Condensed Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the First Quarter Ended March 31, 2020

(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
Chief Executive Officer	President 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	**March 31, 2020**	December 31, 2019
ASSETS			
Cash and cash equivalents		**15,885**	20,924
Trade and other receivables		**1,082**	4,064
Prepaid expenses and deposits		**804**	1,030
Total current assets		**17,771**	26,018
Property, plant and equipment, net	4	**179,772**	170,317
Restricted cash		**7,865**	7,849
Deferred tax assets		**13,362**	13,336
Other assets		**8,622**	7,754
Total non-current assets		**209,621**	199,256
TOTAL ASSETS		**227,392**	225,274
LIABILITIES			
Trade and other payables	5	**15,319**	21,659
Loans and borrowings	6	**7,434**	2,559
Total current liabilities		**22,753**	24,218
Provisions for decommissioning		**13,725**	13,744
Other long-term liability	5	**3,975**	1,638
Loans and borrowings	6	**46,736**	46,442
Total non-current liabilities		**64,436**	61,824
TOTAL LIABILITIES		**87,189**	86,042
EQUITY			
Share capital		**144,564**	144,771
Contributed surplus		**12,266**	12,175
Deficit		**(16,627)**	(17,714)
TOTAL EQUITY		**140,203**	139,232
Commitments and Contingencies	9,10		
TOTAL LIABILITIES AND EQUITY		**227,392**	225,274

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

On behalf of the Board:

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

MAXIM POWER CORP.

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

For the three months ended March 31
(in thousands of Canadian dollars)

	Note	**2020**	2019
Revenue		**7,258**	8,199
Expenses			
Operating		**5,012**	8,478
General and administrative		**1,022**	829
Depreciation and amortization		**337**	818
Gain on commodity swaps	12	**(890)**	-
Other (income) expense, net		**(247)**	261
Operating income (loss)		**2,024**	(2,187)
Finance expense (income), net	7	**1,044**	(393)
Income (loss) before income taxes		**980**	(1,794)
Income tax benefit			
Deferred		**(26)**	-
Net income (loss) and comprehensive income (loss)		**1,006**	(1,794)
Earnings per share			
Basic earnings	8	**0.02**	(0.03)
Diluted earnings	8	**0.02**	(0.03)

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

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

	Number of common shares (thousands)	Share capital	Contributed surplus	Deficit	Total
Equity at December 31, 2019	50,214	144,771	12,175	(17,714)	139,232
Net income	-	-	-	1,006	1,006
Repurchase of common shares for cancellation	(72)	(207)	-	81	(126)
Share-based compensation	-	-	91	-	91
Equity at March 31, 2020	**50,142**	**144,564**	**12,266**	**(16,627)**	**140,203**
Equity at December 31, 2018	52,526	151,430	11,839	(14,729)	148,540
Net loss	-	-	-	(1,794)	(1,794)
Repurchase of common shares for cancellation	(48)	(138)	-	38	(100)
Share-based compensation	-	-	74	-	74
Equity at March 31, 2019	52,478	151,292	11,913	(16,485)	146,720

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 three months ended March 31
(in thousands of Canadian dollars)

	Note	**2020**	2019
Cash flows from operating activities:			
Net income (loss)		**1,006**	(1,794)
Adjustments for items not involving cash or operations:			
Depreciation and amortization		**337**	818
Share-based compensation		**91**	74
Income tax benefit		**(26)**	-
Finance expense (income), net	7	**1,044**	(393)
Funds generated from (used in) operating activities before changes in working capital		**2,452**	(1,295)
Change in non-cash working capital from operations	11	**(897)**	748
Net cash generated from (used in) operating activities		**1,555**	(547)
Cash flows from financing activities:			
Issuance of loans and borrowings		**4,637**	-
Repurchase of common shares for cancellation		**(126)**	(100)
Interest and bank charges		**(1,343)**	(38)
Net cash generated from (used in) financing activities		**3,168**	(138)
Cash flows from investing activities:			
Property, plant and equipment additions	4	**(9,395)**	(15,791)
Proceeds from withdrawal of short-term investment		**-**	30,000
Reinvested interest income from short-term investment		**-**	(183)
Interest income	7	**75**	399
Change in non-cash working capital	11	**(483)**	2,006
Net cash from (used in) investing activities		**(9,803)**	16,431
Unrealized foreign exchange gain on cash and cash equivalents		**41**	77
Increase (decrease) in cash and cash equivalents		**(5,039)**	15,823
Cash and cash equivalents, beginning of period		**20,924**	22,246
Cash and cash equivalents, end of period		**15,885**	38,069

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's common shares trade on the Toronto Stock Exchange under the symbol "MXG". MAXIM's registered office is Suite 1210, 715 – 5 Avenue S.W., Calgary, Alberta, Canada, T2P 2X6.

2. Basis of preparation and statement of compliance

(a) Statement of compliance

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 and should be read in conjunction with the Corporation's December 31, 2019 annual audited financial statements, available at www.sedar.com.

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on May 7, 2020.

(b) Use of judgments and estimates

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, 2019.

On March 11, 2020, the World Health Organization declared the novel strain of Coronavirus ("COVID-19") a global pandemic. We are closely monitoring the impact of COVID-19 to our business, operations and financial results. As of the date of these unaudited condensed consolidated interim financial statements were authorized for issue, COVID-19 has not had a material impact on our operations and financial performance, however any future impacts are highly uncertain and cannot be predicted.

3. Significant accounting policies

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, 2019.

4. Property, plant and equipment, net

During the first three months of 2020, the Corporation spent $9,395 primarily on the construction of the first stage of Milner 2 ("M2"), a natural gas fired generation facility. This stage is a 204 MW simple cycle gas turbine facility located on the existing HR Milner site.

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

5. Trade and other payables

	March 31, 2020	December 31, 2019
Trade and other payables	10,413	17,235
Deferred vendor payments (a)	4,906	4,424
Total trade and other payables	15,319	21,659
Other long-term liability (a)	3,975	1,638

(a) Deferred vendor payments

Deferred vendor payments and other long-term liabilities consists of deferred vendor payments for the construction of M2 beyond standard trade payable terms with the final payment in 2021. As at March 31, 2020, the cash price equivalent, plus accrued interest in trade and other payables and other long-term liability for those deferred payments, is $4,906 and $3,975 (December 31, 2019 - $4,424 and $1,638), respectively.

6. Loans and borrowings

	March 31, 2020	December 31, 2019
Construction loan facility (a)	28,238	28,238
Convertible loan facility (b)	22,245	21,595
Revolver facility (a)	6,987	3,000
	57,470	52,833
Less: deferred financing costs	(3,300)	(3,832)
Net loans and borrowings	54,170	49,001
Less: current portion	7,434	2,559
	46,736	46,442

(a) ATB Financial (“ATB”) Credit Facilities

The ATB Credit Facilities consist of a thirty-five month term that provides for senior debt financing of up to $44,000 to support financing requirements of M2, plus a cash collaterized letter of credit facility and hedging facility.

Financing is provided as follows:

(i) Construction loan facility

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

(ii) Revolver facility

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

The construction loan and revolver facility bear interest at variable rates upon receipt of the advance. As at March 31, 2020, the Corporations interest rate for its advances range from 4.45% to 5.03% (December 31, 2019 - 5.03%) on the $28,238 and $6,987 (December 31, 2019 - $28,238 and $3,000) drawn under the construction loan and revolver facility, respectively.

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

6. Loans and borrowings (continued)

(iii) Revolver facility #2

$4,000 maturing on November 19, 2022, available after M2 is completed and only for certain working capital requirements, undrawn at March 31, 2020.

(iv) Letter of credit facility

Cash collaterized availability up to $8,000 to replace MAXIM's current outstanding letters of credit for equal amounts disclosed under note 9, maturing on November 19, 2022. As at March 31, 2020, the Corporation has issued $16 in cash collaterized letters of credit under this facility.

(v) Hedging facility

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

(b) Convertible loan facility

The convertible loan is a revolving, secured credit facility with a maximum available to be drawn of $75,000. It is convertible into common shares at $2.25 per share, bears interest at 12% per annum and is subordinated to the ATB credit facilities. The convertible feature of the loan was valued at $nil and therefore has no impact to equity. The term of the convertible loan ends upon repayment of the ATB credit facilities. As at March 31, 2020, the Corporation has $22,245 (December 31, 2019 - $21,595) outstanding under the convertible loan facility.

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

(c) Debt covenants

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

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

As at March 31, 2020 MAXIM is in compliance with all debt covenants.

(d) Repayments

The Corporation's anticipated principal repayment obligations as at March 31, 2020 on the above loans and borrowings over the next five calendar years are as follows:

2020	8,487
2021	3,000
2022	45,983
	57,470

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

7. Finance income, net

	March 31, 2020	March 31, 2019
Interest expense and bank charges	39	38
Amortization of deferred financing costs	536	-
Accretion of provisions	17	45
Foreign exchange (gain) loss	527	(77)
Finance expense	1,119	6
Interest income (a)	(75)	(399)
Total finance income, net	1,044	(393)

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

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the three months ended March 31, 2020 was based on the net income of $1,006 (March 31, 2019 – loss of $1,794) and weighted average number of common shares outstanding for the period of 50,199,106 (March 31, 2019 – 52,511,843).

(b) Diluted earnings per share

For the three months ended March 31, 2020 diluted earnings per share calculation, 175,634 shares were added to the average number of common shares outstanding during the period for the dilutive effects of exercisable stock options. The effects of exercisable stock options on diluted earnings per share were $nil for the three months ended March 31, 2019 as they were antidilutive.

9. 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 March 31, 2020, on a life-to-date basis, the Corporation has billed and collected $4,398 from the Balancing Pool for remediation of certain lands at Milner. The present value of the residual balance of $8,442 has been recorded in other assets. Should there be a material breach of environmental laws by MPLP during the period of ownership, then MPLP is required to contribute fully to the incremental costs caused by such material breach.

(b) The Corporation has entered into contracts for engineering, construction, procurement and maintenance of equipment for M2. These contracts expire in 2020 with commitments totaling $1,941.

(c) The Corporation has entered into a natural gas transportation service agreement from June 1, 2020 to May 31, 2025 to deliver natural gas to M2. The total commitment from this five-year contract is $13,570.

9. Commitments (continued)

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

10. Contingencies

(a) Contingent liabilities

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

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

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

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

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

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

10. Contingencies (continued)

(b) Contingent assets

Through its Decision 790-D06-2017 ("Decision"), the Alberta Utilities Commission ("AUC") asserted its position on several matters related to remedy under Module C of Milner Power Inc.'s complaint relating to the Alberta Electric System Operator (“AESO”) Line Loss Rule. The Decision confirmed that the same method that was used to calculate 2017 prospective loss factor rates would be used for the historic period of January 1, 2006 to December 31, 2016. The AUC deemed that a single settlement approach will be used whereby the AESO calculates all eleven years before cash is settled. The Decision further confirms that the settlement be 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. The Corporation estimates that overpayments of approximately $40,100 were made by Milner Power Inc. to the AESO for the period January 1, 2006 to December 31, 2016, based on calculations established by information currently available on final public record, before accounting for the time value of money. As at March 31, 2020, the precise amount and timing of compensation under Module C cannot be determined.

The Corporation has closed the sale of a development project on June 20, 2018. Under the sales agreement, the Corporation is entitled to additional compensation if the purchaser executes a renewable power purchase agreement or begins construction of the project. In addition, the Corporation is entitled to further compensation upon the date of commercial operation. This additional compensation, under both conditions, shall not exceed $2,810. As at March 31, 2020, the precise amount and timing of compensation under the sales agreement cannot be determined.

11. Change in non-cash working capital

	March 31, 2020	March 31, 2019
Operations		
Trade and other receivables	2,982	2,971
Prepaid expenses and deposits	226	(552)
Trade and other payables	(4,105)	(1,671)
	(897)	748

	March 31, 2020	March 31, 2019
Investing		
Trade and other payables	(2,804)	2,060
Other long-term liabilities	2,337	-
Restricted cash	(16)	(54)
	(483)	2,006

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

12. Financial risk management

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

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

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

The following table provides the fair values of the financial assets and liabilities in the Corporation's Consolidated Statements of Financial Position, and is categorized by hierarchical levels and their related classifications.

March 31, 2020	Total carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Cash and cash equivalents	15,885	15,885	-	-
Trade and other receivables	1,082	1,082	-	-
Restricted cash	7,865	7,865	-	-
Milner decommissioning reimbursement	8,442	-	-	8,442
Total assets	33,274	24,832	-	8,442
Trade and other payables	15,319	15,319	-	-
Other long-term liabilities	3,975	3,975	-	-
Loans and borrowings	54,170	-	55,893	-
Total liabilities	73,464	19,294	55,893	-

December 31, 2019	Total carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Cash and cash equivalents	20,924	20,924	-	-
Trade and other receivables	4,064	4,064	-	-
Restricted cash	7,865	7,849	-	-
Milner decommissioning reimbursement	7,574	-	-	7,574
Total assets	40,411	32,837	-	7,574
Trade and other payables	21,659	21,659	-	-
Other long-term liabilities	1,638	1,638	-	-
Loans and borrowings	49,001	-	50,342	-
Total liabilities	72,298	23,297	50,342	-

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 quarter ended March 31, 2020, the unrealized gain on commodity price swaps was $10 (March 31, 2019 – $nil). For the quarter ended March 31, 2020, the realized gain on commodity risk management swaps and options was $880 (March 31, 2019 - $nil).

12. Financial risk management (continued)

Interest rate swaps and options

The Corporation manages this exposure by entering into a interest swap and purchasing put options, for a portion of the proceeds. The fair value of the interest rate swap and put options are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. For the quarter ended March 31, 2020, the unrealized loss on interest rate swaps and options was $20 (March 31, 2019 - $nil). For the quarter ended March 31, 2020, the realized loss on interest rate swaps and options was $5 (March 31, 2019 - $nil).