



## Maxim Power Corp. Reports Strong Earnings with Revenue of \$141 million and Net Income of \$42 million in 2022

**CALGARY, Alberta (March 16, 2023)** – Maxim Power Corp. ("MAXIM" or the "Corporation") (TSX: MXG) announced today the release of financial and operating results for the fourth quarter ended December 31, 2022. The audited condensed consolidated financial statements, accompanying notes and Management's Discussion and Analysis ("MD&A") will be available on SEDAR and on MAXIM's website on March 16, 2023. All figures reported herein are Canadian dollars unless otherwise stated.

### FINANCIAL HIGHLIGHTS

(\$ in thousands except per share amounts)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
<b>Revenue</b>	-	37,418	<b>141,263</b>	156,014
<b>Net income (loss)</b>	<b>(7,156)</b>	4,402	<b>42,277</b>	78,509
<b>Earnings (loss) per share – basic</b>	<b>(0.14)</b>	0.09	<b>0.84</b>	1.57
<b>Earnings (loss) per share – diluted</b>	<b>(0.14)</b>	0.08	<b>0.72</b>	1.28
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>1,697</b>	16,915	<b>76,110</b>	68,418
<b>Total generation – (MWh)</b>	-	317,813	<b>1,064,693</b>	1,449,915
<b>Total fuel consumption – (GJ)</b>	<b>17,878</b>	3,366,505	<b>11,264,897</b>	15,491,739
<b>Average Alberta market power price (\$ per MWh)</b>	<b>213.92</b>	107.31	<b>162.46</b>	101.93
<b>Average realized power price (\$ per MWh)</b>	-	117.74	<b>132.68</b>	107.60
<b>Loans and borrowings</b>	<b>82,673</b>	53,650	<b>82,673</b>	53,650
<b>Net debt<sup>(1)</sup></b>	<b>31,295</b>	40,100	<b>31,295</b>	40,100
<b>Total assets</b>	<b>382,109</b>	312,437	<b>382,109</b>	312,437

(1) Select financial information was derived from the consolidated financial statements and is prepared in accordance with GAAP, except adjusted Earnings before Interest, Income Taxes, Depreciation and Amortization ("Adjusted EBITDA"), which is a non-GAAP measure (see **Non-GAAP Financial Measures** below). Net debt is included in the notes to the consolidated financial statements. It is calculated to include: loans and borrowings (including the convertible loan facility) less unrestricted cash

### OPERATING RESULTS

Since commissioning Milner 2 ("M2") in June 2020, M2 has generated 3,309,725 MWh of electricity, earned \$337 million of revenue and \$155 million of Adjusted EBITDA<sup>(1)</sup>. In 2022, M2 generated 1,064,693 MWh of electricity, earned \$141 million of revenue and \$76 million of Adjusted EBITDA<sup>(1)</sup>.

During the fourth quarter of 2022, revenue, adjusted EBITDA and net income were lower than the same period in 2021 as a result of a non-injury fire incident ("Incident") at M2 which prevented the facility from operating in the fourth quarter of 2022. Business interruption insurance partially offset the reduction to Adjusted EBITDA and net income (see **Insurance Information Update** below).

During 2022, revenues decreased as compared to 2021 primarily due to lower generation volumes of M2, partially offset by higher realized prices. Adjusted EBITDA<sup>(1)</sup> increased due to the recognition of the business interruption claim in 2022 and higher net realized gains for power and natural gas commodity swaps in 2022. These favourable variances were partially offset by increased fuel costs as a result of greater per unit natural gas costs in 2022 and the same factors impacting revenue.

Net income decreased in 2022 as compared to 2021, with a significant portion due to the recognition of the second and third payment of \$47 million from the Line Loss Proceedings in 2021 (representing refunds for overpayments and interest thereon from the Alberta Electric System Operator for the period from 2006 to 2013), and the write-off of the air inlet filter house and higher depreciation in 2022. These unfavorable variances were partially offset by the same factors impacting Adjusted EBITDA<sup>(1)</sup>, lower current and deferred income tax expenses and impairment of Deerland in 2021.

## **M2 RETURN TO SERVICE UPDATE**

MAXIM has disassembled the damaged air inlet filter house of M2, procured a replacement air inlet filter house and is actively expediting the fabrication, delivery and construction process to restore M2 to operational service as soon as possible. Installation of the new air inlet filter house is planned to commence at the end of March 2023, with completion expected in late July 2023. MAXIM does not expect to be generating electricity from the HR Milner (“Milner”) site until July 2023, at which point MAXIM anticipates commencing hot commissioning activities for the Combined Cycle Gas Turbine (“CCGT”) expansion of M2. Hot commissioning activities are anticipated to occur over an approximate three-month period, during which there will be periodic outages of the facility resulting in intermittent generation of electricity. MAXIM anticipates the CCGT expansion of M2 will commence commercial operations during the fourth quarter of 2023.

## **M2 CCGT EXPANSION PROJECT UPDATE**

As previously reported, start up of the CCGT expansion project will be delayed due to the Incident. Construction of the CCGT expansion project is currently greater than 99% complete, however, hot commissioning activities cannot occur until M2 is returned to service.

The estimated project cost, excluding borrowing costs and the net effect of \$20 million of grant proceeds, is currently \$155 million, subject to the inclusion of incremental costs anticipated to be incurred as a result of the delay in commissioning due to the Incident. As of December 31, 2022, MAXIM had incurred \$148 million of capital investment in relation to the CCGT expansion of M2 and had funded this spending with existing cash on hand, cash flow from operating activities, debt and grant proceeds.

As previously noted, completion of the CCGT expansion of M2 will allow for the capture of waste heat that would otherwise exhaust into the atmosphere and turn it into useful low carbon electricity for the Alberta power grid. The CCGT expansion of M2 will reduce the intensity of carbon emissions by more than 60% compared to the legacy coal-fired H.R. Milner facility.

At this time, MAXIM forecasts it has sufficient liquidity to complete both the CCGT expansion of M2 and the replacement of the air inlet filter house and will fund these costs using cash on hand, available funds through the existing senior and subordinated credit facilities, and anticipated insurance proceeds, as required.

## INSURANCE INFORMATION UPDATE

As previously noted, MAXIM reaffirms insurance coverage for the Incident, subject to the terms and conditions of the Corporation's Property Insurance ("PI") policy, including Business Interruption ("BI") provisions. The Corporation continues to progress an insurance claim for property damage and lost earnings under the PI policy. The PI policy provides \$200 million in total coverage, including BI. The PI insurance coverage related to the property damage from the Incident is subject to a customary deductible. The sub-limitations on the BI provision of the PI policy include a 45-day deductible, a monthly cap of \$5.5 million gross margin (plus 10% margin allowance), and a policy cap of \$66 million total gross margin. The Corporation is comfortable that the PI policy limit of \$200 million, less any coverage related to the BI provision, is more than adequate to cover the property damage related to the Incident. To date, \$25 million has been paid by the insurance company in relation to BI and PI claims.

## NORMAL COURSE ISSUER BID

MAXIM's current Normal Course Issuer Bid ("NCIB") program is for the August 29, 2022 to August 28, 2023 period. Under this NCIB, the Corporation may purchase for cancellation up to 2,500,000 common shares of the Corporation. Collectively under this program and as of the date of this MD&A, the Corporation has repurchased and cancelled 51,736 common shares for \$0.2 million. MAXIM's NCIB program is limited to \$1.0 million for the 2023 calendar year under the senior credit facility. Any excess is subject to approval from the lenders under the senior credit facility.

## NON-GAAP FINANCIAL MEASURES

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

This measure does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies.

## Adjusted EBITDA

Adjusted EBITDA is provided to assist management and investors in determining the Corporation's approximate operating cash flows before interest, income taxes, and depreciation and amortization and certain other non-recurring income and expenses.

(000's)	Three months ended December 31		Twelve months ended December 31	
	2022	2021	2022	2021
GAAP Measures from Consolidated Statement of Income				
Net income	(7,156)	4,402	42,277	78,509
Income tax expense (benefit)	(2,109)	1,467	10,318	19,638
Finance expense, net	1,147	1,801	6,366	5,355
Loss on write-off of asset	7,861	-	7,861	-
Asset impairment charge	-	-	-	5,347
Depreciation and amortization	2,806	2,002	10,551	7,968
	2,549	9,672	77,373	116,817
Adjustments:				
Other expense (income)	(11,486)	260	(11,447)	(46,686)
Business interruption insurance claim	9,478	-	9,478	-
Unrealized loss (gain) on commodity swaps	1,011	6,860	170	(2,165)
Share-based compensation	145	123	536	452
Adjusted EBITDA	1,697	16,915	76,110	68,418

Adjusted EBITDA is calculated as described above from its most directly comparable GAAP measure, net income, and adjusts for specific items that are not reflective of the Corporation's underlying operations and excluding other non-cash items.

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

In calculating Adjusted EBITDA for the year ended December 31, 2022 and December 31, 2021 management included business interruption insurance claim proceeds as it reflects a portion of earnings that would have been earned if M2 was operational and excluded certain non-cash and non-recurring transactions. In both 2022 and 2021, Adjusted EBITDA excluded all items of other income and expense including: Line Loss Proceeds as well as unrealized gains on commodity swaps and share-based compensation.

## **About MAXIM**

Based in Calgary, Alberta, MAXIM is one of Canada's largest truly independent power producers. MAXIM is now focused entirely on power projects in Alberta. Its core asset – the 204 MW H.R. Milner Plant, M2, in Grande Cache, AB – is a state-of-the-art natural gas-fired power plant that commissioned in Q2, 2020. MAXIM is currently increasing the capacity of M2 to approximately 300 MW and concurrently will realize an improvement in the efficiency of the plant by investing in heat recovery combined cycle technology. In addition, MAXIM continues to explore additional development options in Alberta including its currently permitted gas-fired generation projects and the 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](http://www.maximpowercorp.com). For further information please contact:

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## **Forward-looking statements**

This press release contains forward-looking statements and forward-looking information (collectively "forward looking information") within the meaning of applicable securities laws relating to MAXIM's plans and other aspects of MAXIM's anticipated future operations, management focus, objectives, strategies, financial, operating and production results. Forward-looking information typically uses words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend", "may", "would", "could" or "will" or similar words suggesting future outcomes, events or performance. The forward-looking statements contained in this press release speak only as of the date thereof and are expressly qualified by this cautionary statement. Specifically, this press release contains forward-looking information concerning, among other things, the timing of resuming M2 operations and repairs and replacement of the air inlet filter house, the timing of hot commissioning activities and damages to the M2 facility, expected benefits of the CCGT expansion of M2, current expectation on MAXIM's inability to generate electricity (and related revenue) from its Milner operations and MAXIM's insurance claim related to the same.

Forward-looking information is based on certain assumptions and analysis made by MAXIM in light of our experience and MAXIM's perception of historical trends, current conditions, expected future developments and other factors MAXIM believes appropriate under the circumstances. These include, among other things, assumptions regarding the timing of resuming M2 operations and repairs, the timing of hot commissioning activities, insurance coverage, MAXIM's current assessment of damages to the M2 facility and MAXIM's current expectations on its inability to generate electricity (and related revenue) from its Milner operations.

MAXIM's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that MAXIM will derive there from. Risk factors include MAXIM's inability to repair the damage caused by the fire incident in a timely manner, or at all, that MAXIM will not continue to have access to its credit facilities or that it will be in default thereunder, that MAXIM may not be able to resume electricity generating (and associated revenue generating) activities in the timelines described herein, that MAXIM will not have access to the necessary labour, equipment and materials to conduct all necessary repairs and that MAXIM may not be covered by insurance for the subject damages and business interruption. Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect MAXIM's business, operations or financial results are included in the reports on file with applicable securities regulatory authorities, including but not limited to MAXIM's Annual Information Form for the year ended December 31, 2022, which may be accessed on MAXIM's SEDAR profile at [www.sedar.com](http://www.sedar.com). These forward-looking statements are made as of the date of this press release and MAXIM disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.