



Maxim Power Corp. Enters into Loan Agreements to Finance its M2 Development Project

CALGARY, Alberta (September 10, 2019) – Maxim Power Corp. ("**MAXIM**" or the "**Corporation**") (TSX: MXG) announced today that it, and certain of its subsidiaries, entered into two credit agreements that collectively provide for \$75 million to fully fund the construction and development of MAXIM's 204 MW power plant located near Grande Cache, Alberta ("**M2**"). The first loan is a \$22 million, one-year, 12% per annum, revolving, secured loan (the "**Construction Loan**") and the second loan is a \$75 million, one-year, 12% per annum, revolving, secured convertible loan (the "**Convertible Loan**" and together with the Construction Loan, the "**Loans**"). The term of the Loans may be extended by six months subject to certain conditions. The Convertible Loan is subject to shareholder approval as described below and, if so approved, will be initially drawn to repay the Construction Loan, which will mature and become repayable on the date the Convertible Loan is available to, and first drawn by, MAXIM.

The Loans provide full funding for the construction of M2. On August 27, 2019, MAXIM announced that a wholly owned subsidiary of MAXIM had entered into an \$83 million engineering, procurement and construction contract to complete construction of M2, which includes approximately \$39 million of work already performed by members of the contractor's joint venture under various time-and-material agreements that are superseded by the EPC contract. The EPC contract requires that MAXIM secure binding financing arrangements to provide sufficient funds for the construction of M2 within 60 days of the EPC contract execution, or the EPC contract may be suspended or terminated by the contractor's joint venture.

MAXIM currently anticipates that M2 will cost approximately \$144 million, excluding financing costs. As of the date of this press release, MAXIM has spent approximately \$77 million in connection with M2 and estimates the forecasted remaining cost to complete M2 is approximately \$67 million (including remaining work to be performed under the EPC contract and otherwise). MAXIM further anticipates that it would require not less than \$57 million in additional funding to complete and commission M2 as a fully operational and electricity producing facility (net of any cash resources, funds generated from current operations and other general expenses of the Corporation).

The Loans

The counterparties to each Loan are Alpine Capital Corp. ("**Alpine**") and Prairie Merchant Corporation ("**Prairie Merchant**" and together with Alpine the "**Lenders**"). Each of the Lenders is a "related party" of the Corporation pursuant to Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The Convertible Loan is subject to, among other things, the "minority shareholder approval" requirements under MI 61-101 which require the approval of shareholders of MAXIM, excluding the Lenders and their respective associates and affiliates, and as required by the rules and policies of the Toronto Stock Exchange (the "**TSX**"), all as further described below. MAXIM intends to hold a special meeting (the "**Meeting**") of shareholders on or about October 15, 2019 whereat shareholders of MAXIM will be asked to consider a resolution to approve the Convertible Loan (the "**Loan Resolution**").

MAXIM entered into the Loan agreements as of September 10, 2019. The Construction Loan and the Convertible Loan have substantially identical terms with respect to security, interest rates and term to maturity. However, the Convertible Loan provides that each of the Lenders, in their discretion, may convert amounts advanced, including accrued but unpaid interest that has been capitalized at the election of the MAXIM, in whole or in part, to common shares of MAXIM ("**Common Shares**") at a conversion price of \$1.90 per Common Share to a maximum of 39,473,684 Common Shares in the aggregate. (The conversion price represents a premium of

6% to the 5-day volume weighted average price of the Common Shares as at the close of trading on the TSX on September 10, 2019, the last full trading day prior to entering into of the credit agreements for the Loans). The Lenders have agreed to postpone and subordinate each of the Construction Loan and the Convertible Loan to any senior financing secured by MAXIM, subject to certain conditions.

The Construction Loan is exempt from the minority shareholder approval requirements of MI 61-101 and, therefore, it is not subject to the approval of the Loan Resolution nor is the Corporation's ability to draw funds under the Construction Loan conditional upon the approval of the Loan Resolution. If the Convertible Loan is approved by the passing of the Loan Resolution, the Construction Loan will mature and become repayable out of the proceeds of the Convertible Loan, such that the maximum principal amount of credit provided by the Lenders to MAXIM under the Loans (including all accrued interest and other fees) will not exceed \$75 million. In the event that the Loan Resolution is not approved at the Meeting, the Convertible Loan will be terminated and the Corporation will not be entitled to any funds or advances thereunder.

Special Committee and Board Approvals and Recommendations

A special committee of independent directors of MAXIM (the "**Special Committee**") has, with the assistance and guidance of its independent legal advisors, reviewed and participated in the negotiations of each of the Construction Loan and the Convertible Loan. Macquarie Capital Markets Canada Ltd. has provided the Special Committee with its opinion dated September 9, 2019 (the "**Fairness Opinion**") that, as at the date of the Fairness Opinion, the financial terms of the Loans were fair, from a financial point of view, to the Corporation, subject to the assumptions, limitations and qualifications set out in such Fairness Opinion. The Special Committee, after consulting with its legal advisors, and after considering other relevant matters, including the Fairness Opinion, has determined and recommended to the board of directors of the Corporation (the "**Board**") that the Construction Loan and the Convertible Loan are in the best interests of the Corporation and has resolved to recommend to the Board that shareholders, other than the Lenders (including their associates and affiliates and any other persons required to be excluded in determining approval of the Loan Resolution in accordance with MI 61-101 and the rules of the TSX) (collectively, the "**Disinterested Shareholders**"), vote for the Loan Resolution. After considering the report and recommendations of, and the factors considered by, the Special Committee, the Board (with Mr. Chernoff and Mr. Wilson abstaining) adopted the Special Committee's recommendations, approved the Construction Loan and the Convertible Loan and MAXIM entering into definitive credit agreements for the Loans, and has recommended that the Disinterested Shareholders vote for the Loan Resolution.

MI 61-101 and TSX Matters

Each of the Lenders is a "related party" of the Corporation pursuant to MI 61-101. Alpine is majority owned by Mr. M. Bruce Chernoff, a director, Chairman and Chief Executive Officer of the Corporation, who owns or controls (directly or indirectly) 13,826,050 Common Shares (representing approximately 26.4% of the outstanding Common Shares). Prairie Merchant is owned and controlled by Mr. W. Brett Wilson, a director and Vice Chairman of the Corporation, who owns or controls (directly or indirectly) 13,724,486 Common Shares (representing approximately 26.2% of the outstanding Common Shares). Each of the Construction Loan and the Convertible Loan constitutes a "related party transaction" under MI 61-101 as each is a transaction where the Corporation borrows money from, or enters into a credit facility with, related parties.

The formal valuation requirements of MI 61-101 do not apply to either of the Construction Loan or the Convertible Loan due to the nature of such transactions, as they do not fall within the types of transactions enumerated in MI 61-101 requiring formal valuation and the Construction Loan is exempt from the minority shareholder approval requirements of MI 61-101 pursuant to Section 5.7(f) thereof.

The Convertible Loan constitutes a "related party transaction" for the purposes of MI 61-101 requiring the approval of a majority of Disinterested Shareholders. Similarly, the Convertible Loan requires the approval of a majority of the Disinterested Shareholders in accordance with Sections 604(a)(ii) and 607(g) of the TSX Company Manual. At the Meeting, shareholders of MAXIM will be asked to consider the Loan Resolution, which if approved by Disinterested Shareholders (which is to exclude the votes in respect of Common Shares owned and controlled by Mr. Chernoff and Mr. Wilson described above), will satisfy the Disinterested Shareholder approval requirements of MI 61-101 and the TSX.

The Corporation intends to apply to the TSX for approval of issuing and listing up to 39,473,684 Common Shares on conversion of up to \$75 million of indebtedness under the Convertible Loan. Listing of such Common Shares will be subject to meeting TSX listing requirements.

The Corporation intends to file a material change report in respect of the Loans in accordance with applicable securities laws, including additional information with respect to the matters described herein as required by MI 61-101, however such material change report has not been filed 21 days before entering into the applicable agreements for the Loans, as the terms of the Loans were not finalized, and approved by all parties, until immediately prior to the date of entering into of such agreements.

Shareholder Meeting and Public Filings

Further details of the Loans will be included in the management information circular and proxy statement (the "**Proxy Circular**") to be mailed to shareholders in connection with the Meeting in accordance with applicable securities law. The Proxy Circular will provide shareholders with important information on the background to the Loans, the process and deliberations of the Special Committee and other relevant information, including a copy of the Fairness Opinion, and shareholders are encouraged to read it in its entirety when available. The agreements with respect to the Construction Loan and the Convertible Loan will be filed by MAXIM on SEDAR and will be available under MAXIM's profile at www.sedar.com.

About MAXIM

Based in Calgary, Alberta, MAXIM is an Alberta focused independent power producer which currently owns and operates a 150 MW power plant near Grande Cache, Alberta. This plant ("M1") is nearing the end of its life under federal regulations and is being replaced with a state-of-the-art natural gas-fired plant ("M2") with anticipated nameplate capacity of 204 MW in simple cycle mode. MAXIM has the option in the future to increase the capacity of M2, in conjunction with increasing the overall efficiency of the facility, by upgrading M2 into a combined cycle plant. In addition, MAXIM continues to explore development options for its remaining permitted gas-fired generation capacity in Alberta and permitting of its wind power generation project. MAXIM trades on the TSX under the symbol "MXG". For more information about MAXIM, visit our website at www.maximpowercorp.com.

For further information please contact:

Michael R. Mayder, President and CFO, (403) 263-3021.

Note Regarding Forward-Looking Statements

This document contains forward-looking information. This information relates to future events and the Corporation's future performance. All information and statements contained herein that are not clearly historical in nature constitute forward- looking information, and the words "may", "will", "should", "could", "expect", "plan", "intend", "anticipate", "believe", "estimate", "propose", "predict", "potential", "continue", "aim", "budget" or the negative of these terms or other comparable terminology are generally intended to identify forward-looking information. Such information represents the Corporation's internal projections, estimates, expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. This information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward- looking information.

MAXIM believes that the expectations reflected in this forward-looking information are reasonable; however, undue reliance should not be placed on this forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. This press release contains forward-looking information concerning, among other things, current cost estimates with respect to M2 and the remaining costs to complete M2, the date and timing of the Meeting, the business to be conducted at the Meeting, the anticipated benefits to MAXIM with respect to the Loans, the mailing of the Proxy Circular and related materials to MAXIM shareholders, including the contents therein, MAXIM's application for TSX approval of the Common Shares issuable under the Convertible Loan. The reader is cautioned that such information, although considered reasonable by the Corporation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided in this document as a result of numerous known and unknown risks and uncertainties and other factors. A number of risks and other factors could cause actual results to differ materially from those expressed in the forward-looking information contained in this document including, but not limited to, Disinterested Shareholder approval, MAXIM complying with the conditions of the Loans, the status of the EPC contract, weather, regulatory approvals (including TSX), liquidity, interest rates, the availability and cost of financing, labor and services, the impact of increasing competition and the Corporation's ability to access capital.

With respect to forward-looking information contained in this document, the Corporation has made assumptions regarding, among other things: the scope and design of M2, that no change orders will be made under the EPC contract, or otherwise cause the costs associated with M2 to vary, the timely receipt of any required regulatory approvals and the ability of the Corporation to obtain qualified staff, equipment and services in a timely and cost efficient manner; and the ability of the Corporation to obtain financing on acceptable terms when and if needed. Management of MAXIM has included the above summary of assumptions and risks related to forward-looking information included in this document in order to provide investors with a more complete perspective on the Corporation's future operations. Readers are cautioned that this information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking information contained in this document are expressly qualified by this cautionary statement. The forward-looking information contained herein is made as of the date of this document and the Corporation disclaims any intent or obligation to update publicly any such forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable Canadian securities laws.