shares trade on the Toronto Stock Exchange under the symbol "MXG". MAXIM’s registered office is Suite 1210, 715 – 5 Avenue S.W., Calgary, Alberta, Canada, T2P 2X6.

2. Basis of preparation and statement of compliance

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

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on August 9, 2018.

3. Significant accounting policies

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

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

The Corporation did not disclose the method, basis for impact or revenue recognition policy from adopting IFRS 15 in the first quarter of 2018 as it was not earning revenues. As a result of the resumption of operations at Milner and the earning of revenues in the second quarter of 2018, the impact of adopting IFRS 15 is as follows:

MAXIM used the cumulative effect method to adopt the new standard. Under this method, prior years' financial statements have not been restated and the cumulative effect on net earnings of the application of IFRS 15 to revenues at January 1, 2018 is $nil. Management reviewed its revenue stream and major contract with its sole customer using the IFRS 15 five step model and there were no changes to net earnings or timing of revenue recognized.

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

3. Significant accounting policies (continued)

The following accounting policy for the application of revenue recognition as of January 1, 2018 is as follows:

Revenues from the sale of power generation are measured based on the consideration specified in contract with the customer. MAXIM recognizes revenue when it transfers control of the electricity to the customer and collection is reasonably assured. This is considered to occur when electricity is physically transferred to the customer. Revenues are recognized on a hourly basis, based on the completion of the performance obligation which is when electricity is generated and transferred to the customer.

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

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

4. Discontinued operation

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

	Three months ended June 30, 2017	Six months ended June 30, 2017
Revenue	-	14,246
Expenses (income) (i)	(35,080)	(22,221)
Operating income	35,080	36,467
Finance income, net (ii)	(15,351)	(14,891)
Income before income taxes	50,431	51,358
Income tax expense (benefit)		
Current	-	25
Deferred	-	(28)
	-	(3)
Net income from discontinued operation	50,431	51,361
Attributable to:		
Non-controlling interest	-	4
Shareholders	50,431	51,357

(i) Includes a gain on disposal of the United States operating segment for $33,769.

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

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

4. Discontinued operation (continued)

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

5. Short-term investment

During the first quarter of 2018, the Corporation invested $25,000 into a certificate of deposit held with a Canadian financial institution. The deposit requires a ninety day notice for redemption to cash and cash equivalents and earns interest at a floating rate of bank prime less 1.20%.

During the second quarter of 2018, the Corporation provided notice to withdraw $25,000 and subsequent to June 30, 2018, the $25,000 was transferred into a demand deposit bank account and reclassified as cash and cash equivalents.

6. Share capital

During the second quarter of 2018, the Corporation purchased and cancelled 1,065,452 common shares under the normal course issuer bid ("NCIB") program for $2,625. Common shares purchased were recognized as a $3,068 reduction to share capital equal to the average carrying value of common shares. The difference between the aggregate purchase price and the average carrying value of the common shares of $443 was recorded as an increase in retained earnings.

	Number of Shares	$
Common Shares of MAXIM		
Common Shares, December 31, 2016	54,301,391	156,482
Share options exercised	322,434	989
Common Shares, December 31, 2017	54,623,825	157,471
Common Shares purchased and cancelled under NCIB	(1,065,452)	(3,068)
Common Shares, June 30, 2018	53,558,373	154,403

7. Other income

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Cooling tower claims recoveries	-	(4,275)	-	(4,275)
Restructuring of Alberta operations	-	1,326	322	1,326
Transition service income	-	(366)	-	(366)
Other expense (income)	180	-	56	(54)
Total other expense (income), net	180	(3,315)	378	(3,369)

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

8. Finance income, net

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Interest expense and bank charges	35	191	71	343
Accretion of provisions	43	19	67	39
Foreign exchange loss (gain)	(71)	607	(78)	132
Finance expense	7	817	60	514
Interest income (i)	(563)	(294)	(1,063)	(294)
Total finance expense (income), net	(556)	523	(1,003)	220

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

9. Income taxes

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

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

10. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the three months ended June 30, 2018 was based on the net income attributable to common shareholders and net income attributable to common shareholders from continuing operations of $2,816 (June 30, 2017 – income of $39,952 and loss of $10,479, respectively) and weighted average number of common shares outstanding for the period of 54,331,118 (June 30, 2017 – 54,368,757). For the six months ended June 30, 2018 basic earnings per share was based on the net loss attributable to common shareholders and net loss attributable to common shareholders from continuing operations of $723 (June 30, 2017 – income of $36,367 and losses of $14,990, respectively) and weighted average number of common shares outstanding for the period of 54,476,663 (June 30, 2017 – 54,344,053).

(b) Dilutive earnings per share

For the three months ended June 30, 2018 diluted earnings per share calculation, 491 (June 30, 2017 – 101,713) shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options. For the six months ended June 30, 2018 diluted earnings per share calculation, nil (June 30, 2017 – 103,376) shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options. For the six months ended June 30, 2018, no shares were added to the average number of common shares outstanding because they were antidilutive.

11. Commitments

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

As at June 30, 2018, on a year-to-date basis, the Corporation has billed the Balancing Pool for $1,488, of which $1,293 has been collected for remediation of certain lands at Milner. As at June 30, 2018, on a life-to-date basis, the Corporation has billed the Balancing Pool for $3,832, of which $3,637 has been collected for remediation of certain lands at Milner. The present value of the residual balance of $5,473 has been recorded in other assets. Should there be a material breach of environmental laws by MPLP during the period of ownership, then MPLP is required to contribute fully to the incremental costs caused by such material breach.

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

12. Contingencies

(a) Contingent liabilities

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

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

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

12. Contingencies (continued)

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

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

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

(b) Contingent assets

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

13. Change in non-cash working capital

	June 30, 2018	June 30, 2017
Operations		
Trade and other receivables	(266)	1,615
Prepaid expenses and deposits	(272)	(213)
Inventories	-	(9)
Trade and other payables	(697)	(2,383)
	(1,235)	(990)

	June 30, 2018	June 30, 2017
Investing		
Trade and other payables	208	-
Restricted cash	-	(7,914)
	208	(7,914)

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

14. Segmented information

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

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

(a) Three months ended

June 30, 2018	Milner and development projects	Corporate amounts	Total consolidated
Revenues from external customers	2,109	-	2,109
Operating loss	(3,488)	(1,113)	(4,601)

June 30, 2017	Milner and development projects	Corporate amounts	Continuing operations	Discontinued operation from United States	Total consolidated
Revenues from external customers	45	-	45	-	45
Operating income (loss)	(7,320)	(3,332)	(10,652)	35,080	24,428

(b) Six months ended

June 30, 2018	Milner and development projects	Corporate amounts	Total consolidated
Revenues from external customers	2,109	-	2,109
Operating loss	(6,076)	(2,511)	(8,587)

June 30, 2017	Milner and development projects	Corporate amounts	Continuing operations	Discontinued operations from France	Total consolidated
Revenues from external customers	2,024	-	2,024	14,246	16,270
Operating income (loss)	(11,692)	(3,768)	(15,460)	36,467	21,007

15. Financial instruments, financial risk management and fair value

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

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

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

(a) Commodity risk management swaps and options

The fair value of the commodity swaps are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. The Corporation determined the fair value of the swaps by applying the market approach using market settled forward prices as reported by the Natural Gas Exchange for forward contracts of comparable term at the reporting date. For the six months ended June 30, 2018, the unrealized gain on commodity price swaps was $nil (June 30, 2017 - $58). For the six months ended June 30, 2018, the realized gain on commodity risk management swaps and option was $nil (June 30, 2017 - $1,295 gain on swap and $378 loss on option). At June 30, 2018, the Corporation had no outstanding commodity swaps or options.

(b) Foreign exchange risk management swap and options

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

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

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis ("MD&A") is dated August 9, 2018 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 six months ended June 30, 2018. The MD&A should also be read in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2017. 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.

TABLE OF CONTENTS

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 and prevailing economic conditions in the regions that the Corporation operates. 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 resumed the generation of electricity at Milner on June 13, 2018. Based on settled and forward power and gas prices, MAXIM anticipates generating electricity at Milner for at least the remainder of 2018.
- Development projects, including Deerland Peaking Station ("Deerland"), Milner gas repowering ("MGR"), Milner gas expansion ("MGE") and Summit Coal ("SUMMIT") are based upon current estimates of capital cost, projected returns on investment, the duration of the regulatory approval process, and the ability to obtain the necessary financing.
- Management forecasts that cash flows for operating, general and administrative expenses will be funded by its existing cash on hand. Management forecasts that cash flows for development capital will be funded by both its existing cash on hand and future anticipated financing.
- MAXIM estimates total capital expenditures of approximately $3.1 million to be incurred in 2018. The majority of these expenditures were spent on improvements to Milner for reliability and returning the plant to service. Capital expenditures in the second half of 2018 are anticipated to be minimal, with the exception of the potential reinvestment at the Milner site discussed on page 3, as management continues to evaluate an investment to modernize the generating facility, efficiently increase capacity and utilize existing assets.
- In determining potential development sites, management estimates future capacity payments and power prices in Alberta. The actual future capacity and power prices in these areas may be different from expected.
- MAXIM anticipates all necessary provincial and federal regulations for environmental and climate change legislation will be met. Changes to environmental legislation and operational issues may affect the ability of MAXIM to comply with regulations.
- MAXIM anticipates that it will maintain a working capital surplus over the next twelve months.

OVERALL PERFORMANCE

Highlights and Notable Events

During the second quarter, MAXIM continued to monitor both settled and forward power and gas prices and determined that it was economically feasible to resume operations at Milner and on June 13, 2018, the plant resumed the generation of electricity. MAXIM also has existing coal inventory at the Milner site, which combined with current forward pricing, provides MAXIM an opportunity to consume a significant amount of this inventory in 2018 in the most economic manner. As of the date of this MD&A, the Corporation anticipates that it has approximately six months of coal inventory on hand, based on prior consumption. If Milner is unable to consume or resell its coal inventory, it would ultimately incur significant costs for disposal.

During the second quarter, MAXIM announced that it believes that development of additional generating capacity at the Milner site produces the best risk adjusted return for MAXIM shareholders in consideration of all options. The Milner site has access to existing assets, which results in a cost-effective solution for new development. MAXIM has evaluated a potential investment of upwards of $70.0 million at the Milner site to modernize the generating facilities in advance of the first Alberta capacity market contract delivery period commencing in November 2021. The potential investment is projected to deliver up to 234 MW of natural gas-fired electric generating capacity, with a competitive heat rate, at the site. Management is currently identifying the exact configuration and equipment that will best match the requirements of the new Alberta capacity market construct. MAXIM continues to assess alternative configurations as no definitive commitments have been made towards this potential investment.

During the second quarter of 2018, the Corporation provided notice to the Toronto Stock Exchange of its intention to make a normal course issuer bid ("NCIB") to purchase for cancellation up to 3,100,000 common shares. As of the date of this MD&A, the Corporation has repurchased and cancelled 1,454,060 common shares at an average cost of $2.43 per share. The Corporation plans to continue purchasing common shares as management believes that the current market price of its common shares does not accurately reflect their underlying value and that it's in the best interest of the Corporation and its shareholders.

Key Performance Indicators ("KPI")

($000's, unless otherwise noted)	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
Revenue				
Continuing operations	2,109	45	2,109	2,024
Discontinued operations	-	-	-	14,246
Total	2,109	45	2,109	16,270
Net income (loss) attributable to shareholders				
Continuing operations	2,816	(10,479)	(723)	(14,990)
Discontinued operations	-	50,431	-	51,357
Total	2,816	39,952	(723)	36,367
Basic and diluted net income (loss) per share attributable to shareholders ($ per share)				
Continuing operations	0.05	(0.19)	(0.01)	(0.28)
Discontinued operations	-	0.92	-	0.95
Total	0.05	0.73	(0.01)	0.67
Total generation (MWh) (2)	21,869	1,434	21,869	85,894
Average Alberta market power price ($ per MWh) (2)(3)	55.92	21.63	95.61	20.81
Average Milner realized power price ($ per MWh) (2)(3)	95.61	19.23	44.12	23.32
Total assets	164,971	191,921	164,971	191,921

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

(2) During the second quarter of 2018, and upon resumption of the generation of electricity at Milner, the Corporation determined that prudent to recommence reporting market and realized power prices and total generation at Milner as the Corporation uses this to measure performance.

(3) Average Alberta market pool price and average Milner realized power price from June 13, 2018 to June 30, 2018 were $75.89 per MWh and $95.61per MWh, respectively.

Financial Results

The financial results of the Canada segment are presented as continuing operations and the financial results of the U.S. operating segment are presented as discontinued operation to illustrate the impact to the Corporation of the sale of the foreign segment. Refer to Discontinued Operation section on page 8 for information on the financial results of discontinued operation.

Revenue and net income attributable to shareholders from continuing operations increased in the second quarter of 2018 when compared to 2017. The increase in revenue was primarily due to the resumption of operations at Milner and higher realized power prices. Net income from continuing operations increased due to the same factors impacting revenues, lower personal costs at the corporate head office, lower restructuring costs, and the rerecognition and derecognition of future tax assets and liabilities, respectively. This was partially offset by the recoveries from the final resolution of the cooling tower claims in second quarter of 2017.

Net loss attributable to shareholders from continuing operations decreased in the first six months of 2018 when compared to 2017. The change in this financial measure was primarily due to the same factors impacting the second quarter, as well as operating cost savings from cost cutting initiatives and the temporary suspension of operations at Milner from April 2017 to June 2018. This was partially offset by realized gains on commodity risk management activities in the first quarter of 2017.

RESULTS OF CONTINUING OPERATIONS

Revenue

	Three months ended June 30		Six months ended June 30	
Segment ($000's)	2018	2017	2018	2017
Revenue	2,109	45	2,109	2,024

(1) All revenues from continuing operations are electricity sales at spot prices.

Revenue in the second quarter of 2018 increased from $nil in 2017 to $2.1 million in 2018, as a result of increased generation volumes, due to the resumption of operations at Milner, and significantly higher realized power prices. During the second quarter of 2018, Milner realized power prices of $95.61 per MWh as compared to the same period in 2017 which realized $21.63 per MWh. The realized price of $95.61 in 2018 represents a price premium of 26% as compared to the average Alberta market power price for the period from June 13, 2018 to June 30, 2018 of $75.89 per MWh. The realized price of $21.63 in 2017 represents a price premium of 12% as compared to the average Alberta market power price for the quarter of $19.23 per MWh. The premium in 2018 was achieved as a result of dispatching Milner at higher volumes during high-priced periods.

Revenue in the first six months of 2018 was $2.1 million, which is comparable to the same period in 2017. Although revenues were comparable, the Corporation was able to achieve this on generation of 21,869 MWh as compared to the same period in 2017 which had generation of 85,894 MWh due to higher realized power prices.

Plant Operations

Summary of plant operations expense by type:

Three months ended June 30 ($000's)	2018			2017		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	227	3,477	3,704	43	2,385	2,428
Percent	6%	94%	100%	2%	98%	100%

Six months ended June 30 ($000's)	2018			2017		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	227	4,766	4,993	1,425	6,689	8,114
Percent	5%	95%	100%	18%	82%	100%

During the second quarter of 2018, operations and maintenance ("O&M") expenses increased $1.1 million or 46%, from $2.4 million in 2017 to $3.5 million in 2018, primarily as a result of additional maintenance and labour expenses incurred in order to resume operations at Milner. During the first six months of 2018, O&M expenses decreased $1.9 million or 28%, from $6.7 million in 2017 to $4.8 million in 2018, primarily as a result of operating cost savings from cost cutting initiatives and the temporary suspension of operations at Milner in 2017, partially offset by the same factors impacting the second quarter.

Fuel expenses in the second quarter of 2018 increased from $nil in 2017 to $0.2 in 2018, as a result of increased generating volumes in the second quarter of 2018, partially offset by significantly lower per-unit natural gas costs. Fuel expenses in the first six months of 2018 decreased $1.2 million or 86%, from $1.4 million in 2017 to $0.2 in 2018, as a result of the temporary suspension of operations at Milner, which decreased generation volumes, and significantly lower per-unit natural gas costs.

General and Administrative Expense

	Three months ended June 30		Six months ended June 30	
($000's)	2018	2017	2018	2017
Total general and administrative expense	982	1,988	2,181	2,529

General and administration expense in the second quarter of 2018 decreased $1.0 million or 50%, from $2.0 million in 2017 to $1.0 million in 2018, primarily due to lower personnel costs at the corporate office as a result of headcount reductions.

General and administration expense in the first six months of 2018 decreased $0.3 million or 12%, from $2.5 million in 2017 to $2.2 million in 2018, primarily due to lower personnel costs at the corporate office as a result of headcount reductions, partially offset by no administrative costs allocated to the U.S. operating segment in the first quarter of 2018 as a result of the sale of this operating segment in the second quarter of 2017.

Depreciation and Amortization Expense

	Three months ended June 30		Six months ended June 30	
($000's)	2018	2017	2018	2017
Total depreciation and amortization expense	1,844	1,252	3,144	2,841

Depreciation and amortization expense in the second quarter of 2018 increased $0.5 million or 38%, from $1.3 million in 2017 to $1.8 million in 2018, primarily due to a higher asset base for Milner as a result of capital spending.

Depreciation and amortization expense in the first six months of 2018 increased $0.3 million or 11%, from $2.8 million in 2017 to $3.1 million in 2018, primarily due to a higher asset base for Milner as a result of capital spending, partially offset by higher consumption and amortization of nitrogen oxide credits and sulphur dioxide credits in the first six months of 2017.

Other Expense (Income), Net

($000's)	Three months ended June 30 2018	2017	Six months ended June 30 2018	2017
Other expense (income), net	180	(3,315)	378	(3,369)

Net other expense in the second quarter of 2018 increased from income of $3.3 million in 2017 to expense of $0.2 million in 2018. The increase is primarily due to cooling tower claims recovers and transition services income received in 2017, partially offset by costs incurred to restructure the Corporation's Alberta operations in the second quarter of 2017, all of which did not reoccur in the second quarter of 2018.

Net other expense in the first six months of 2018 increased from income of $3.4 million in 2017 to expense of $0.4 million in 2018. The increase is primarily due to the same factors impacting the second quarter.

Finance Income, Net

	Three months ended June 30		Six months ended June 30	
Interest expense and bank charges	35	191	71	343
Accretion of provisions	43	19	67	39
Foreign exchange loss (gain)	(71)	607	(78)	132
Finance expense	7	817	60	514
Interest income	(563)	(294)	(1,063)	(294)
Total finance expense (income), net	(556)	523	(1,003)	220

Net finance income in the second quarter of 2018 increased from an expense of $0.5 million in 2017 to income of $0.6 million in 2018. The increase is primarily due to interest income earned on cash and cash equivalents, short-term investment and restricted cash in 2018. In addition, $0.1 million of foreign exchange gains were recognized in 2018 compared to loss of $0.6 million in 2017, which is caused primarily by the net impact of foreign exchange rate movement for US dollars on cash balances.

Net finance income in the first six months of 2018 increased from an expense of $0.2 million in 2017 to income of $1.0 million in 2018. The increase is primarily due to interest income earned on cash and cash equivalents, short-term investment and restricted cash in 2018. In addition, $0.1 million of interest expense and bank charges were recognized in 2018 compared to $0.3 million in 2017, which was primarily due to standby charges on greater value letters of credit outstanding.

Income Tax Benefit

($000's)	Three months ended June 30 2018	2017	Six months ended June 30 2018	2017
Current tax expense (benefit)	(14)	146	(14)	152
Deferred tax benefit	(6,847)	(842)	(6,847)	(842)
Total income tax benefit	(6,861)	(696)	(6,861)	(690)

Income tax benefit in the second quarter of 2018 increased $6.2 million, from $0.7 million in 2017 to $6.9 million, primarily as a result of rerecognizing tax assets in 2018 as it is now probable that sufficient future taxable income will be available to utilize underlying tax losses due to the resumption of operations at Milner. In addition, the Corporation derecognized its deferred tax liability in second quarter of 2018, which was related to timing differences generated from the recognition of capital expenditures for tax purposes, as the Corporation is now able to control the timing of the reversal of these differences.

Income tax benefit in the first six months of 2018 increased $6.2 million, from $0.7 million in 2017 to $6.9 million, primarily as a result of the same factors impacting the second quarter.

Financial Position

The following highlights the changes in the Corporation's unaudited condensed consolidated interim Statement of Financial Position at June 30, 2018 as compared to December 31, 2017.

As at ($000's)	June 30, 2018	December 31, 2017	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents and short-term investment	90,475	101,402	(10,927)	Operating cash outflows, repurchase of common shares for cancelation and capital additions at Milner
Trade and other receivables	2,435	2,169	266	Increased as a result of resuming operations at Milner, partially offset by lower receivables outstanding for the remediation of certain lands at the Milner site
Property, plant and equipment, net	51,519	47,574	3,945	Change in estimated decommission costs at Milner and capital additions, partially offset by depreciation
Net other assets	20,542	14,977	5,565	Increased due to the recognition of income tax assets and derecognition of liabilities
Liabilities & Equity				
Trade and other payables	5,847	6,393	(546)	Lower payables related to the partial remediation of certain lands at the Milner site
Provisions for decommissioning	13,594	11,055	2,539	Change in estimated decommission costs at Milner, partially offset by continued remediation at the Milner site
Equity	145,530	148,674	(3,144)	Primarily due to the purchase and cancellation of common shares and a net loss for the period

DISCONTINUED OPERATION

The following table represents the discontinued net income for the U.S. operating segment combined in Canadian dollars:

	Three months ended June 30 2017	Six months ended June 30 2017
Revenue	-	14,246
Expenses (income)	(35,080)	(22,221)
Operating income	35,080	36,467
Finance income	(15,351)	(14,891)
Income before income taxes	50,431	51,358
Income tax expense (benefit)		
Current	-	25
Deferred	-	(28)
	-	(3)
Net income from discontinued operation	50,431	51,361

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

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Management has determined that cash flows for operating, general and administrative expenses and capital expenditures will be funded by MAXIM's existing cash on hand. Cash flows for development capital will be funded by both its existing cash on hand and, potentially, future anticipated financing based upon current forecasts.

The Corporation has a credit agreement with the Bank of Montreal for a demand facility that requires full cash collateralization for $8.0 million of letters of credit on a non-revolving basis. As at June 30, 2018, the Corporation has $7.9 million of outstanding letters of credit outstanding and cash of the same amount was deposited into a restricted bank account maintained by the bank. There are no financial covenants under this credit agreement.

At June 30, 2018, the Corporation had unrestricted cash of $14.6 million and short-term investment of $75.9 million included in the net working capital surplus of $87.5 million. Unrestricted cash balances are invested with one Canadian chartered bank yielding the bank's prime rate less 168 basis points and are available on demand. Short-term investment balance is invested with a Canadian financial institution yielding the bank's prime rate less 120 basis points and is available with ninety days' notice. During the second quarter of 2018, the Corporation provided notice to permit withdrawal of $25.0 million on August 2, 2018 to support future development options. The Corporation has ample working capital to support pre-construction development project activities, maintain liquidity and support current operations. This preceding statement represents FLI and users are cautioned that actual results may vary.

Cash flow summary:

Six months ended June 30 ($000's)	2018	2017
Cash on hand, unrestricted, January 1	51,264	15,303
Cash flow used in operations	(6,460)	(9,056)
Cash flow used in financing	(2,696)	(290)
Available for investments	42,108	5,957
Cash flow generated from (used in) investing	(27,486)	108,653
	14,622	114,610
Cash and cash equivalents held at discontinued operations beginning of period	-	3,535
Net increase (decrease) in cash from discontinued operations	-	(3,535)
Net liquidity available, June 30	14,622	114,610

Cash flow used in operations in the first six months of 2018 decreased from an outflow of $9.1 million in 2017 to $6.5 million in 2018, which is a decrease of $2.6 million. The decrease in outflow is primarily due to favourable cash flows from resuming operations at Milner, lower general and administrative costs in the second quarter of 2018 and lower costs associated with the restructuring of Alberta operations. In addition, fluctuations in working capital represented a cash outflow of $1.2 million in 2018, as compared to of $1.0 million in 2017. See below for further discussion of working capital.

During the first six months of 2018, MAXIM's cash flow used in financing increased $2.4 million from $0.3 million in 2017 to $2.7 million in 2018, primarily due to purchasing and cancelling common shares of the Corporation under the NCIB.

MAXIM's investing activities in first six months of 2018 represented a cash outflow of $27.5 million, which primarily consisted of a $25.0 million contribution to short-term investment and $3.0 million of sustaining M1 and development initiatives capital in Canada. These amounts were partially offset by interest income of $0.3 million not reinvested into short-term investment and a change in non-cash working capital of $0.2 million.

MAXIM's investing activities in the first six months of 2017 represented a cash inflow of $108.7 million, which primarily consisted of net proceeds of $112.6 million on the sale of the U.S operating segment, $4.3 million of recoveries on cooling tower claims and $0.3 million of interest income. These amounts were partially offset by cash collaterizing the Corporation's letters of credit for $7.9 million and $0.6 million of development capital expenditures in Canada.

Working Capital

The Corporation has a working capital surplus of $87.5 million at June 30, 2018, which represents a $9.8 million decrease from the working capital surplus of $97.3 million at December 31, 2017. The total decrease was due to a $10.4 million decrease in current assets and a $0.6 million decrease in current liabilities.

The decrease in current assets was due to a $36.7 million decrease to unrestricted cash, which was partially offset by a $25.8 million increase to short-term investment, $0.3 million increase to prepaid expenses and deposits and $0.2 million increase in accounts receivable.

The decrease in current liabilities was due to a $0.6 million decrease in accounts payable.

MAXIM anticipates that it will continue to have a working capital surplus for the next twelve months. 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.

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 has closed the sale of the France operating segment. 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. In addition, the Corporation is subject to customary closing indemnities until December 2, 2019 to a maximum claim of €3.5 million.

The Corporation has closed the sale of the United States operating segment. 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. As previously reported, on March 30, 2018, the buyer of the United States operating segment submitted a claim for indemnification of US$2.9 million relating to tax and working capital matters. During the second quarter of 2018, MAXIM and its external legal counsel were able to obtain supporting documentation to evaluate the claim for US$2.9 million. As a result, MAXIM has determined that US$2.7 million of the claim relating to tax and working capital is without merit and the probability of payment is remote. The remaining US$0.2 million of indemnity claims relating to tax matters were settled for a payment of US$0.1 million. Costs in relation to these claims and potential claims are only recognized when they become probable and based on the information presently known, it is the view of the Corporation that no liability currently exists.

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

Contingent assets

Through its Decision 790-D06-2017 ("Decision"), released December 18, 2017, the Alberta Utilities Commission ("AUC") asserted its position on several matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the Alberta Electric System Operator ("AESO") Line Loss Rule. The Decision 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 public record, before accounting for the time value of money. The Corporation anticipates, based on the AESO's current published timelines, that collection of these prior overpayments and the time value of money component at the Bank of Canada Bank Rate +1.5% will occur in 2019. This timing is subject to appeals by various industry participants. These preceding statements represent FLI and users are cautioned that actual results may vary.

Capital Resources

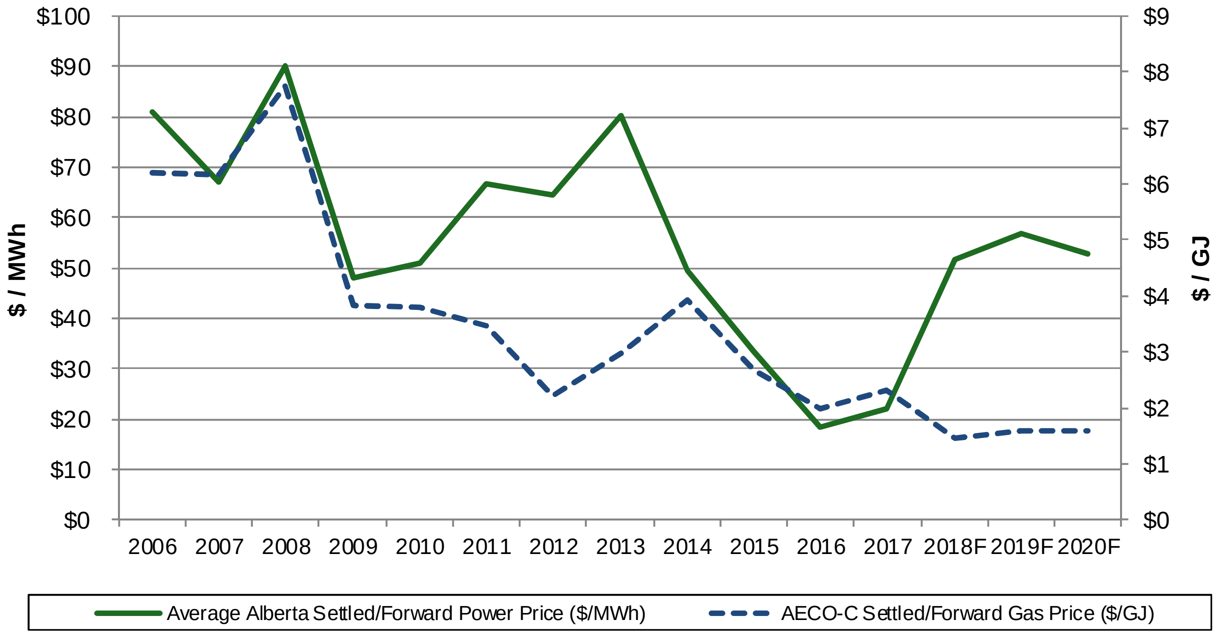
The following represents FLI and users are cautioned that actual results may vary. The Corporation is currently estimating capital expenditures of approximately $3.1 million for 2018 primarily for improvements to Milner for reliability and returning the plant to service. Management intends to fund these expenditures with existing cash balances. Capital expenditures in the second half of 2018 are anticipated to be minimal, with the exception of the potential reinvestment at the Milner site, as management continues to evaluate an investment to modernize the generating facility, efficiently increase capacity and utilize existing assets.

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, which have undermined profitability for a prolonged period, the Corporation had made the decision to suspend operations in April 2017. From this point, the Corporation continued to monitor both settled and forward power and gas prices. MAXIM observed favourable conditions and as a result, the Corporation resumed the generation of electricity at Milner on June 13, 2018.

Alberta power prices fluctuate based on the supply of, and demand for electricity within Alberta, the cost of key inputs such as natural gas, and other market factors. The chart on the next page compares the average annual Alberta power price to Alberta natural gas price since 2006. 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 in the second quarter of 2018 and management observed a change in the offer strategy as a result of dispatch control of four units returning to an independent power producer from the Balancing Pool. Management expects to see further break in correlation as a portion of the coal generation in Alberta will have significant periods of unforced outages due to coal to gas conversion work. As a result, these factors may increase Alberta power prices. It is also expected that natural gas prices will decrease as a result of oversupply which will contribute further to the break in correlation. Based on settled and forward power and gas prices, MAXIM anticipates generating electricity at Milner for at least the remainder of 2018.



Capacity Market Transition

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

ACQUISITION AND DEVELOPMENT INITIATIVES

The Corporation maintains optionality for all of the development initiatives in order to maximize shareholder value including outright sale, joint venture, build and operate or pace development process to hold as future opportunity. As at the date of this MD&A, MAXIM has not made any definitive commitments to the timing or certainty of advancing development of these projects. MAXIM is continually evaluating its plans for these projects as clarity develops for the transition from the current "energy-only market" to a "capacity market" in Alberta. At the date of this MD&A, MAXIM believes that development of additional generating capacity at the Milner site produces the best risk-adjusted return for MAXIM shareholders in consideration of all options. The Milner site has access to existing assets, which results in a cost-effective solution for new development. MAXIM has evaluated a potential investment of upwards of $70.0 million at the Milner site to modernize the generating facilities in advance of the first Alberta capacity market contract delivery period commencing in November 2021. The potential investment is projected to deliver up to 234 MW of natural gas-fired electric generating capacity, with a competitive heat rate, at the site. Management is currently identifying the exact configuration and equipment that will best match the requirements of the new Alberta capacity market construct. MAXIM believes this investment provides the best alternative to maximize shareholder value.

Financing

MAXIM requires capital (debt and equity), from internal or external sources, to finance construction of development initiatives and for larger acquisitions. 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: i) Green House Gas ("GHG") stringency requirements on new natural gas-fired generation facilities, ii) GHG stringency requirements on existing natural gas-fired generation components and facilities or coal-to-gas conversions, and more remotely, iii) legislation that phases out natural gas-fired generation entirely, similar to the regulatory actions taken in recent years surrounding coal-fired generation.

Provincial and Federal Legislation

In 2015, the GoA announced its Climate Leadership Plan ("CLP"). The CLP recommends that Alberta move forward on phasing out coal-fired electricity generation by 2030 and encourages more renewable energy. Under the CLP and in December 2017, 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 2016, the Government of Canada announced a pan-Canadian carbon pricing system that would implement a minimum charge of $10 per tonne of GHG emissions in 2018, rising by $10 each year to $50 per tonne by 2022. It is expected that this would not impact Albertans until 2021 when the existing $30 price on GHG emissions would increase by $10 to $40 in order to meet the federal framework.

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 50 years after the commissioning date and December 31, 2019. Moreover, power plants built after 1974 are able to operate until the earlier of 50 years after the commissioning date and December 31, 2029. The Milner facility was commissioned in 1972, and accordingly, is allowed to operate to its full capacity to December 31, 2019 (“end of life”). After December 31, 2019, Milner is allowed to operate at an annual capacity factor of up to 9% (using coal in the fuel supply), which is approximately 113,500 MWh per annum, until December 31, 2029. In February 2018, the Government of Canada issued draft regulations in relation to natural gas-fired units, and more specifically, in relation to coal-to-gas conversions. In the draft 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 currently anticipates that it will continue to be permitted to run Milner at full capacity to December 31, 2019 as a dual fuel-fired (coal and natural gas) facility and at a 9% capacity factor for the subsequent 10 years subject to utilizing coal for a portion of the fuel source each year. Alternatively, MAXIM currently anticipates that if Milner does not use coal as a fuel source, it would not comply with the draft regulations for coal to gas conversions and as such could not operate on natural gas as a fuel source beyond 2019. Management is currently assessing the economic feasibility of operating Milner as a dual fuel-fired facility at a 9% capacity factor beyond 2019 in conjunction with proceeding with one of its development projects.

SELECTED QUARTERLY FINANCIAL INFORMATION

KPI's

Quarter ended: (unaudited) ($000's unless otherwise noted)	30-Jun 2018	31-Mar 2018	31-Dec 2017	30-Sep 2017
Revenue				
Continuing operations	2,109	-	-	-
Discontinued operation	-	-	-	-
Total	2,109	-	-	-
Net income (loss) attributable to shareholders				
Continuing operations	2,816	(3,539)	(12,454)	(3,281)
Discontinued operation	-	-	-	(2,156)
Total	2,816	(3,539)	(12,454)	(5,437)
Basic and diluted income (loss) per share attributable to shareholders ($ per share)				
Continuing operations	0.05	(0.06)	(0.23)	(0.06)
Discontinued operation	-	-	-	(0.04)
Total	0.05	(0.06)	(0.23)	(0.10)
Total assets	164,971	168,237	169,490	181,236

Quarter ended: (unaudited) ($000's unless otherwise noted)	30-Jun 2017	31-Mar 2017	31-Dec 2016	30-Sep 2016
Revenue				
Continuing operations	45	1,979	2,840	1,581
Discontinued operations	-	14,246	18,309	21,997
Total	45	16,225	21,149	23,578
Net income (loss) attributable to shareholders				
Continuing operations	(10,479)	(4,511)	(9,721)	(3,334)
Discontinued operations	50,431	926	(7,690)	(16,698)
Total	39,952	(3,585)	(17,411)	(20,032)
Basic and diluted income (loss) per share attributable to shareholders ($ per share)				
Continuing operations	(0.19)	(0.08)	(0.18)	(0.06)
Discontinued operations	0.92	0.01	(0.14)	(0.31)
Total	0.73	(0.07)	(0.32)	(0.37)
Total assets	191,921	213,211	218,183	295,286

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

The second quarter of 2018 included rerecognizing $3.5 million of deferred assets and derecognizing $3.4 million of deferred tax liabilities. The first quarter of 2018 had $nil impact to net loss attributable to shareholders from certain non-cash and non-recurring transactions.

The fourth quarter of 2017 had asset impairment charges totaling $7.4 million relating to PP&E. The third quarter of 2017 had a $2.2 million post-closing adjustment reducing the gain on sale of the U.S. operating segment. The second quarter of 2017 had a $33.8 million gain on sale of the U.S. operating segment, a $8.3 million impairment to PP&E and intangible assets and a $4.3 million recovery of claims. The first quarter of 2017 had a $0.3 million unrealized gain on foreign exchange and commodity swaps.

The fourth quarter of 2016 had a $1.9 million write-down of coal inventory, a $1.8 million unrealized loss on commodity swaps, a $1.8 million loss on sale of the France operating segment and a net reversal of asset impairment charges relating to Canada for $2.8 million. The third quarter of 2016 had a $15.6 million impairment charge, net of deferred tax benefit, relating to the France operating segment, a $10.5 million charge related to the Federal Energy Regulatory Commission settlement, $1.7 million loss on disposal of coal mining equipment, a $2.8 million insurance recovery and a $1.5 million unrealized gain on commodity swaps.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The use of 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, 2017, with the exception of the following. During the first quarter of 2018, the Corporation continued remediation of certain lands at the Milner site, and as a result management updated the cost estimate to decommission Milner. The updated cost estimates resulted in an increase to decommissioning costs estimate as it reflects current information.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Adoption of New Standards and Amendments

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

The Corporation did not disclose the method, basis for impact or revenue recognition policy from adopting IFRS 15 in the first quarter of 2018 as it was not earning revenues. As a result of the resumption of operations at Milner and the earning of revenues in the second quarter of 2018, the impact of adopting IFRS 15 is as follows:

MAXIM used the cumulative effect method to adopt the new standard. Under this method, prior years' financial statements have not been restated and the cumulative effect on net earnings of the application of IFRS 15 to revenues at January 1, 2018 is $nil. Management reviewed its revenue stream and major contract with its sole customer using the IFRS 15 five step model and there were no changes to net earnings or timing of revenue recognized.

The following accounting policy for the application of revenue recognition as of January 1, 2018 is as follows:

Revenues from the sale of power generation are measured based on the consideration specified in contract with the customer. MAXIM recognizes revenue when it transfers control of the electricity to the customer and collection is reasonably assured. This is considered to occur when electricity is physically transferred to the customer. Revenues are recognized on a hourly basis, based on the completion of the performance obligation which is when electricity is generated and transferred to the customer.

IFRS Standards Issued Not Yet Effective

The International Accounting Standards Board ("IASB") has issued the following new standards to August 9, 2018. These standards have not been applied in preparing MAXIM’s second quarter 2018 condensed consolidated interim financial statements as the effective date falls in a subsequent period.

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

Leases

Leases (IFRS 16), was issued in January 2016 and will replace the current Leases standard (IAS 17). IFRS 16 brings all leases on-balance sheet for lessees under a single model, with limited exemptions, eliminating the distinction between operating and finance leases. Lessor accounting remains substantially unchanged and the distinction between operating and finance leases is retained.

The new standard is effective for annual periods beginning on or after January 1, 2019. Management is currently assessing the impact of the application of this standard, but does not anticipate that there will be a significant impact as the Corporation currently only utilizes operating leases for office space and fixtures therein. The Corporation will not early adopt this new standard.

IFRS amendments

The IASB has issued the following amendments to August 9, 2018. These amendments have not been applied in preparing MAXIM's second 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
IAS 12 Income Taxes	December 2017	January 1, 2019	Not applicable to MAXIM
IAS 19 Employee Benefits	February 2018	January 1, 2019	Not applicable to MAXIM
IAS 23 Borrowing Costs	December 2017	January 1, 2019	Not applicable to MAXIM
IAS 28 Investments in Associates and Joint Ventures	October 2017	January 1, 2019	Not applicable to MAXIM
IFRS 3 Business Combinations	December 2017	January 1, 2019	Not applicable to MAXIM
IFRS 9 Financial Instruments	October 2017	January 1, 2019	Not applicable to MAXIM
IFRS 17 Insurance Contracts	May 2017	January 1, 2021	Not applicable to MAXIM
Conceptual Framework	March 2018	January 1, 2020	No impact to MAXIM

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

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

TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter any related party transactions during the first six months of 2018, 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 28 of the 2017 audited annual financial statements.

CONTROLS AND PROCEDURES

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

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

The interim CEO and CFO have evaluated, or caused to be evaluated under their supervision, the design and effectiveness of the Corporation's internal control over financial reporting and have previously identified material weaknesses in the design of the Corporation's internal control over financial reporting. These weaknesses have been remediated as of June 30, 2018; however, the weakness will continue to impact the Corporation's comparative financial information until the December 31, 2018 financial reporting period. At December 31, 2016, the Corporation, predominately in its discontinued France operating segment and as a result of the complexities surrounding the accounting and disclosures associated with the disposition of both the France and United States operating segments, did not have a sufficient number of finance personnel with the required technical knowledge to address all complex accounting and tax issues that may arise and this may result in inaccuracies in financial reporting. Management remediated this weakness in second quarter of 2017 upon completion of disposals of both the France and United States operating segments and resulting simplification of operations.

The Corporation is required to disclose herein any change in the Corporation's internal control over financial reporting that occurred during the period beginning January 1, 2018 and ended on June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting. No material changes in the Corporation's internal control over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

As a result, the Corporation's internal control over financial reporting is effective as of June 30, 2018.

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

OTHER INFORMATION

Outstanding share data:

Issued common shares at June 30, 2018	53,558,373
Outstanding share options at June 30, 2018	1,257,653
Total diluted common shares at June 30, 2018	54,816,026
Share options expired in July 2018	(8,333)
Share options granted in July 2018	133,333
Common shares cancelled in August 2018	(388,608)
Total diluted common shares at August 9, 2018	54,552,418

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

GLOSSARY OF TERMS

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

AESO	Alberta Electric System Operator
AUC	Alberta Utilities Commission
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	Senior Vice President, Finance and Chief Financial Officer
CLP	Climate Leadership Plan
Decision	Decision 790-D06-2017 issued by the AUC
Deerland	Deerland is a development project for a 190 MW natural gas-fired peaking station located near Bruderheim, Alberta
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
GoA	Government of Alberta
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicators
Milner	HR Milner**,** a 150 MW (nameplate capacity) generating facility located near the town of Grande Cache, Alberta has been in continuous operation since 1972 and was acquired by MAXIM on March 31, 2005
M14	Mine 14 is a development project of Summit Coal and is located north of Grande Cache, Alberta
M16	Mine 16S is a development project of Summit Coal containing 1,792 hectares of coal leases and is located 30 kilometers northwest Mine 14 in the Smokey River Coalfield
MGE	Milner gas expansion initiative to develop a 520 MW natural gas-fired generating facility
MGR	Milner gas repowering initiative to increase generating capacity at Milner to 236 MW, comprised of two natural gas-fired turbines located next to Milner
MAXIM or the Corporation	Maxim Power Corp.
MD&A	Management's Discussion and Analysis
MW	Megawatt, a measure of electrical generating capacity that is equivalent to one million watts
MWh	Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour
NCIB	Normal course issuer bid
PP&E	Property, plant and equipment
O&M	Operations and maintenance
SUMMIT	Summit Coal is a wholly-owned MAXIM subsidiary, which owns the Mine 14 and Mine 16S development projects
U.S. or **United States**	The United States of America

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