Condensed Consolidated Financial Statements of

MAXIM POWER CORP.

For the First Quarter Ended March 31, 2023

(Unaudited)

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

As at	Note	**March 31, 2023**	December 31, 2022
ASSETS			
Cash and cash equivalents		**51,335**	51,378
Trade and other receivables		**13,845**	15,109
Prepaid expenses and deposits		**3,578**	4,129
Total current assets		**68,758**	70,616
Property, plant and equipment, net	3	**298,944**	296,548
Restricted cash		**12,318**	12,318
Other assets		**2,602**	2,627
Total non-current assets		**313,864**	311,493
TOTAL ASSETS		**382,622**	382,109
LIABILITIES			
Trade and other payables		**6,138**	9,991
Current tax liabilities		**1,055**	4,793
Loans and borrowings	4	**3,054**	1,469
Total current liabilities		**10,247**	16,253
Provisions for decommissioning		**10,255**	10,511
Lease obligation		**131**	140
Loans and borrowings	4	**79,242**	81,204
Deferred tax liabilities		**6,195**	5,347
Total non-current liabilities		**95,823**	97,202
TOTAL LIABILITIES		**106,070**	113,455
EQUITY			
Share capital		**143,554**	143,473
Contributed surplus		**12,907**	12,831
Retained earnings		**120,091**	112,350
TOTAL EQUITY		**276,552**	268,654
Commitments and Contingencies	8, 9		
TOTAL LIABILITIES AND EQUITY		**382,622**	382,109

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 Operations and Comprehensive Income

For the three months ended March 31
(in thousands of Canadian dollars, except for per share amounts)

	Note	**2023**	2022
Revenues			
Power generation		**-**	35,792
Realized gain on power swaps	11	**-**	2,730
Unrealized loss on power swaps	11	**-**	(87)
Total power generation and swaps		**-**	38,435
Expenses (income)			
Operating		**5,006**	24,462
Realized gain on natural gas swaps	11	**-**	(3,200)
Unrealized gain on natural gas swaps	11	**-**	(10,104)
General and administrative		**1,561**	1,486
Depreciation and amortization	3	**2,009**	2,105
Other income, net	5	**(19,963)**	-
Total expenses		**(11,387)**	14,749
Operating income		**11,387**	23,686
Finance expense, net	6	**1,356**	1,683
Income before income taxes		**10,031**	22,003
Income tax expense			
Current income tax expense		**1,432**	-
Deferred income tax expense		**848**	5,105
Total income tax expense		**2,280**	5,105
Net and comprehensive income		**7,751**	16,898
Earnings per share	7		
Basic		**0.15**	0.34
Diluted		**0.14**	0.28

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	Retained earnings (deficit)	Total
Equity at December 31, 2022	50,168	143,473	12,831	112,350	268,654
Net income	-	-	-	7,751	7,751
Repurchase of common shares for cancellation	(7)	(14)	-	(10)	(24)
Share-based compensation	-	-	148		148
Stock options exercised	108	95	(72)	-	23
Equity at March 31, 2023	**50,269**	**143,554**	**12,907**	**120,091**	**276,552**
Equity at December 31, 2021	50,096	144,106	12,676	70,400	227,182
Net income	-	-	-	16,898	16,898
Repurchase of common shares for cancellation	(167)	(483)	-	(170)	(653)
Share-based compensation	-	-	119	-	119
Stock options exercised	146	86	(64)	-	22
Equity at March 31, 2022	50,075	143,709	12,731	87,128	243,568

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 Cash Flows

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

	Note	**2023**	2022
Cash flows from operating activities:			
Net income		**7,751**	16,898
Adjustments for items not involving cash or operations:			
Depreciation and amortization	3	**2,009**	2,105
Share-based compensation		**148**	119
Unrealized gain on commodity swaps	11	**-**	(10,017)
Income tax expense		**2,280**	5,105
Income tax paid		**(5,170)**	-
Finance expense, net	6	**1,356**	1,683
Funds generated from operating activities before change in non-cash working capital		**8,374**	15,893
Change in non-cash working capital	10	**1,449**	6,027
Net cash generated from operating activities		**9,823**	21,920
Cash flows from financing activities:			
Issuance of loans and borrowings	4	**-**	37,000
Repayment of loans and borrowings	4	**(713)**	(7,000)
Proceeds from exercise of stock options		**23**	22
Repurchase of common shares for cancellation		**(24)**	(653)
Interest and bank charges		**(2,097)**	(1,564)
Net cash generated from (used in) financing activities		**(2,811)**	27,805
Cash flows from investing activities:			
Property, plant and equipment additions	3	**(4,285)**	(31,699)
Interest income	6	**685**	47
Change in non-cash working capital	10	**(3,471)**	3,388
Net cash used in investing activities		**(7,071)**	(28,264)
Foreign exchange gain on cash and cash equivalents		**16**	95
Increase in cash and cash equivalents		**(43)**	21,556
Cash and cash equivalents, beginning of period		**51,378**	13,550
Cash and cash equivalents, end of period		**51,335**	35,106

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., together with its subsidiaries ("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 1800, 715 – 5 Avenue S.W., Calgary, Alberta, Canada, T2P 2X6.

On September 30, 2022, the air inlet filter house of the Milner 2 ("M2") operating facility was damaged by a non-injury fire. M2 is currently not operating, and the Corporation does not expect to generate electricity until the third quarter of 2023. MAXIM is currently monitoring the financial impact of the non-injury fire incident and does not expect a significant adverse impact to the Corporation's longer term financial performance or financial condition.

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, 2022 annual audited financial statements available at www.sedar.com.

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on May 9, 2023.

(a) Significant accounting policies and use of judgements and estimates

The use of judgments and estimates in the preparation of these unaudited condensed consolidated interim financial statements have 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, 2022.

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, 2022.

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

3. Property, plant and equipment, net

	Land	Generating Facilities	Equipment	Right-of-use Asset	Assets under Construction	Total
Cost						
Balance, December 31, 2021	3,760	246,837	3,248	333	91,037	345,215
Additions	-	6,447	11	-	74,631	81,089
Capitalized interest	-	-	-	-	1,667	1,667
Grant funding	-	-	-	-	(20,000)	(20,000)
Revisions to decommissioning provisions	-	642	-	-	-	642
Return of funds held for decommissioning	-	(5,268)	-	-	-	(5,268)
Derecognition of fully depreciated asset	-	(1,469)	-	-	-	(1,469)
Write-off of asset	-	(8,735)	-	-	-	(8,735)
Disposal of land	(3,760)	-	-	-	-	(3,760)
Balance, December 31, 2022	-	238,454	3,259	333	147,335	389,381
Additions	-	54	-	-	4,231	4,285
Capitalized interest	-	-	-	-	455	455
Revisions to decommissioning provisions	-	(335)	-	-	-	(335)
Balance, March 31, 2023	-	238,173	3,259	333	152,021	393,786
Accumulated depreciation						
Balance, December 31, 2021	-	81,572	2,897	156	-	84,625
Depreciation	-	10,474	47	30	-	10,551
Derecognition of fully depreciated	-	(1,469)	-	-	-	(1,469)
Write-off of asset	-	(874)	-	-	-	(874)
Balance, December 31, 2022	-	89,703	2,944	186	-	92,833
Depreciation	-	1,999	2	8	-	2,009
Balance, March 31, 2023	-	91,702	2,946	194	-	94,842
Property, plant and equipment, net						
December 31, 2022	-	148,751	315	147	147,335	296,548
March 31, 2023	-	146,471	313	139	152,021	298,944

4. Loans and borrowings

	Bank Term Facility #1	Fixed Rate Constuction Facility	Revolver Facility #1	Convertible Loan Facility	Total
Balance, December 31, 2022[(1)]	26,362	30,000	-	29,438	85,800
Issuance of loans and borrowings	-	-	-	-	-
Repayment of loans and borrowings	(713)	-	-	-	(713)
Balance, March 31, 2023	25,649	30,000	-	29,438	85,087
Less: deferred financing costs					(2,791)
Net loans and borrowings, net of deferred financing costs					82,296
Less: current portion, net of deferred financing costs					(3,054)
Balance March 31, 2023, net of deferred financing costs					79,242

	Bank Term Facility #1	Fixed Rate Constuction Facility	Revolver Facility #1 (a)	Convertible Loan Facility	Total
Balance, December 31, 2021[(1)]	28,500	-	-	29,438	57,938
Issuance of loans and borrowings	-	30,000	7,000	-	37,000
Repayment of loans and borrowings	(2,138)	-	(7,000)	-	(9,138)
Balance, December 31, 2022	26,362	30,000	-	29,438	85,800
Less: deferred financing costs					(3,127)
Net loans and borrowings, net of deferred financing costs					82,673
Less: current portion, net of deferred financing costs					(1,469)
Balance December 31, 2022, net of deferred financing costs					81,204

(1) Excluding deferred financings costs.

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

4. Loans and borrowings (continued)

Senior Credit Facility and Convertible Loan Facility

On March 31, 2023, the Corporation amended and received consent for changes to certain terms and conditions of the senior credit facility and convertible loan facility to maintain compliance and appropriately address the impact from the non-injury fire at M2 and timing of commissioning of the CCGT expansion of M2. Changes of most significance include revising the timing of the completion of the CCGT expansion of M2, including the air inlet filter house repair program, pausing of the Corporation's normal course issuer bid until after the CCGT expansion of M2 has achieved substantial completion and addressing other standard administrative changes for an event of this nature. There were no changes to the availability of either facility.

MAXIM is currently in a financial covenant break period while it commissions the CCGT expansion of M2. During this period compliance is not required with the debt service coverage ratio and debt to earnings before interest, taxes, depreciation and amortization. The requirement to comply with these covenants will resume during the first full financial quarter after the commissioning period ends.

5. Other income, net

	March 31, 2023	March 31, 2022
Business interruption and property insurance claim (a)	(23,957)	-
Demolition, incidental and investigation costs (b)	3,977	-
Other expense	17	-
Total other income, net	(19,963)	-

(a) Insurance claims

During the first quarter of 2023, the business interruption and property insurance claims of $23,957, relate to the air inlet filter house non-injury fire insurance claim.

(b) Demolition, incidental and investigation costs

During the first quarter of 2023, the Corporation incurred $3,977 in relation to demolition, incidental and investigation costs related to the air inlet filter house non-injury fire incident, which is included in the insurance claim noted above.

6. Finance expense, net

	March 31, 2023	March 31, 2022
Interest expense and bank charges (a)	1,642	1,409
Amortization of deferred financing costs	335	449
Gain on interest rate swaps	-	(61)
Accretion of provisions	80	28
Foreign exchange gain	(16)	(95)
Finance expense	2,041	1,730
Interest income	(685)	(47)
Total finance expense, net	1,356	1,683

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

6. Finance expense, net (continued)

(a) During the first three months of 2023, the Corporation paid interest and fees of $1,059 (March 31, 2022 - $1,059) under the convertible loan facility, provided by two significant shareholders of the Corporation, one of whom is also the Chief Executive Officer and Chair of the Board and the other of whom is the Vice Chair of the Board.

7. Earnings per share

	March 31, 2023	March 31, 2022
Weighted average number of common shares (basic)	50,156,284	50,085,211
Effect of convertible loan facility	13,083,736	13,083,736
Effect of exercisable stock options	764,548	1,117,667
Weighted average number of common shares (diluted)	64,004,568	64,286,614

	March 31, 2023	March 31, 2022
Net income (basic)	7,751	16,898
Finance expense on the convertible loan facility, net of tax	902	913
Net income (diluted)	8,653	17,811

	March 31, 2023	March 31, 2022
Earnings per share:		
Basic	0.15	0.34
Diluted	0.14	0.28

8. Commitments

(a) The Corporation has entered into contracts for engineering, construction, maintenance and procurement of equipment for the CCGT expansion of M2. These contracts have a remaining minimum commitment totaling $4,477 as at March 31, 2023.

(b) 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 remaining commitment from this five-year contract as at March 31, 2023 is $8,832 over the next three years as follows:

2023	3,060
2024	4,080
2025	1,692
	8,832

9. Contingencies

Current significant outstanding contingencies remain unchanged, refer to Note 20 of the annual audited consolidated financial statements for the year ended December 31, 2022.

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

10. Change in non-cash working capital

	March 31, 2023	March 31, 2022
Operating activities		
Trade and other receivables	1,264	7,351
Prepaid expenses and deposits	567	69
Trade and other payables	(382)	(1,393)
	1,449	6,027

	March 31, 2023	March 31, 2022
Investing activties		
Trade and other payables	(3,471)	3,352
Restricted cash	-	36
	(3,471)	3,388

11. Financial risk management

The Corporation's risk management process, oversight and techniques are the same as those described in the Corporation's 2022 annual consolidated financial statements.

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 is required to recognize and disclose the fair value of financial assets and liabilities. The Corporation's financial assets and financial liabilities that are not risk management swaps or options or loans and borrowings 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.

The fair value of the loans and borrowings are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. The fair value of loans and borrowings at March 31, 2023 is $81,335 (December 31, 2022 - $81,775).

(a) Commodity risk management swaps

The fair values of the power and natural gas 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.

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

11. Financial risk management (continued)

Realized gain on commodity swaps

	March 31, 2023	March 31, 2022
Realized gain on power swaps	-	(2,730)
Realized gain on natural gas swaps	-	(3,200)
Total realized gain on commodity swaps	-	(5,930)

Unrealized gain on commodity swaps

	March 31, 2023	March 31, 2022
Unrealized loss on power swaps	-	87
Unrealized gain on natural gas swaps	-	(10,104)
Total unrealized gain on commodity swaps	-	(10,017)

Gain on commodity swaps

Total realized and unrealized gain on commodity swaps	-	(15,947)

At March 31, 2023 and December 31, 2022, the Corporation had no outstanding commodity or interest rate swaps.

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis ("MD&A") is dated May 9, 2023 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 months ended March 31, 2023 and the audited consolidated financial statements and MD&A for the year ended December 31, 2022. MAXIM prepares its unaudited condensed consolidated interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting, under International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the CPA Canada Handbook of the Chartered Professional Accountants of Canada ("GAAP"). MAXIM occasionally refers to non-GAAP and other financial measures in the MD&A which are not standardized measures and may not be comparable to other reporting issuers. See the Non-GAAP and other financial measures section for more information. The MD&A contains Forward-Looking Information (“FLI”). This information is based on certain estimates and assumptions and involve risks and uncertainties. Actual results may differ materially. See the FLI section of this MD&A for additional information.

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

OVERALL PERFORMANCE

Highlights

MAXIM is actively expediting the process to restore Milner 2 ("M2") to operational service as soon as possible. MAXIM has disassembled the air inlet filter house which was damaged in the non-injury fire incident at M2 and procured a replacement air inlet filter house. Installation of the new air inlet filter house commenced in April 2023, with completion expected late in July 2023. MAXIM does not expect to be generating electricity from the HR Milner ("Milner") site until the end of 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. The CCGT expansion will increase total generation capacity of M2 from 204 MW to 300 MW and lower Operations and Maintenance ("O&M") costs per MWh as a result of operational efficiencies.

MAXIM confirms coverage for the non-injury fire incident subject to the terms and conditions of the Corporation's property insurance policy, including business interruption provisions. As of the date of this MD&A, MAXIM has cumulatively submitted claims for $45.8 million, of which $36.3 million relates to business interruption and $9.5 million relates to property damage. As of the date of this MD&A, $25.0 million has been paid by the insurance company in relation to these claims. The Corporation continues to progress the insurance claims for damages and future lost earnings.

MAXIM continues progress on the engineering and construction of the CCGT expansion of M2 and is pleased to report that construction is greater than 99% complete. MAXIM expects to begin hot commissioning activities upon completion of the new air inlet filter house in late July 2023.

The estimated project cost is currently $162.0 million as of the date of this MD&A excluding borrowing costs and the net effect of $20.0 million of grant proceeds The estimated project costs increased from $155.0 million due to incremental costs anticipated to be incurred as a result of the delay in commissioning and exclude the costs related to procuring the new air inlet filter house, which are expected to be recovered through insurance coverage. As of March 31, 2023, MAXIM has incurred $150.2 million of capital investment in relation to the CCGT expansion of M2 and has funded this spending with existing cash on hand, cash flow from operating activities, debt and grant proceeds.

Completion of the CCGT expansion of M2 will allow 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.

During the first quarter of 2023, MAXIM recorded net income and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"[(1)]) of $7.8 million and $11.7 million, respectively, as compared to $16.9 million and $15.9 million, respectively, in the same period of 2022. Net income in the first quarter of 2023 decreased as compared to the same period in 2022 primarily due to the M2 unplanned outage which resulted in no generation from M2 in the first quarter of 2023 and unrealized and realized commodity swap gains in 2022, partially offset by the business interruption claim in 2023. A significant portion of the decrease to Adjusted EBITDA was due to the M2 unplanned outage in the first quarter of 2023, partially offset by the business interruption claim.

(1) Adjusted EBITDA is a non-GAAP measure. See Non-GAAP and Other Financial Measures.

MAXIM has amended and received consent for certain terms and conditions under the senior and subordinated credit facilities to make the necessary changes to maintain compliance and appropriately address the impact from the non-injury fire at M2 and timing of the commissioning of the CCGT expansion of M2. Changes of most significance include revising the timing of the completion of the CCGT expansion of M2, including the air inlet filter house repair program, pausing the Corporation's normal course issuer bid until after the CCGT expansion of M2 has achieved substantial completion and addressing other standard administrative changes for an event of this nature.

There were no changes to the availability of the senior and subordinated credit facilities which give access to an additional $92.1 million of funding under various terms and conditions.

Quarterly Financial Highlights

Three months ended March 31 ($000's, unless otherwise noted)	2023	2022
Revenue	-	35,792
Net income	7,751	16,898
Basic net income per share ($ per share)	0.15	0.34
Diluted net income per share ($ per share)	0.14	0.28
Adjusted EBITDA [(1)]	11,731	15,893
Total generation (MWh)	-	393,591
Total fuel consumption (GJ)	21,546	4,179,531
Average Alberta market power price ($ per MWh)	142.00	89.80
Average realized power price ($ per MWh)	-	90.94
Non-current liabilities	95,823	99,200
Total assets	382,622	364,569

(1) Adjusted EBITDA is a non-GAAP measure. See Non-GAAP Measures and Other Financial Measures.

Financial Results

During the first quarter of 2023, revenues were nil and Adjusted EBITDA[(1)] decreased as compared to 2022 primarily due to the M2 unplanned outage in the first quarter of 2023 and realized gains from commodity swaps in 2022, partially offset by the business interruption claim.

Net income decreased in the first quarter of 2023 as compared to 2022 primarily due to the same factors impacting Adjusted EBITDA[(1)] and unrealized gains from commodity swaps in 2022.

(1) Adjusted EBITDA is a non-GAAP measure. See Non-GAAP and Other Financial Measures.

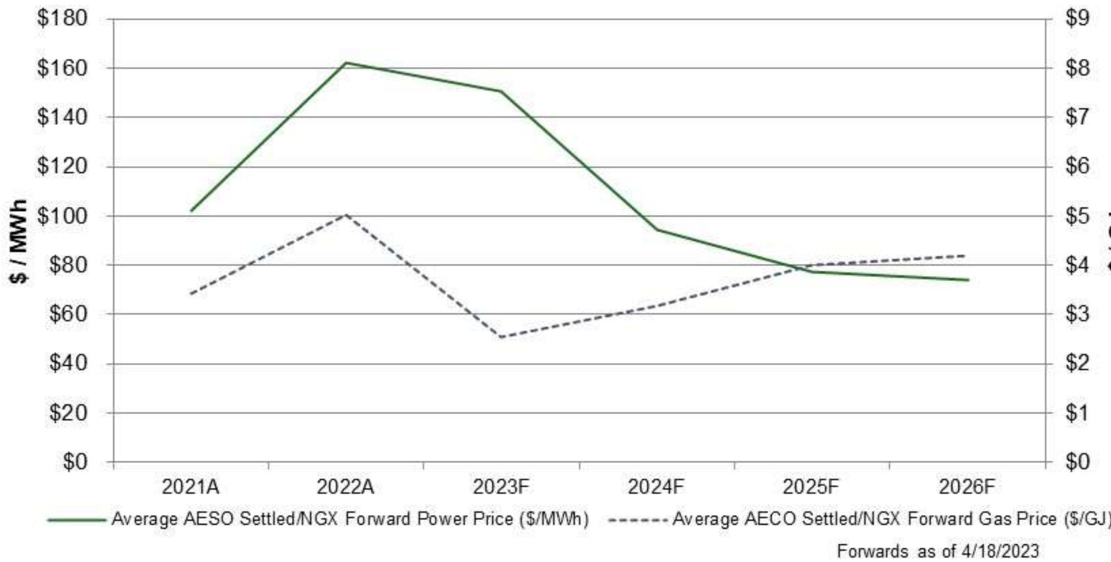
OUTLOOK

Alberta Power Price

The following commentary represents FLI and users are cautioned that actual results may vary. Refer to the discussion of FLI on page 6 for further details.

In 2021, management observed increased power prices as a result of higher demand for electricity due to increased economic activity in Alberta in reaction to higher oil prices, reduced impact from COVID-19 and the return of dispatch control of six coal-fired units, totaling 2,380 MW of generation capacity, from the Balancing Pool to independent power producers. This increase is reflected in actual power prices for 2021 as shown in the graph below. Power prices have continued to increase in 2022 for the same reasons as 2021 and have been further elevated due to higher carbon tax and natural gas prices compared to 2021 and certain unit outages affecting generation supply. The graph also shows forward power prices declining starting in 2023 as a result of expectations that new wind and solar generation projects will come online along with new gas-fired projects. Forward power prices are expected to stabilize in 2025 after the last of the large gas-fired generation projects, which are currently under construction, reach commercial operation.

Near-term (2023 and 2024) natural gas forward prices have fallen significantly in recent months, primarily as a result of softening of supply/demand fundamentals world-wide. Longer-term (2025+) natural gas forward prices are consistent with the range of historical prices and in line with management's expectations.



DEVELOPMENT AND BUSINESS INITIATIVES

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

Current Project Developments

Management commenced construction of the heat recovery technology required to expand M2 into a CCGT facility in 2021. The CCGT expansion of M2 will increase total generation capacity and operational efficiency designed to result in lower O&M costs per MWh. Upon completion, the CCGT expansion of M2 will capture 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 is expected to reduce the intensity of carbon emissions by more than 60% compared to the legacy coal-fired Milner facility. Commissioning of the CCGT expansion of M2 has been delayed as a result of the non-injury fire incident. Commissioning of the CCGT expansion of M2 is now expected to commence upon completion of the repairs to the air inlet filter house in late July 2023.

The total anticipated costs of the CCGT construction and commissioning, subject to inclusion of incremental costs anticipated to be incurred as a result of the delay in commissioning, is currently $162.0 million, excluding borrowing costs and $20.0 million of grant proceeds. In the first quarter of 2023, MAXIM has spent $2.0 million on capital investment related to the CCGT expansion of M2. The current estimated M2 CCGT total project costs of $162.0 million includes all costs estimated to be spent on the CCGT expansion project from 2020 to present. Financing costs and historical development costs of $4.9 million incurred prior to 2020 are not included in this estimate. As at March 31, 2023, the Corporation has spent $150.2 million towards the estimated $162.0 million project costs, excluding borrowing costs and grant proceeds.

Future Business Initiatives

All future growth initiatives are at various stages of development and subject to, among other things, financing, development and permitting of necessary electrical transmission and fuel supply infrastructure, equipment procurement and various other commercial contracts. As at the date of this MD&A, no definitive commitments on these future business initiatives have been made.

In addition to M2 and the existing Milner facility, MAXIM has permits to develop an incremental 346 MW of gas-fired power generation at the Milner site. MAXIM also has a wind development project, Buffalo Atlee, which has the potential for up to 200 MW of wind generation capacity. In the third quarter of 2021, MAXIM installed a new meteorological tower on the site lands to further expand and improve the quality of the project's wind resource data. The Corporation continues to monitor changes to provincial and federal government regulations as they relate to opportunities to develop and construct wind power projects.

Other Business Initiatives

Summit Coal LP ("SUMMIT") is a wholly owned subsidiary of MAXIM that owns metallurgical coal leases for Mine 14 and Mine 16S located north of Grande Cache, Alberta. Current estimates for Mine 14 are 18.9 million tonnes of low-mid volatile metallurgical coal reserves with a mine life of seventeen years based on the NI 43-101 technical report filed on SEDAR on March 21, 2013. Mine 16S is located 30 kilometers northwest of Mine 14 and represents 1,792 hectares or 29% of SUMMIT's total area of coal leases. A NI 43-101 Technical Report has not been prepared for Mine 16S.

MAXIM entered into a contract with an undisclosed counterparty who will be paying for and advancing the remaining required approvals for construction and operation of the Mine 14 project, in exchange for the option to purchase SUMMIT under pre-agreed terms and conditions. The contract expires in February 2024. At this time, there is no certainty that the counterparty will elect to purchase SUMMIT.

MAXIM maintains the flexibility to manage the timing of its business initiatives. MAXIM accounts for its development projects as assets under construction included in property, plant and equipment once technical and economic feasibility is established. If a project has not yet met, or no longer meets these criteria, any capitalized costs for the project are expensed in the period.

FORWARD-LOOKING INFORMATION

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

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

Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "intend", "believe", "expect", "will", "may", "project", "predict", "potential", "could", "might", "should", "will" and other similar expressions. The Corporation believes the expectations reflected in forward-looking statements and FLI 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 and are expressly qualified by this cautionary statement. Specifically, this MD&A contains forward-looking statements concerning, among other things, the timing of resuming M2 operations and repairs and replacement of the air inlet filter house, the timing of commissioning activities and damages to the M2 facility, estimated project costs, current expectation of the Corporation's inability to generate electricity (and related revenue) from its Milner operations, the Corporation's insurance coverage and claims related to the M2 incident and outlook for commodity prices and expected benefits from the CCGT expansion of M2. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements or FLI, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws. Certain information in this MD&A is FLI and is subject to important risks and uncertainties. The results or events predicted in this information may differ from actual results or events.

Factors which could cause actual results or events to differ materially from current expectations include the ability of the Corporation to implement its strategic initiatives, the amount and timing of receipt of funds from insurers in relation to the non-injury fire incident at M2, the inability to repair the damage caused by the fire incident in a timely manner or at all, the availability of capital and contractors to execute its development initiatives, the availability and price of energy commodities, government and regulatory decisions including carbon pricing, power plant availability, competitive factors in the power industry, foreign exchange and tax rates, the impact of pandemics, prevailing economic conditions in the regions that the Corporation operates, operational efficiency and planned or unplanned plant outages and the other risks described herein and under the heading "Risk Factors" in the Corporation's most recently filed annual information form filled on SEDAR at www.sedar.com.

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

- MAXIM's operating cashflow is largely dependent on electric power and natural gas prices. Management forecasts that cash flows for operating, general and administrative expenses will be funded by its operating activities and existing cash on hand. MAXIM estimates total capital expenditures to be incurred in 2023 of approximately $31.0 million to $34.0 million. These expenditures will be funded with existing cash on hand, debt, operating cash flows and insurance proceeds, and primarily relate to the estimated replacement of the air inlet filter house, completion of the CCGT expansion of M2 and sustaining capital spending. Refer to the Development and Business Initiatives section on page 4 for further discussion on capital spending.
- The Corporation will continue to have access to its credit facilities and not be in default.
- MAXIM will be able to repair the damage caused by the non-injury fire incident in a timely manner.
- MAXIM will receive funds from its insurers to cover the estimated replacement of the air inlet filter house and, in respect of the business interruption coverage under the property policy, be in an amount up to the maximum amount of funds available under such policy.
- MAXIM will not be generating electricity from the Milner site until the end of July 2023.
- MAXIM's continued compliance with all necessary provincial and federal regulations for environmental and climate change legislation and all necessary requirements of operating permits. Further changes to environmental legislation and operational issues may affect the ability of MAXIM to comply with regulations and may result in unplanned costs and plant outages.
- Other matters and factors described under the Outlook section on page 3.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Highlights

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Mar 2023	31-Dec 2022	30-Sep 2022	30-Jun 2022
Revenue	-	-	57,091	48,380
Net income (loss)	7,751	(7,156)	23,970	8,565
Basic net income (loss) per share ($ per share)	0.15	(0.14)	0.48	0.17
Diluted net income (loss) per share ($ per share)	0.14	(0.14)	0.39	0.15
Adjusted EBITDA(1)	11,731	1,697	39,739	18,781
Average realized power price ($ per MWh)	-	-	203.68	123.79
Total fuel consumption (GJ)	21,546	17,878	2,943,544	4,119,567
Total generation (MW)	-	-	280,289	390,813

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Mar 2022	31-Dec 2021	30-Sep 2021	30-Jun 2021
Revenue	35,792	37,418	44,224	44,342
Net income	16,898	4,402	18,092	29,589
Basic net income per share ($ per share)	0.34	0.09	0.36	0.59
Diluted net income per share ($ per share)	0.28	0.08	0.30	0.48
Adjusted EBITDA(1)	15,893	16,915	20,639	21,441
Average realized power price ($ per MWh)	90.94	117.74	105.67	113.96
Total fuel consumption (GJ)	4,183,908	3,366,505	4,390,800	4,137,093
Total generation (MW)	393,591	317,813	418,511	389,101

Quarter over quarter revenue, Adjusted EBITDA(1) and net income are affected by planned and unplanned outages, market demand, power and natural gas prices, weather conditions and the seasonal nature of Alberta power prices. Alberta power prices tend to be higher during winter and summer peak load months and are further affected by supply constraints such as outages at other Alberta generation facilities. Reported revenue, Adjusted EBITDA(1) and net income began to fluctuate in 2021 and 2022 due to variations in generation volumes of M2 and realized power prices. Revenue and net income decreased in the fourth quarter of 2022 and first quarter of 2023 as a result of the non-injury fire incident at M2. In addition to the factors noted above, net income is affected by certain non-cash and non-recurring transactions as follows:

The first quarter of 2023 included other income of $20.0 million in relation to the net insurance claim and $2.3 million of income tax expense.

The fourth quarter of 2022 included other income of $11.4 million in relation to the net insurance claims, a $7.9 million loss on write-off of the air inlet filter house and $2.1 million of income tax benefit. The third quarter of 2022 included $3.4 million of commodity swap losses and $7.1 million of income tax expense. The second quarter of 2022 included $1.5 million of commodity swap losses and $0.2 million of deferred tax expense. The first quarter of 2022 included $15.9 million of commodity swap gains and $5.1 million of deferred tax expense.

The fourth quarter of 2021 included $5.1 million of commodity swap losses and $1.4 million of deferred tax expense. The third quarter of 2021 included asset impairment charges of $5.3 million, $1.6 million of deferred tax expense and $4.7 million of commodity swap gains. The second quarter of 2021 included the Line Loss Proceeding payments of $18.6 million, $8.3 million of deferred tax expense and commodity swap losses of $6.3 million.

(1) Adjusted EBITDA is a non-GAAP measure. See Non-GAAP and Other Financial Measures.

FINANCIAL RESULTS OF OPERATIONS

Revenue

Three months ended March 31 ($000's)	2023	2022
Revenue	-	35,792

Revenue in first quarter of 2023 decreased by $35.8 million, to $nil from $35.8 million in 2022, primarily due to lower generation volumes as M2 has been offline since the third quarter of 2022 due to the non-injury fire.

Plant Operations

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

Three months ended March 31 ($000's) unless otherwise noted	2023			2022		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	920	4,086	5,006	20,023	4,439	24,462

Fuel expenses in the first quarter of 2023 decreased by $19.1 million, to $0.9 million from $20.0 million in 2022, primarily due to lower generation volumes as M2 has been offline since the third quarter of 2022 due to the non-injury fire.

O&M expenses in the first quarter of 2023 decreased by $0.3 million, or 7%, to $4.1 million from $4.4 million in 2022, primarily due to one-time repair costs incurred in 2022 and lower variable costs in 2023, partially offset by higher insurance premiums in 2023.

General and Administrative Expense

Three months ended March 31 ($000's)	2023	2022
Total general and administrative expense	1,561	1,486

General and administration expense in the first quarter of 2023 was $1.6 million, which is comparable to the same period in 2022.

Depreciation and Amortization Expense

Three months ended March 31 ($000's)	2023	2022
Total depreciation and amortization expense	2,009	2,105

Depreciation and amortization expense in the first quarter of 2023 was $2.0 million, which is comparable to the same period in 2022.

Other Income, Net

Three months ended March 31 ($000's)	2023	2022
Other income, net	(19,963)	-

Other income in the first quarter of 2023 was $20.0 million as compared to $nil in 2022. The increase is primarily due to net insurance income in 2023 as a result of the non-injury fire incident at M2.

Loss (Gain) on Commodity Swaps

Three months ended March 31 ($000's)	2023	2022
Realized gain on power swaps	-	(2,730)
Realized gain on natural gas swaps	-	(3,200)
Total realized gain on commodity swaps	-	(5,930)

Three months ended March 31 ($000's)	2023	2022
Unrealized loss on power swaps	-	87
Unrealized gain on natural gas swaps	-	(10,104)
Total unrealized gain on commodity swaps	-	(10,017)

Total realized and unrealized gain on commodity swaps	-	(15,947)

As of March 31, 2023, MAXIM has no outstanding Alberta power or natural gas price risk management swaps.

In the first quarter of 2022, MAXIM realized gains of $5.9 million on Alberta power and natural gas price risk management swaps. These gains and losses are due to settled Alberta power and natural gas prices deviating from the fixed swap price.

In the first quarter of 2022, MAXIM had unrealized gains of $10.0 million on Alberta power and natural gas price risk management swaps. These gains and losses are due to Alberta power and natural gas forward prices deviating from the fixed swap price.

Finance Expense, Net

Three months ended March 31 ($000's)	2023	2022
Interest expense and bank charges	1,642	1,409
Amortization of deferred financing costs	335	449
Gain on interest rate swap	-	(61)
Accretion of provisions	80	28
Foreign exchange gain	(16)	(95)
Finance expense	2,041	1,730
Interest income	(685)	(47)
Total finance expense, net	1,356	1,683

In the first quarter of 2023, net finance expense decreased $0.3 million, or 18%, to $1.4 million from $1.7 million in 2022, primarily due to higher interest income in 2023, partially offset by higher interest expense due to higher interest rates.

Income Tax Expense

Three months ended March 31 ($000's)	2023	2022
Current tax expense	1,432	-
Deferred tax expense (benefit)	848	5,105
Total deferred income tax expense	2,280	5,105

In the first quarter of 2023, income tax expense decreased $2.8 million, or 55%, to $2.3 million from $5.1 million in 2022 due to MAXIM having lower income before taxes in 2023.

Financial Position

The following highlights the changes in the Corporation's Consolidated Statement of Financial Position at March 31, 2023, as compared to December 31, 2022.

As at ($000's)	March 31, 2023	December 31, 2022	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	51,335	51,378	(43)	Decreased as a result of investing and financing activities, partially offset by operating activities
Trade and other receivables	13,845	15,109	(1,264)	Decreased as a result of a lower insurance recovery receivable
Property, plant and equipment	298,944	296,548	2,396	Increased as a result of capital additions for M2, partially offset by depreciation
Other assets	18,498	19,074	(576)	Decreased as a result of lower prepaid expenses and deposits
Liabilities & Equity				
Trade and other payables	7,193	14,784	(7,591)	Decreased due to lower amounts owing for construction of the CCGT expansion of M2 and lower current tax liabilities
Loans and borrowings	82,296	82,673	(377)	Decreased due to principal debt repayments, partially offset by deferred financing
Other liabilities	16,581	15,998	583	Increased due to the deferred tax liability reflecting deferred tax expense for the quarter
Equity	276,552	268,654	7,898	Increased primarily due to net income for the period

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Management is anticipating that cash flows for operating and general and administrative expenses will be funded by MAXIM's existing cash on hand and operating activities. Cash flows for construction of the CCGT expansion of M2 and repairs to the simple cycle assets of M2 will be funded by the Corporation's existing cash on hand, insurance proceeds and debt. The non-injury fire incident at M2 unfavourably impacts cashflows as the facility will not be operational until the end of July 2023, however the Corporation has ample liquidity from cash on hand, remaining capacity under its credit facilities and the anticipated additional future insurance proceeds to fund the expenditures noted above. As at March 31, 2023, MAXIM has up to $92.1 million, including the $4.1 million letter of credit facility available only for issuing letters of credit, of borrowing capacity remaining under its senior credit facilities and subordinated convertible loan and $51.3 million of unrestricted cash.

On September 30, 2022, the air inlet filter house of the M2 operating facility was damaged by a non-injury fire. M2 is currently not operating, and the Corporation does not expect to generate electricity until the end of July 2023. MAXIM is currently monitoring the financial impact of the non-injury fire incident at M2 but does not expect a significant adverse impact to the Corporation's longer term financial performance or financial condition.

On March 31, 2023, the Corporation amended and received consent for certain terms and conditions of the senior credit facility and convertible loan facility to incorporate the impact of the non-injury fire incident, related air inlet filter house repair program, timing of completion of the CCGT expansion of M2, pausing of the Corporation's normal course issuer bid until after the CCGT expansion of M2 has achieved substantial completion and customary terms and conditions as a result of an event of this nature. There were no changes to the availability of either facility.

Senior Credit Facility

On June 30, 2021, the Corporation entered into an amended and restated credit agreement that increases the senior credit facility from $42.5 million to $105.0 million to support financing requirements of the CCGT expansion of M2, existing operations, letters of credit and hedging. The facility matures on June 30, 2026 and amounts available under the facility are as follows:

- Bank Term Facility #1 is the remaining original term facility with $25.6 million outstanding. This facility is fully drawn, quarterly principal payments of $0.7 million and amortizes over ten years. No additional amounts are available under this facility.
- Revolver Facility #1 is a $10.0 million revolver and is available for general corporate purposes. This facility is undrawn.
- Revolver Facility #2 is a $5.0 million revolver and is available for the CCGT expansion of M2, until the CCGT expansion of M2 is completed, and for general corporate purposes on a revolving basis thereafter. This facility is undrawn.
- Bank Construction Facility is a $27.4 million facility and is available only for the CCGT expansion of M2 on a non-revolving basis, with amortization required over ten years commencing on completion of the CCGT expansion of M2. This facility is undrawn.
- Fixed Rate Construction Facility is a $30.0 million facility and is available only for the CCGT expansion of M2 on a non-revolving basis with amortization required over five years commencing on completion of the CCGT expansion of M2. This facility is fully drawn and no additional amounts are available.
- Letter of Credit Facility #1 is a $4.1 million facility and is available to be drawn to issue letters of credit. This facility can be cash collateralized or used to be drawn on to issue or replace letters of credit. As at March 31, 2023, the Corporation has $0.1 million in cash collateralized letters of credit. Cash of the same amount was deposited into a restricted bank account maintained by the bank.

The senior credit facility is secured by the assets of the Corporation, bears interest at fixed rates and Canadian prime rate, bankers acceptance or Canadian dollar offered rate, plus applicable margins.

MAXIM is currently in a financial covenant break period while it commissions the CCGT expansion of M2. During this period compliance is not required with the debt service coverage ratio and debt to Adjusted EBITDA[(1)]. The requirement to comply with these covenants will resume during the first full financial quarter after the commissioning period ends at which point Adjusted EBITDA[(1)] will be annualized until four full financial quarters have occurred. However, MAXIM is required to comply with the minimum tangible assets of 95% of the consolidated tangible assets held within select entities named under the agreement. The Corporation is compliant with these covenants as at March 31, 2023.

(1) Adjusted EBITDA is a non-GAAP measure. See Non-GAAP and Other Financial Measures.

Convertible Loan Facility

On June 30, 2021, the Corporation amended the $75.0 million convertible loan to make it available for the construction of the CCGT expansion of M2 and any wind power projects agreed with the lenders, and to extend the maturity date to September 25, 2026. The convertible loan continues to be subordinated to the senior credit facility, convertible into common shares at $2.25 per share, at the option of the lenders, bears interest at 12% per annum and is secured by the assets of the Corporation. As at March 31, 2023, MAXIM is in compliance with all covenants related to this facility. The convertible feature of the loan was valued at $nil at the date of issuance and therefore no amount has been reflected as equity on the statements of financial position. As at March 31, 2023, the Corporation has $29.4 million (December 31, 2022 - $29.4 million) outstanding.

The convertible loan was provided by two significant shareholders of the Corporation, one of whom is the Chief Executive Officer and Chair of the Board and the other is Vice Chair of the Board. Total interest and fees paid under this facility for the first three months of 2023 was $1.1 million (2022 - $1.1 million).

Letter of Credit Facility #2

The Corporation has a demand credit facility, separate from the Senior Credit Facility and Convertible Loan Facility, that requires full cash collateralization of letters of credit on a non-revolving basis. As at March 31, 2023, the Corporation has $2.2 million of outstanding letters of credit and cash of the same amount was deposited into a restricted bank account maintained by the bank. There are no financial covenants under this credit agreement.

Cash flow summary:

At March 31, 2023, the Corporation had unrestricted cash of $51.3 million included in the net working capital surplus[(1)] of $59.1 million (see working capital on page 13). Unrestricted cash balances are on deposit with two Canadian financial institutions.

(1) Working capital is a non-GAAP measure. See Non-GAAP Measures.

Three months ended March 31 ($000's)	2023	2022
Cash on hand, unrestricted, January 1	51,378	13,550
Cash flow generated from operations	9,823	21,920
Cash flow generated from (used in) financing	(2,811)	27,805
Available for investments	58,390	63,275
Cash flow used in investing	(7,071)	(28,264)
Effect of foreign exchange rates on cash	16	95
Unrestricted cash	51,335	35,106
Undrawn Convertible Loan Facility	45,562	45,562
Undrawn Senior Credit Facilities	46,500	46,500
Net liquidity available, March 31 [(1)]	143,397	127,168

(1) Net liquidity available is a non-GAAP measure. See Non-GAAP Measures.

Cash flow generated from operating activities in the first quarter of 2023 decreased to $9.8 million from $21.9 million in 2022, which is a decrease of $12.1 million. The decrease is primarily due to lower earnings from the operations of M2 in 2023, changes in non-capital working capital and taxes paid in 2023. See working capital section below for further discussion.

During the first quarter of 2023, MAXIM's cash flow used in financing activities increased $30.6 million to $2.8 million in 2023, from an inflow of $27.8 million in 2022, primarily due to a debt issuance in the first three months of 2022.

MAXIM's investing activities in the first quarter of 2023 represented a cash outflow of $7.1 million, decreasing from $28.3 million in 2022. During the first quarter of 2023, MAXIM spent $4.3 million primarily on the CCGT expansion of M2 and new air inlet filter house, and changes in non-cash working capital of $3.5 million, partially offset by interest income of $0.7 million.

MAXIM's investing activities in the first quarter of 2022 represented a cash outflow of $28.3 million. During the first quarter of 2022, MAXIM spent $31.7 million primarily on advancing engineering and construction of the CCGT expansion of M2 and on capital spares relating to M2, partially offset by changes in non-cash working capital of $3.3 million and interest income of $0.1 million.

The following table represents the net capital(1) of the Corporation:

As at ($000's)	March 31, 2023	December 31, 2022
Loans and borrowings	82,296	82,673
Less: Unrestricted cash	(51,335)	(51,378)
Net debt	30,961	31,295
Shareholders' equity	276,552	268,654
Capital	307,513	299,949
Net debt to capital	10.1%	10.4%

The Corporation uses the percent of net debt to capital to monitor leverage. The decrease in net debt to capital from December 31, 2022 to March 31, 2023 is primarily due to cashflows from operations.

(1) Net capital, net debt and net debt to capital is a non-GAAP measure. See Non-GAAP Measures

Working Capital(1)

The following table represents the working capital surplus of the Corporation:

As at ($000's)	March 31, 2023	December 31, 2022	Difference
Total current assets	68,758	70,616	(1,858)
Total current liabilities	10,247	16,253	(6,006)
Working capital surplus(1)	58,511	54,363	4,148

The Corporation has a working capital surplus of $58.5 million at March 31, 2023, which represents a $4.1 million increase from the working capital surplus of $54.4 million at December 31, 2022. The total increase is comprised of a $1.9 million decrease in current assets and a $6.0 million decrease in current liabilities.

The decrease in current assets was due to a net decrease of $0.1 million in unrestricted cash, accounts receivable of $1.3 million and prepaid expenses and deposits of $0.5 million.

The decrease in current liabilities was due to a $3.9 million decrease in accounts payable primarily due to lower amounts owing for the construction of the CCGT expansion of M2 and lower current tax liabilities of $3.7 million, partially offset by an increase in the current portion of loans and borrowings of $1.6 million.

(1) Working capital is a non-GAAP measure. See Non-GAAP Measures.

Capital Resources

This following commentary represents FLI and users are cautioned that actual results may vary. The Corporation is currently anticipating capital expenditures of approximately $31.0 million to $34.0 million for the full year of 2023. These expenditures primarily relate to the estimated replacement of the air inlet filter house, completion of the CCGT expansion of M2 and sustaining capital spending.

Contractual Obligations and Contingencies

In the normal course of operations, MAXIM assumes various contractual obligations and commitments. MAXIM considers these obligations and commitments in its assessment of liquidity.

As at March 31, 2023	Total	2023	2024-2025	2026-2027	Thereafter
Long-term debt(1)	107,034	7,653	31,143	68,238	-
Long-term contracts(2)	8,832	3,060	5,772		-
Purchase obligations(3)	4,477	4,477	-	-	-
Total	120,343	15,190	36,915	68,238	-

(1) Long-term debt obligations are comprised of the principal and interest payments related to loans and borrowings on the statement of financial position

(2) Long-term contracts are comprised of natural gas transportation agreements

(3) Purchase obligations include commitments with suppliers for the engineering, construction, procurement and maintenance of M2

For the current significant outstanding contingencies, refer to Note 20 of the 2022 Annual Audited Consolidated Financial Statements.

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

MAXIM continues to monitor regulatory initiatives that may impact its existing business. As a result, MAXIM continues to assess its impact on climate change and as a result is exploring low emission power generation projects, including its Buffalo Atlee wind development project and other wind opportunities. In addition, MAXIM is constructing the CCGT expansion of M2 to capture waste heat and turn it into electricity. The impact of this expansion decreases the level of emissions relative to the electricity produced.

Risks

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

On December 11, 2020, the Government of Canada announced *Canada's Strengthened Plan for a Healthy Environment and a Healthy Economy* which indicated the government would: "Work with provinces, territories, utilities, industry and interested Canadians to ensure that Canada's electricity generation achieves net-zero emissions before 2035." The cornerstone of this effort will be the clean electricity standard complemented by other policies and programs.

On March 15, 2022, the Government of Canada released a discussion paper *A Clean Electricity Standard in support of a net-zero electricity sector*, signaling its intent to move forward with regulations to achieve a net-zero electricity system by 2035, and is undergoing consultation to develop the regulation. This legislation was expected by the end of 2022, but has not been released. Management will continue to monitor the progress on this initiative and regularly assess the potential impact to MAXIM.

On July 26, 2022, the Government of Canada released a proposed frame for the clean electricity regulation which is the second engagement document that will guide the clean electricity regulations and set out the key elements of the regulation. Following a comment period that closed on August 17, 2022, the Government of Canada is expected to release the regulation in 2023.

Provincial Carbon Tax

In 2015, the Government of Alberta ("GoA") announced its Climate Leadership Plan ("CLP"). The CLP recommended that Alberta move forward on phasing out coal-fired electricity generation by 2030 and encourages more renewable energy. Under the CLP, the GoA replaced the existing Specified Gas Emitters Regulation with the Carbon Competitiveness Incentive Regulation ("CCIR") which came into effect on January 1, 2018. The CCIR required electricity generators to pay $30 per tonne of carbon dioxide equivalents ("CO2e") on emissions above what Alberta's cleanest natural gas-fired plant would emit to generate the same amount of electricity.

On October 30, 2019, the GoA released the Technology Innovation and Emissions Reduction Regulation ("TIER") which replaced CCIR on January 1, 2020. The impacts to the electricity industry are largely similar under TIER and CCIR including a carbon price of $30/tonne for 2020, $40/tonne for 2021 and $50/tonne for 2022 and based on a "good as best gas" intensity limit of 0.37 tonnes of CO2e/MWh above which generators are taxed for carbon emissions, notwithstanding exemptions for new units (until 2023).

On June 20, 2022, the GoA released a Discusson Document titled Review of Alberta's Technology Innovation and Emission Reduction Regulation, kicking off a review of TIER which expired on December 31, 2022. On December 15, 2022 the GoA posted the final TIER regulations for the 2023-2030 time period. The most significant change as it relates to MAXIM is a tightening of the "good as best gas" intensity limit by 2% per year with the intensity limit dropping from 0.37 tonnes of CO2e/MWh to 0.311 tonnes of CO2e/MWh at 2030.

In 2018, the Government of Canada enacted regulations to create a federal carbon pricing plan. The Greenhouse Gas Pollution Pricing Act ("GGPPA") became effective on January 1, 2019 and acts as a backstop to any province that has not implemented a compliant carbon pricing regime. On October 11, 2022 the Government of Canada amended the GGPPA to establish the carbon price for the 2023-2030 period. The carbon price is set at $65 per tonne in 2023 and will increase by $15 per year to reach $170 per tonne of CO2e in 2030. This rate is the same as the national minimum price for carbon pollution confirmed by the Government of Canada in the summer of 2021. As expected, the TIER carbon price was confirmed to rise with the pricing stated in the GGPPA and as of December 15, 2022, the TIER program has been approved by the Government of Canada through 2030.

Additional Restrictions on Carbon Dioxide Emissions

The M2 project is subject to the TIER carbon tax, but as a new facility was exempt until January 1, 2023. M2 is not otherwise adversely impacted by any of the provincial or federal legislation above. Starting January 1, 2023, the M2 project is exposed to carbon tax on emissions greater than 0.3626 tonnes of CO2e/MWh. The CCGT expansion of M2 greatly reduces the Corporations exposure to TIER carbon tax through improved efficiency compared to M2 simple cycle operations.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

Adjusted EBITDA

Three months ended March 31 ($000's)	2023	2022
GAAP Measures from Condensed Consolidated Interim Statement of Income		
Net income	7,751	16,898
Income tax expense	2,280	5,105
Finance expense, net	1,356	1,683
Depreciation and amortization	2,009	2,105
	13,396	25,791
Adjustments:		
Other income	(19,963)	-
Unrealized gain on commodity swaps	-	(10,017)
Business interruption insurance claim	18,150	-
Share-based compensation	148	119
Adjusted EBITDA	11,731	15,893

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 and as a basis for covenant calculations. 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 quarter ended March 31, 2023 and March 31, 2022 management included the business interruption insurance claim 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 2023 and 2022, Adjusted EBITDA excluded all items of other income and expense including: unrealized gains on commodity swaps and share-based compensation.

Working Capital Surplus

MAXIM defines working capital surplus or deficit as the current assets less current liabilities. Working capital surplus is used to assist management and investors in measuring liquidity. The calculation of working capital surplus is provided on page 15.

Net Liquidity Available

MAXIM defines net liquidity available as its cash and cash equivalents plus undrawn amounts on the Convertible Loan Facility and the Senior Credit Facilities. Net liquidity is used to assist management and investors in measuring the Corporation's access to available capital. The calculation of net liquidity availability is included on page 14.

Net Debt, Net Capital and Net Debt to Capital

MAXIM defines net debt as loans and borrowings less unrestricted cash.

MAXIM defines net capital as net debt plus shareholders' equity.

MAXIM defines net debt to capital as net debt divided by net capital.

Net debt, net capital and net debt to capital are used to monitor liquidity.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The judgements and estimates used in the preparation of the condensed consolidated interim financial statements have 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, 2022.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Standards Issued Not Yet Effective and Amendments

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

TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter any related party transactions during the first three months, with the exception of the convertible loan facility interest and fees (page 12) and 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 10b and 22 of the 2022 Annual Audited Consolidated Financial Statements.

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for the design of internal controls over financial reporting ("ICFR") and disclosure controls of the Corporation. In accordance with National Instrument NI 52-109, the CEO and CFO have filed certifications that ICFR and disclosure controls have been adequately designed, and that there have been no changes in ICFR that materially affected, or are reasonably likely to materially affect ICFR, during the quarter ended March 31, 2023.

OTHER INFORMATION

Outstanding share data:

Issued common shares at March 31, 2023	50,268,938
Issuable shares on conversion of the convertible loan at March 31, 2023	13,083,736
Outstanding share options at March 31, 2023	2,509,014
Total diluted common shares at March 31, 2023	**65,861,688**
Issuance of common shares in April 2023	69,166
Share options granted in April 2023	209,767
Share options exercised in April 2023	(69,166)
Total diluted common shares at May 9, 2023	**66,071,455**

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:

Buffalo Atlee	Buffalo Atlee is a development project for up to 200 MW of wind generation situated near Brooks, Alberta
Capacity	The rated continuous load-carrying ability, expressed in megawatts, of generation equipment, (throughout the MD&A references to capacity are stated in nameplate capacity)
CCIR	Carbon Competitiveness Incentive Regulation
CCGT	Combined Cycle Gas Turbine
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLP	Climate Leadership Plan
CO2e	Carbon Dioxide Equivalent
Adjusted EBITDA	Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization
FLI	Forward-looking information
GAAP	IFRS, as set out in Part 1 of the CPA Canada Handbook of the CPAs of Canada
GGPPA	Greenhouse Gas Pollution Pricing Act
GJ	Gigajoule
GoA	Government of Alberta
ICFR	Internal Controls Over Financial Reporting
IFRS	International Financial Reporting Standards
Milner	HR Milner, a 150 MW (nameplate capacity) generating facility located near the town of Grande Cache, Alberta since 1972 and was acquired by MAXIM on March 31, 2005
M2	M2 is a 204 MW simple cycle gas turbine generating facility located at the Milner site near the town of Grande Cache, Alberta
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
O&M	Operations and Maintenance
Summit	Summit Coal LP
TIER	Technology Innovation and Emissions Reduction Regulation

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