Condensed Amended and Restated Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the Three and Six Months Ended June 30, 2021

(Unaudited)

NOTICE TO READER

The Audit Committee, in consultation with management of the Corporation, has determined that the Corporation's previously filed unaudited condensed consolidated interim financial statements and Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 2021 needed to be amended to consider the convertible loan facility in diluted earnings per share. Details of the changes are fully described in Note 7 to the unaudited condensed amended and restated consolidated interim financial statements and under "Restatement" in the amended and restated MD&A. The previously filed unaudited condensed consolidated interim financial statements and MD&A for the three and six months ended June 30, 2021 were originally filed by the Corporation on SEDAR on August 11, 2021. Subsequent to August 11, 2021, certain events occurred and have now been disclosed in Note 13 of the unaudited condensed amended and restated consolidated interim financial statements and amended and restated MD&A. Each of the unaudited condensed amended and restated consolidated interim financial statements and amended and restated MD&A replaces and supersedes the respective previously filed unaudited condensed consolidated interim financial statements and related MD&A for the three and six months ended June 30, 2021.

MAXIM POWER CORP.

Unaudited Condensed Amended and Restated Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

As at	Note	**June 30, 2021**	December 31, 2020
ASSETS			
Cash and cash equivalents		**42,364**	12,261
Trade and other receivables		**18,862**	6,952
Risk management asset	11	**3,138**	-
Prepaid expenses and deposits		**1,146**	1,390
Total current assets		**65,510**	20,603
Property, plant and equipment, net	3	**211,345**	183,939
Restricted cash		**6,196**	6,196
Deferred tax assets		**3,240**	19,798
Other assets		**9,075**	8,774
Total non-current assets		**229,856**	218,707
TOTAL ASSETS		**295,366**	239,310
LIABILITIES			
Trade and other payables		**22,776**	11,377
Risk management liability	11	**4,508**	2,049
Loans and borrowings	4	**-**	1,668
Total current liabilities		**27,284**	15,094
Provisions for decommissioning		**10,627**	10,997
Other long-term liability		**202**	202
Risk management liability	11	**209**	-
Loans and borrowings	4	**52,812**	65,107
Total non-current liabilities		**63,850**	76,306
TOTAL LIABILITIES		**91,134**	91,400
EQUITY			
Share capital		**143,739**	143,584
Contributed surplus		**12,583**	12,431
Retained earnings (deficit)		**47,910**	(8,105)
TOTAL EQUITY		**204,232**	147,910
Commitments and Contingencies	8, 9		
Subsequent event	13		
TOTAL LIABILITIES AND EQUITY		**295,366**	239,310

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

MAXIM POWER CORP.

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

(in thousands of Canadian dollars, except per share amounts)

		Three months ended June 30		Six months ended June 30	
	Note	**2021**	2020	**2021**	2020
Revenue		**44,342**	4,460	**74,372**	11,718
Expenses (income)					
Operating		**15,930**	5,387	**30,538**	10,399
General and administrative		**1,145**	853	**2,482**	1,875
Depreciation and amortization		**2,012**	915	**3,805**	1,252
Loss (gain) on commodity swaps	11	**6,261**	453	**10,262**	(437)
Other expense (income), net	5	**(18,758)**	965	**(46,970)**	718
Operating income (loss)		**37,752**	(4,113)	**74,255**	(2,089)
Finance expense (income), net	6	**(139)**	841	**1,682**	1,885
Income (loss) before income taxes		**37,891**	(4,954)	**72,573**	(3,974)
Deferred income tax expense (recovery)		**8,302**	(3,787)	**16,558**	(3,813)
Net and comprehensive income (loss)		**29,589**	(1,167)	**56,015**	(161)
Earnings (loss) per share	7	**Restated - Note 7**		**Restated - Note 7**	
Basic		**0.59**	(0.02)	**1.12**	(0.00)
Diluted		**0.48**	(0.02)	**0.91**	(0.00)

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

MAXIM POWER CORP.

Unaudited Condensed Amended and Restated 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, 2020	49,802	143,584	12,431	(8,105)	147,910
Net income	-	-	-	56,015	56,015
Share-based compensation	-	-	213	-	213
Stock options settled in cash	-	-	(17)	-	(17)
Stock options exercised	78	155	(44)	-	111
Equity at June 30, 2021	**49,880**	**143,739**	**12,583**	**47,910**	**204,232**
Equity at December 31, 2019	50,214	144,771	12,175	(17,714)	139,232
Net loss	-	-	-	(161)	(161)
Repurchase of common shares for cancellation	(326)	(940)	-	288	(652)
Share-based compensation	-	-	246	-	246
Stock options settled in cash	-	-	(146)	-	(146)
Equity at June 30, 2020	49,888	143,831	12,275	(17,587)	138,519

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

MAXIM POWER CORP.

Unaudited Condensed Amended and Restated Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

	Note	Six months ended June 30 2021	2020
Cash flows from operating activities:			
Net income		**56,015**	(161)
Adjustments for items not involving cash or operations:			
Depreciation and amortization		**3,805**	1,252
Share-based compensation		**213**	246
Unrealized (gain) loss on commodity swaps	11	**(439)**	479
Stock option settlement		**(17)**	(146)
Deferred income tax expense (benefit)		**16,558**	(3,813)
Finance expense, net	6	**1,682**	1,885
Funds generated from (used-in) operating activities before change in non-cash working capital		**77,817**	(258)
Change in non-cash working capital	10	**(4,978)**	(7,550)
Net cash generated from (used-in) operating activities		**72,839**	(7,808)
Cash flows from financing activities:			
Issuance of loans and borrowings		**-**	14,762
Repayment of loans and borrowings	4	**(10,750)**	-
Issue costs on loans and borrowings		**(2,845)**	-
Proceeds from exercise of stock options		**111**	-
Repurchase of common shares for cancellation		**-**	(652)
Interest and bank charges		**(2,646)**	(695)
Net cash generated from (used in) financing activities		**(16,130)**	13,415
Cash flows from investing activities:			
Property, plant and equipment additions	3	**(30,377)**	(16,265)
Interest income	6	**70**	158
Change in non-cash working capital	10	**3,720**	2,339
Net cash used in investing activities		**(26,587)**	(13,768)
Unrealized foreign exchange (gain) loss on cash and cash equivalents		**(19)**	15
Increase (decrease) in cash and cash equivalents		**30,103**	(8,146)
Cash and cash equivalents, beginning of period		**12,261**	20,924
Cash and cash equivalents, end of period		**42,364**	12,778

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

1. Reporting entity

Maxim Power Corp. is incorporated in the province of Alberta, Canada. Maxim Power Corp. and its subsidiaries (together "MAXIM" or the "Corporation") is an independent power producer, which acquires or develops, owns and operates power and power related projects in Alberta. The Corporation's common shares trade on the Toronto Stock Exchange under the symbol "MXG". MAXIM's registered office is Suite 1800, 715 – 5 Avenue S.W., Calgary, Alberta, Canada, T2P 2X6.

Interim results will fluctuate due to plant maintenance schedules, seasonal demand for electricity, changes in energy prices and the 2020 mid-year commissioning of Milner 2 ("M2"). Consequently, interim results are not necessarily indicative of annual results.

2. Basis of preparation and statement of compliance

(a) Statement of compliance

These unaudited condensed amended and restated consolidated interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The unaudited condensed amended and restated 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, 2020 annual audited financial statements available at www.sedar.com.

MAXIM's Board of Directors approved these unaudited condensed amended and restated consolidated interim financial statements on September 20, 2021.

(b) Significant accounting policies and use of judgments and estimates

The use of judgments and estimates in the preparation of these unaudited condensed amended and restated consolidated interim financial statements have been applied consistently for all periods presented and are unchanged from the methodologies for making those judgments and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2020.

The significant accounting policies used in the preparation of these unaudited condensed amended and restated 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, 2020.

(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, 2019	4,077	86,131	3,248	131	147,930	241,517
Additions	-	3,703	-	-	16,475	20,178
Lease addition	-	-	-	202	-	202
Capitalized interest	-	-	-	-	1,905	1,905
Revisions to decommissioning provisions	-	(3,206)	-	-	-	(3,206)
Assets in-service	-	143,624	-	-	(143,624)	-
Balance, December 31, 2020	4,077	230,252	3,248	333	22,686	260,596
Additions (a)	-	12,656	-	-	17,721	30,377
Revisions to decommissioning provisions	-	834	-	-	-	834
Assets in-service	-	147	-	-	(147)	-
Balance, June 30, 2021	4,077	243,889	3,248	333	40,260	291,807
Accumulated depreciation						
Balance, December 31, 2019	-	68,264	2,876	60	-	71,200
Depreciation	-	5,377	9	71	-	5,457
Balance, December 31, 2020	-	73,641	2,885	131	-	76,657
Depreciation	-	3,790	5	10	-	3,805
Balance, June 30, 2021	-	77,431	2,890	141	-	80,462
Property, plant and equipment, net						
December 31, 2020	4,077	156,611	363	202	22,686	183,939
June 30, 2021	4,077	166,458	358	192	40,260	211,345

(a) During the first six months of 2021, the Corporation incurred costs of $30,377 primarily related to advancing engineering and construction of the combined cycle gas turbine (“CCGT”) of M2 and capital spares for M2.

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

4. Loans and borrowings

	June 30, 2021	December 31, 2020
Bank term facility #1 (a)	28,500	29,250
Revolver facility #1 (a)	-	10,000
Convertible loan facility (b)	29,438	29,438
	57,938	68,688
Less: deferred financing costs	(5,126)	(1,913)
Net loans and borrowings, net of deferred financing costs	52,812	66,775
Less: current portion, net of deferred financing costs	-	(1,668)
Total long-term loans and borrowings, net of deferred financing costs	52,812	65,107

(a) Senior Credit Facilities

On June 30, 2021, the Corporation entered into an amended and restated credit agreement that increases the senior credit facilities from $42,500 to $105,000 to support financing requirements of the CCGT expansion of M2, existing operations, letters of credit and hedging. The senior credit facilities are secured by the assets of the Corporation. The bank term facility #1, revolver facility #1, revolver facility #2 and the bank construction facility can bear interest at Canadian prime rate, bankers acceptance or Canadian dollar offered rate, plus applicable margins. The fixed rate construction facility bears interest at a fixed rate. The senior credit facilities mature on June 30, 2026.

Financing provided as follows:

(i) Bank Term Facility #1

The remaining original $28,500 term facility, was amended into a bank term facility #1, which will now continue without being repaid, terminated or replaced until construction of the CCGT expansion of M2 is completed, at which point it will amortize over seven years based on the current anticipated completion date of the project. This facility is non-revolving and currently bears interest at floating rates based on the bankers acceptance rate of 3.41% (December 31, 2020 - 3.47%). As at June 30, 2021 the amount drawn under this facility was $28,500 (December 31, 2020 - $29,250). This facility is fully drawn and no additional amounts are available.

(ii) Revolver Facility #1

The $10,000 revolver facility #1 remains available for general corporate purposes. As at June 30, 2021 the amount drawn under this facility was $nil (December 31, 2020 - $10,000).

(iii) Revolver Facility #2

Upon amendment and restatement of the credit agreement, the $4,000 revolver facility #2 was increased to $5,000. This facility is now available only for the CCGT expansion of M2, until M2 is completed, and then for general corporate purposes thereafter. This facility is undrawn as at June 30, 2021.

(iv) Bank Construction Facility

The $27,400 bank construction facility is non-revolving, available only for the construction of the CCGT expansion of M2, with amortization required over ten years commencing on completion of the CCGT expansion of M2. This facility is undrawn as at June 30, 2021.

4. Loans and borrowings (continued)

(v) Fixed Rate Construction Facility

The $30,000 fixed rate construction facility is non-revolving, available only for the construction of the CCGT expansion of M2, with amortization required over five years commencing on completion of the CCGT expansion of M2. This facility is only available to be drawn on up to January 31, 2022. This facility is undrawn as at June 30, 2021.

(vi) Letter of Credit Facility

The letter of credit facility was amended from a cash collaterized facility to a facility which can either be cash collaterized or be drawn on of up to $4,100. As at June 30, 2021, the Corporation has $4,046 in cash collaterized letters of credit. Cash of the same amount was deposited into a restricted bank account maintained by the bank.

(vii) Hedging Facility

A risk management facility is available for interest rate, power and gas commodity price and foreign exchange hedging.

(viii) Debt Covenants

Commencing on June 30, 2021, the Corporation is required to maintain a debt service coverage ratio of not less than 1.25:1.00, previously 1.50:1.00, determined as at the last day of each financial quarter on a rolling four quarter basis.

The Corporation is required to maintain debt to earnings before interest, taxes, depreciation and amortization below 3.00:1.00, determined as at the last day of each financial quarter on a rolling four quarter basis.

MAXIM is required to ensure that, as at the end of each financial quarter, the tangible assets of MAXIM, Milner Power II LP and Milner Power LP (“MPLP”) are not less than the lesser of: (a) 95% of consolidated tangible assets; and (b) consolidated tangible assets (less any consolidated tangible assets attributed to Forked River II, Inc., Forked River II, LLC, Summit Coal Inc., Summit Coal LP, Deerland Power Inc. and Deerland Power LP).

In addition, MAXIM is subject to customary non-financial covenants. As at June 30, 2021, MAXIM is in compliance with all debt covenants.

(b) Convertible Loan Facility

On June 30, 2021, the Corporation amended the $75,000 convertible loan to make it available for the construction of the CCGT expansion of M2 and any wind power projects agreed with the lender, and to extend the maturity date to September 25, 2026 at a fee of $750 which was paid on June 30, 2021. The convertible loan continues to be subordinated to the Senior Credit Facilities, 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 June 30, 2021, 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 June 30, 2021, the Corporation has $29,438 (December 31, 2020 - $29,438) outstanding.

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

4. Loans and borrowings (continued)

The convertible loan was provided by two significant shareholders of the Corporation, one of whom is the Chief Executive Officer and Chairman of the Board and the other who is Vice Chairman of the Board. Total interest and fees paid under this facility, not including the amendment fee, during the three and six months ended June 30, 2021 was $881 and $1,939 (June 30, 2020 - $nil and $nil, respectively).

(c) Issue costs on loans and borrowings

A total of $2,845 of transaction costs were incurred in the six months ended June 30, 2021 in relation to the amendment and restatement of the senior credit facilities and amendment of the convertible loan facility. Upon amendment, the Corporation determined that the modifications of the two facilities resulted in a remeasurement. As a result, upon fair valuing the loans, the Corporation recognized a gain of $1,752 on the debt modification for the three and six months ended June 30, 2021.

(d) Repayments

The Corporation's anticipated principal repayment obligations as at June 30, 2021, on the above loans and borrowings over the next five calendar years are as follows:

2023	3,150
2024	4,200
2025	4,200
2026	46,388
	57,938

5. Other income and expense

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Line loss proceedings payment (a)	(18,618)	-	(46,514)	-
Other expense (income), net	(140)	965	(456)	718
Total other expense (income), net	(18,758)	965	(46,970)	718

(a) For the three and six months ended June 30, 2021, the Corporation collected $18,618 and $46,514, respectively, pertaining to the Line Loss Proceeding payments, which has been recognized as other income and increased the total amount collected under the claim to $52,932.

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

6. Finance expense (income), net

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Interest expense and bank charges (note 4)	1,297	605	2,847	644
Amortization of deferred financing costs	358	505	756	1,041
Loss (gain) on interest rate swap (note 11)	(7)	70	(11)	70
Gain on modification of debt (note 4)	(1,752)	-	(1,752)	-
Accretion of provisions	16	17	29	34
Foreign exchange (gain) loss	(10)	(273)	(117)	254
Finance (income) expense	(98)	924	1,752	2,043
Interest income	(41)	(83)	(70)	(158)
Total finance (income) expense, net	(139)	841	1,682	1,885

7. Earnings (loss) per share

	Three months ended June 30		Six months ended June 30	
	2021 Restated	2020	2021 Restated	2020
Weighted average number of common shares (basic)	49,834,784	50,085,129	49,821,021	50,142,118
Effect of convertible loan facility	13,083,736	-	13,083,736	-
Effect of exercisable stock options	510,417	-	470,294	-
Weighted average number of common shares (diluted)	63,428,937	50,085,129	63,375,051	50,142,118

	Three months ended June 30		Six months ended June 30	
	2021 Restated	2020	2021 Restated	2020
Net income (loss) (basic)	29,589	(1,167)	56,015	(161)
Finance expense on the convertible loan facility, net of tax	659	-	1,646	-
Net income (loss) (diluted)	30,248	(1,167)	57,661	(161)

	Three months ended June 30		Six months ended June 30	
	2021 Restated	2020	2021 Restated	2020
Earnings per share:				
Basic	0.59	(0.02)	1.12	(0.00)
Diluted (a)	0.48	(0.02)	0.91	(0.00)

(a) The effects of the convertible loan facility and exercisable stock options on diluted earnings per share (“EPS”) were nil for the three and six months ended June 30, 2020, as they were antidilutive. The Corporation has restated the diluted EPS for the three and six months ended June 30, 2021 to include the impact of the convertible loan facility. The convertible loan facility is dilutive for these periods and therefore is included in the calculation of diluted EPS. The effects of the restatement were as follows:

	Three months ended June 30	Six months ended June 30
	2021	2021
Diluted earnings per share:		
Orignal amount reported	0.59	1.11
Adjustment	(0.11)	(0.20)
Restated	0.48	0.91

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

8. Commitments

(a) The Corporation has entered into contracts for engineering, construction, maintenance and procurement of equipment for M2. These contracts have a minimum commitment totaling $4,043 as at June 30, 2021.

(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 June 30, 2021 is $15,613 over the next four years as follows:

2021	1,992
2022	3,984
2023	3,984
2024	3,984
2025	1,669
	15,613

9. Contingencies

For the current significant outstanding contingencies, refer to Note 20 of the Annual Audited Consolidated Financial Statements. Changes during the three and six months ended June 30, 2021, relating to the Line Loss Proceedings contingent asset are provided in note 5.

10. Change in non-cash working capital

	June 30, 2021	June 30, 2020
Operations		
Trade and other receivables	(11,910)	(635)
Prepaid expenses and deposits	244	350
Trade and other payables	6,688	(7,265)
	(4,978)	(7,550)

	June 30, 2021	June 30, 2020
Investing		
Trade and other payables	4,640	1,375
Non-current deposits	(920)	-
Other long-term liabilities	-	980
Restricted cash	-	(16)
	3,720	2,339

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

11. Financial risk management

The Corporation's risk management process, oversight and techniques are the same as those described in the Corporation's 2020 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 following table provides the fair values of the financial assets and liabilities in the Corporation's Consolidated Statements of Financial Position and is categorized by hierarchical levels and their related classifications.

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 amounts outstanding under the senior credit facility approximates the carrying value as it bears a floating rate of interest and the margin charged by the lenders is indicative of current credit spreads. The subordinated convertible loan facility includes monthly interest at a fixed rate that the Corporation would expect to pay for similar financing transactions and accordingly the fair value approximates the carrying value.

(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.

Realized loss (gain) on commodity swaps

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Realized loss (gain) on power swaps	6,590	(36)	12,118	(916)
Realized gain on natural gas swaps	(659)	-	(1,417)	-
Total realized loss (gain) on commodity swaps	5,931	(36)	10,701	(916)

Unrealized loss (gain) on commodity swaps

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Unrealized loss on power swaps	3,727	489	4,225	479
Unrealized gain on natural gas swaps	(3,397)	-	(4,664)	-
Total unrealized loss (gain) on commodity swaps	330	489	(439)	479

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

11. Financial risk management (continued)

Loss (gain) on commodity swaps

Total realized and unrealized loss (gain) on commodity swaps	6,261	453	10,262	(437)

(b) Interest rate swaps

The Corporation manages interest rate exposure in accordance with the provisions under the Senior Credit Facilities, by entering into interest rate swaps. The fair values of the interest rate swaps are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. As at June 30, 2021, the Corporation has a $9,000 interest rate swaps until November 2022 at 3.82%.

Realized loss on interest rate swaps

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Total realized loss on interest rate swaps	9	16	18	16

Unrealized loss (gain) on interest rate swaps

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Total unrealized loss (gain) on interest rate swaps	(16)	54	(29)	54

Loss (gain) on interest rate swaps

Total realized and unrealized loss (gain) on interest rate swaps	(7)	70	(11)	70

(c) Carrying amount of risk management asset and liabilities

Current risk management asset

	June 30, 2021	December 31, 2020
Natural gas commodity swap	3,138	-
Total carrying amount of current risk management asset	3,138	-

Current risk management liability

	June 30, 2021	December 31, 2020
Power commodity swap	4,483	259
Natural gas commodity swap	-	1,736
Interest rate swap	25	54
Total carrying amount of current risk management liability	4,508	2,049

Non-current risk management liability

	June 30, 2021	December 31, 2020
Natural gas commodity swap	209	-
Total carrying amount of non-current risk management liability	209	-

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

13. Subsequent event

Subsequent to June 30, 2021, the Corporation was notified by the Alberta Utilities Commission that the appeal for a time extension of the Deerland peaking station permit (190 MW) was denied. As a result, the Corporation has chosen to terminate the project and will write off the full value of the assets under construction totaling $5,348 which will be recognized in the third quarter of 2021.

AMENDED AND RESTATED MANAGEMENT'S DISCUSSION AND ANALYSIS

The Amended and Restated Management's Discussion and Analysis ("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 of this MD&A for additional information.

This MD&A is dated September 20, 2021 and should be read in conjunction with the unaudited condensed amended and restated consolidated interim financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the three and six months ended June 30, 2021. As described in note 7 to the unaudited condensed amended and restated consolidated interim financial statements for the three and six months ended June 30, 2021 and 2020, diluted Earnings Per Share ("EPS") for the three and six months ended June 30, 2021 was restated. The information presented in this MD&A, including the summary of quarterly results has also been restated to reflect this restatement. See section entitled "Restatement" for additional information. This MD&A should be read in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2020. MAXIM prepares its unaudited condensed consolidated interim financial statements in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting, under International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("GAAP").

Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in the Glossary of Terms. Throughout this MD&A, dollar amounts within tables are in thousands of Canadian dollars unless otherwise noted.

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OVERALL PERFORMANCE

Highlights

On June 30, 2021, MAXIM announced that it is proceeding with the Corporation's project to expand Milner 2 ("M2") into a combined cycle gas turbine ("CCGT") facility through the installation of heat recovery technology. The CCGT expansion project is anticipated to increase total generation capacity from 204 MW to approximately 300 MW and improve operational efficiency resulting in lower Operating and Maintenance ("O&M") costs per MWh. The current estimated cost of the CCGT expansion project is $125.0 million before financing costs and as at June 30, 2021 MAXIM has spent $18.7 million towards this project. MAXIM anticipates the expansion will commence commercial operations during December 2022.

MAXIM, through a wholly owned subsidiary, has entered into an Engineering, Procurement, and Construction ("EPC") contract for the CCGT expansion project. The EPC contractor is the same party that constructed the existing M2 simple cycle plant. The EPC contractor has agreed to complete and deliver the expanded plant as a fixed-price, turnkey project. The EPC contract value is approximately $86.0 million and the remaining project costs of $39.0 million are owner's costs related to activities for which MAXIM is responsible. M2 will continue to operate in simple cycle mode during construction. Commissioning of the expanded facility is expected to occur over a 3-month period during which there will be periodic outages of the existing M2 plant while work is carried out to connect this plant to the heat recovery technology.

On June 30, 2021, MAXIM amended its senior secured credit facility. The amended senior secured credit facility has been increased from $42.5 to $105.0 million to provide for construction financing, of which $28.5 million is currently drawn, $62.4 million is available for construction and the remainder available for general corporate use and letters of credit. The construction facilities of up to $62.4 million consist of two non-revolving construction loans and a $5.0 million revolving credit facility. The construction loans have amortization requirements ranging from five to ten years commencing on completion of the CCGT expansion of M2. All loans under the senior secured credit facility mature on June 30, 2026. MAXIM has also extended the maturity date of its current subordinated convertible secured credit facility, with two related parties, to provide additional construction financing, if needed. Total capacity under this credit facility is unchanged at $75.0 million of which $29.4 million is currently drawn. The maturity date of this facility was extended to September 25, 2026 and the facility was broadened to make it available for the construction of the CCGT expansion and any wind power projects.

During the second quarter of 2021, the Corporation received the final Line Loss Proceeding payments of $18.6 million from the Alberta Electric System Operator ("AESO") relating to the years 2006 to 2009, increasing the total amount collected in 2020 and 2021 to $52.9 million.

During the second quarter of 2021, MAXIM recorded adjusted earnings before interest, taxes, depreciation and amortization, ("Adjusted EBITDA" (1)) of $21.4 million as compared to negative Adjusted EBITDA of $1.6 million in 2020. This brings Adjusted EBITDA for the first six months of 2021 to $30.9 million. A significant portion of the increase is the result of the operation of Milner 2 ("M2"), which was commissioned in the second quarter of 2020. M2 generated 389,101 MWh in the second quarter of 2021 and realized average power prices of $113.96 per MWh.

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

Key Performance Indicators ("KPI")

($000's, unless otherwise noted)	Three months ended June 30 2021 (Restated)	2020	Six months ended June 30 2021 (Restated)	2020
Revenue	44,342	4,460	74,372	11,718
Net income (loss)	29,589	(1,167)	56,015	(161)
Basic earnings (loss) per share ($ per share)	0.59	(0.02)	1.12	(0.00)
Diluted earnings (loss) per share ($ per share)	0.48	(0.02)	0.91	(0.00)
Adjusted EBITDA (1)	21,441	(1,589)	30,864	606
Total generation (MWh) (2)	389,101	107,501	713,591	149,802
Average Alberta market power price ($ per MWh)	104.51	29.90	100.01	48.47
Average realized power price ($ per MWh) (2)	113.96	41.48	104.22	78.22
Total assets	295,366	241,896	295,366	241,896

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

(2) Total generation and average realized power prices for 2021 relate to M2 and 2020 relate to both HR Milner ("Milner") and M2

Financial Results

During the second quarter of 2021, Adjusted EBITDA increased as compared to 2020, primarily due to the commencement of operations of M2 in June 2020. M2 revenues in the second quarter of 2021 increased as a result of its greater generation capacity, higher realized prices and better reliability. M2 requires fewer resources to operate and pays significantly less carbon tax compared to the coal and natural gas-fired Milner facility. These favourable variances were partially offset by higher fuel costs due to higher generation volumes, higher per unit natural gas costs in the second quarter of 2021 and net realized losses on power and natural gas commodity swaps as compared to the same period in 2020.

Net income increased in the second quarter of 2021, with a significant portion due to the same factors impacting Adjusted EBITDA and the recognition of the third payment of $18.6 million from the Line Loss Proceedings, partially offset by the recognition of a deferred tax expense and depreciation of M2.

During the first six months of 2021, Adjusted EBITDA and net income increased as compared to 2020, primarily due to the same factors impacting the second quarter, partially offset by temporary output restrictions due to local transmission maintenance work which was completed by the end of February 2021. In addition, net income in the first six months of 2021 increased due to the recognition of the second payment of $27.9 million from the Line Loss Proceedings.

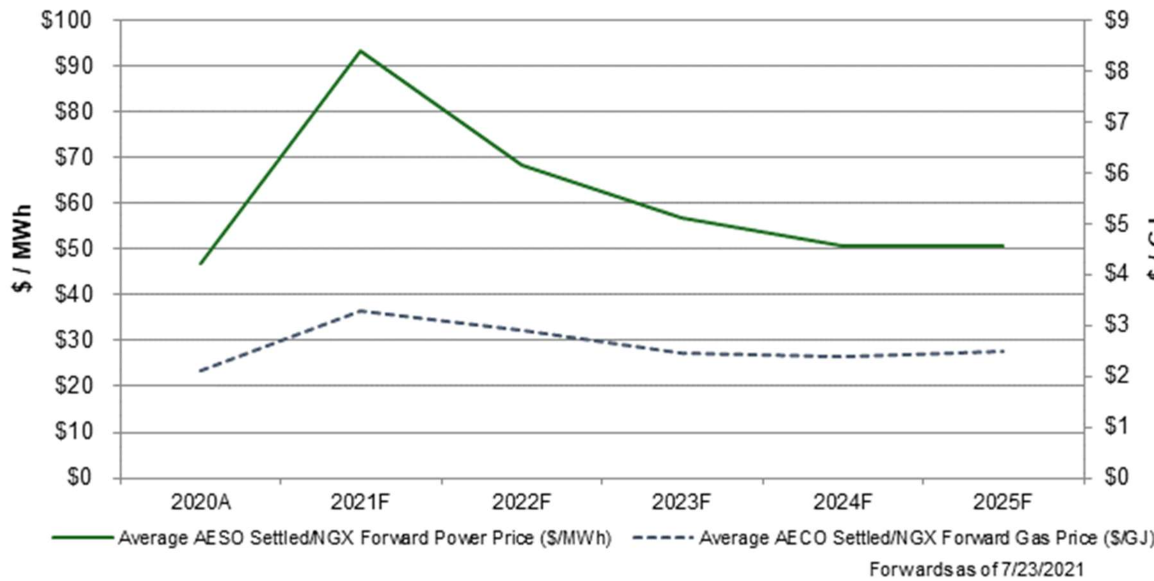
OUTLOOK

Alberta Power Price

This following commentary represents FLI and users are cautioned that actual results may vary. Refer to the discussion of FLI on page 5 for further details.

In 2021, management began to observe an increase in power prices as a result of higher oil prices, reduced impact from coronavirus ("COVID-19") and return of dispatch control of six coal-fired units, totaling 2,380 MW of generation capacity, from the Balancing Pool to independent power producers. These changes are reflected in the current forward power prices for 2021 as shown in the graph below which covers the period from 2021 through to 2025. Of note, beginning in 2022 forward power prices are expected to decline as new wind generation projects from the Alberta government renewable energy program are expected to come online. Power prices level off in 2023 in line with the expected completion of a 900 MW gas-fired power project.

Current natural gas forward prices for the years 2021 through 2025 are consistent with the range of historical prices and in line with management's expectations.



DEVELOPMENT INITIATIVES

The Corporation maintains optionality for all of its development 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 has commenced construction of the heat recovery technology required to expand M2 into a CCGT facility. The CCGT expansion would increase total generation capacity and operational efficiency resulting in lower O&M costs per MWh. The total anticipated costs for the CCGT construction and commissioning is $125.0 million excluding borrowing costs and is expected to be in service by December 2022. In the first six months of 2021, MAXIM has spent $16.9 million on the M2 CCGT expansion.

The current estimated M2 CCGT project costs of $125.0 million includes all costs spent on the CCGT conversion project from 2020 to present and specifically excludes historical costs of $4.9 million that relate to the project, but were incurred prior to 2020. As at June 30, 2021, the Corporation has spent $18.7 million towards the estimated $125.0 million project costs, excluding financing costs.

Future Development Initiatives

All future development 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 development initiatives have been made.

In addition to M2 and the existing Milner facility, MAXIM has 346 MW of permits to develop power generation at the Milner site. During the second quarter of 2021, MAXIM was denied an extension of the 190 MW Deerland permit by the Alberta Utilities Commission (“AUC”). Subsequent to June 30, 2021, MAXIM appealed the decision by the AUC and the AUC denied the appeal. As a result, MAXIM has chosen to terminate the project and will write off the full value of the assets under construction totaling $5.4 million which will be recognized in the third quarter of 2021. MAXIM also has a wind development project, Buffalo Atlee, which has the potential for up to 200 MW of wind generation capacity.

MAXIM maintains the flexibility to manage the timing of its development 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, 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", "expect", "may", "project", "predict", "potential", "could", "might", "should" 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. 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 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 revenue and existing cash on hand. MAXIM estimates total capital expenditures to be incurred in 2021 of approximately $81 million to $86 million which has increased from what was disclosed in the MD&A related to the first quarter of 2021 because of the decision to proceed with the full development of expanding M2 into a CCGT facility. These expenditures will be funded with existing cash on hand, debt and operating cash flows, and primarily relate to expansion of M2 into a CCGT facility, forecasted purchase of capital spares and finalization of compliance projects for M2. Refer to the Development Initiatives section on page 4 for further discussion on capital spending.
- MAXIM anticipates 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.
- Refer to Risk Management in the Corporation's December 31, 2020 annual MD&A for further discussions of risks and uncertainties.

SELECTED QUARTERLY FINANCIAL INFORMATION

KPI's

Quarter ended:	30-Jun 2021 Restated	31-Mar 2021 Restated	31-Dec 2020	30-Sep 2020
(unaudited) ($000's unless otherwise noted)				
Revenue	44,342	30,030	17,282	17,726
Adjusted EBITDA	21,441	9,423	3,998	5,698
Net income	29,589	26,426	8,923	498
Basic net income per share ($ per share)	0.59	0.53	0.18	0.01
Diluted net income per share ($ per share)	0.48	0.43	0.18	0.01
Total assets	295,366	262,384	239,310	235,915

Quarter ended:	30-Jun	31-Mar	31-Dec	30-Sep
(unaudited) ($000's unless otherwise noted)	2020	2020	2019	2019
Revenue	4,460	7,258	4,972	8,488
Adjusted EBITDA	(1,589)	2,195	(2,185)	2,601
Net income (loss)	(1,167)	1,006	(2,173)	2,204
Basic and diluted net income (loss) per share ($ per share)	(0.02)	0.02	(0.04)	0.04
Total assets	241,896	227,392	225,274	189,939

Quarter over quarter revenue, Adjusted EBITDA and net income (loss) are affected by planned and unplanned outages, market demand, power and natural prices, weather conditions and 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 and net income began to increase in the third quarter of 2020 due to the commencement of operations of M2 in June 2020. Reported revenue and net income increased in the first and second quarter of 2021 due to the higher generation volumes of M2. In addition to the factors noted above, net income (loss) is affected by certain non-cash and non-recurring transactions as follows:

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. The first quarter of 2021 included the Line Loss Proceeding payments of $27.9 million, $8.3 million of deferred tax expense and commodity swap losses of $4.0 million.

The fourth quarter of 2020 included a Line Loss Proceeding payment of $6.4 million, commodity swap losses of $0.3 million and $3.3 million of deferred tax benefits. The third quarter of 2020 included commodity swap gains of $0.2 million and $0.6 of deferred tax expense. The second quarter of 2020 included commodity swap losses of $0.5 million and $3.8 million of deferred tax benefits. The first quarter of 2020 included commodity swap gains of $0.9 million. The fourth quarter of 2019 included a $1.2 million gain on sale of assets, $1.1 million in asset impairment charges and commodity swap gains of $0.9 million. The third quarter of 2019 included commodity swap gains of $1.8 million.

FINANCIAL RESULTS OF OPERATIONS

Revenue

	Three months ended June 30		Six months ended June 30	
($000's)	2021	2020	2021	2020
Revenue	44,342	4,460	74,372	11,718

Revenue in the second quarter of 2021 increased $39.8 million to $44.3 million from $4.5 million in 2020, primarily due to increased generation volumes, as a result of increased generation capacity through the operation of M2 for a full quarter as M2 was being commissioned in the same period of 2020 and higher realized power prices. M2 generated 389,101 MWh of electricity in the second quarter of 2021, as compared to generation of 107,501 MWh in 2020. M2 realized prices of $113.96 per MWh in the second quarter of 2021, as compared to $41.48 in 2020.

Revenue in the first six months of 2021 increased $62.7 million, to $74.4 million from $11.7 million in 2020, primarily due to increased generation volumes, as a result of increased generation capacity through the operation of M2 as compared to Milner and commissioning of M2 in the second quarter of 2020 and higher realized power prices in 2021. M2 generated 713,591 MWh of electricity in the first six months of 2021, as compared to the combined generation from Milner and M2 of 149,802 MWh in 2020. M2 realized prices of $104.22 per MWh in the second quarter of 2021, as compared to Milner and M2 at $78.22 in 2020.

Plant Operations

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

Three months ended June 30 ($000's)	2021			2020		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	12,930	3,000	15,930	2,441	2,946	5,387
Percent	81%	19%	100%	45%	55%	100%
$ Per MWh	33.23	7.71	40.94	22.71	27.40	50.11

Six months ended June 30 ($000's)	2021			2020		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	24,388	6,150	30,538	3,999	6,400	10,399
Percent	80%	20%	100%	38%	62%	100%
$ Per MWh	34.18	8.62	42.79	26.70	42.72	69.42

The percentage of plant operation expenses incurred under fuel and O&M changed significantly upon commissioning M2 in the second quarter of 2020. M2 is considerably more efficient than Milner, however M2 consumes significantly more fuel through higher generation volumes, while incurring lower O&M expenses. This is observed in the percentage allocation above and in the $ per MWh as fuel costs increased significantly under the operations of M2, while maintaining low O&M costs on a per MW basis in the second quarter and first six months of 2021 as compared to Milner in the same period in 2020.

Fuel expenses in the second quarter of 2021 increased $10.5 million to $12.9 million from $2.4 million in 2020, primarily due to higher generation volumes of M2 and higher per unit natural gas costs in 2021 as compared to the same period in 2020. O&M expenses in the second quarter of 2021 were $3.0 million, which is comparable to the same period in 2020.

Fuel expenses in the first six months of 2021 increased $20.4 million to $24.4 million from $4.0 million in 2020, primarily due to higher generation volumes of M2, as compared to both M2 and Milner in 2020 and higher per unit natural gas costs in 2021 as compared to the same period in 2020. O&M expenses in the first six months of 2021 was $6.2 million, which is comparable to the same period in 2020.

General and Administrative Expense

($000's)	Three months ended June 30 2021	2020	Six months ended June 30 2021	2020
Total general and administrative expense	1,145	853	2,482	1,875

General and administration expense in the second quarter of 2021 increased by $0.2 million, or 22%, to $1.1 million from $0.9 million in 2020, primarily due to lower general and administrative capital allocations to the M2 project and increased legal fees.

General and administration expense in the first six months of 2021 increased by $0.6 million, or 32%, to $2.5 million from $1.9 million in 2020, primarily due to the same factors impacting the second quarter.

Depreciation and Amortization Expense

($000's)	Three months ended June 30 2021	2020	Six months ended June 30 2021	2020
Total depreciation and amortization expense	2,012	915	3,805	1,252

Depreciation and amortization expense in the second quarter of 2021 increased $1.1 million to $2.0 million from $0.9 million in 2020, due to the depreciation of M2 which began in the second quarter of 2020.

Depreciation and amortization expense in the first six months of 2021 increased $2.5 million to $3.8 million from $1.3 million in 2020, due to the same factors impacting the second quarter.

Other Expense (Income), Net

($000's)	Three months ended June 30 2021	2020	Six months ended June 30 2021	2020
Other expense (income), net	(18,758)	965	(46,970)	718

In the second quarter of 2021, other income increased to $18.8 million as compared to other expense of $1.0 million in 2020. The increase is primarily due to the recognition of the third installment payment of $18.6 million from the Line Loss Proceedings in 2021 and the non-recurrence of restructuring costs incurred in 2020.

In the first six months of 2021, other income increased to $47.0 million as compared to other expense of $0.7 million in 2020. The increase is primarily due to the recognition of the second and third payment of $46.5 million from the Line Loss Proceedings and the non-recurrence of restructuring incurred costs in 2020.

Loss (Gain) on Commodity Swaps

($000's)	Three months ended June 30 2021	2020	Six months ended June 30 2021	2020
Realized loss (gain) on power swaps	6,590	(36)	12,118	(916)
Realized gain on natural gas swaps	(659)	-	(1,417)	-
Total realized loss (gain) on commodity swaps	5,931	(36)	10,701	(916)

($000's)	Three months ended June 30 2021	2020	Six months ended June 30 2021	2020
Unrealized loss on power swaps	3,727	489	4,225	479
Unrealized gain on natural gas swaps	(3,397)	-	(4,664)	-
Total unrealized loss (gain) on commodity swaps	330	489	(439)	479

Total realized and unrealized loss (gain) on commodity swaps	6,261	453	10,262	(437)

In the second quarter and first six months of 2021, MAXIM realized losses of $5.9 million and $10.7 million, respectively, on Alberta power and natural gas price risk management swaps, as compared to the same period in 2020 which realized gains of $nil and $0.9 million, respectively. These gains and losses are due to settled Alberta power and natural gas prices deviating from the fixed swap price. In the first quarter and first six months of 2021, Alberta power prices settled significantly higher than the price of MAXIM's fixed swap price, as compared to the same period in 2020 where Alberta prices settled lower than the price of MAXIM's fixed swap price.

In the second quarter and first six months of 2021, MAXIM has an unrealized loss of $0.3 million and an unrealized gain of $0.4 million, respectively, on Alberta power and natural gas price risk management swaps, as compared to the same period in 2020 which has unrealized losses of $0.5 million and $0.5 million, respectively. 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 June 30		Six months ended June 30	
($000's)	2021	2020	2021	2020
Interest expense and bank charges	1,297	605	2,847	644
Amortization of deferred financing costs	358	505	756	1,041
Loss (gain) on interest rate swaps	(7)	70	(11)	70
Gain on modification of debt	(1,752)	-	(1,752)	-
Accretion of provisions	16	17	29	34
Foreign exchange loss (gain)	(10)	(273)	(117)	254
Finance expense (income)	(98)	924	1,752	2,043
Interest income	(41)	(83)	(70)	(158)
Total finance expense (income), net	(139)	841	1,682	1,885

In the second quarter of 2021, net finance income increased to $0.1 million from an expense of $0.8 million in 2020. The increase is primarily due to a gain recognized on the modification of the senior and subordinated credit facilities, partially offset by interest on loans and borrowings as these costs are no longer capitalized after the commissioning of M2 and unfavourable foreign exchange rates on deferred vendor payables denominated in US dollars.

In the first six months of 2021, net finance expense decreased to $1.7 million from $1.9 million in 2020. The decrease is primarily due to a gain recognized on the modification of the senior and subordinated credit facilities and favourable foreign exchange rates on deferred vendor payables denominated in US dollars, partially offset by interest on loans and borrowings as these costs are no longer capitalized after the commissioning of M2.

Deferred Income Tax Expense (Benefit)

	Three months ended June 30		Six months ended June 30	
($000's)	2021	2020	2021	2020
Total deferred income tax expense (benefit)	8,302	(3,787)	16,558	(3,813)

In the second quarter of 2021, MAXIM has an income tax expense of $8.3 million as compared to an income tax benefit of $3.8 million in 2020 due to MAXIM generating higher income before taxes in the second quarter of 2021.

In the first six months of 2021, MAXIM has an income tax expense of $16.6 million as compared to an income tax benefit of $3.8 million in 2020 due to the same factor impacting the second quarter.

Financial Position

The following highlights the changes in the Corporation's Consolidated Statement of Financial Position at June 30, 2021, as compared to December 31, 2020.

As at ($000's)	June 30, 2021	December 31, 2020	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	42,364	12,261	30,103	Increased as a result of the collection of line loss proceeds and operating activities, partially offset by loan repayments and capital expenditures
Trade and other receivables and risk management asset	22,000	6,952	15,048	Increased as a result of higher revenues
Property, plant and equipment, net	211,345	183,939	27,406	Increased as a result of capital additions for M2, partially offset by depreciation
Net other assets, net	19,657	36,158	(16,501)	Decrease in deferred tax asset reflecting deferred tax expense
Liabilities & Equity				
Trade and other payables and risk management liability	27,493	13,426	14,067	Increased due to increase in payables from the purchase of capital spares and as the Corporation advanced work and commenced construction of the CCGT expansion of M2
Loans and borrowings	52,812	66,775	(13,963)	Decreased as a result of repayment of debt and netting of additional financing costs
Provision for decommissioning and other long-term liability	10,829	11,199	(370)	Decreased due to an increase in discount rates
Equity	204,232	147,910	56,322	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 revenues. Cash flows for construction of the CCGT expansion of M2 will be funded by the Corporation's existing cash on hand and debt. As at June 30, 2021, MAXIM has up to $122.1 million of borrowing capacity remaining under its senior credit facilities and subordinated convertible loan and $42.4 million of unrestricted cash.

Senior Credit Facility

On June 30, 2021, the Corporation entered into an amended and restated credit agreement that increases the senior credit facilities 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 $105.0 million 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 $28.5 million outstanding and will continue without being repaid until the CCGT expansion of M2 is complete, at which point it will amortize over seven years based on the current anticipated completion date of the project. This facility is fully drawn and no additional amounts are available.
- Revolver Facility #1 is the $10.0 million revolver which continues to be available for general corporate purposes. This facility is undrawn.
- Revolver Facility #2 increased from $4.0 million to $5.0 million, however is available for the CCGT expansion of M2 on a non-revolving basis, until the M2 expansion 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. 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 undrawn.
- Letter of Credit Facility is a $4.1 million facility and is available to be drawn to issue letters of credit. This facility can be cash collaterized or used to be drawn on to issue or replace letters of credit. As at June 30, 2021, the Corporation has $4.0 million in cash collaterized 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, and bears interest at fixed rates and Canadian prime rate, bankers acceptance or Canadian dollar offered rate, plus applicable margins. MAXIM is responsible for funding the first $32.6 million of the project, after which financing from the revolver facility #2, the bank construction facility and the fixed rate construction facility become available to finance the project.

This amended debt financing is subject to financial covenants and the Corporation is compliant with these covenants as at June 30, 2021. These financial covenants include: a debt service coverage ratio of not less than 1.25:1:00 determined as at the last day of each financial quarter on a rolling four quarter basis, a debt to Adjusted EBITDA ratio of 3.00:1.00 determined as at the last day of each financial quarter on a rolling four quarter basis and a minimum tangible assets of 95% of the tangible assets of select entities named under the agreement.

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 at a fee of $0.8 million which was paid on June 30, 2021. The convertible loan continues to be subordinated to the Senior Credit Facilities, 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 June 30, 2021, 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 June 30, 2021, the Corporation has $29.4 million (December 31, 2020 - $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 Chairman of the Board and the other is Vice Chairman of the Board. Total interest and fees paid under this facility, not including the amendment fee, during the three and six months ended June 30, 2021 was $0.9 million and $1.9 million, respectively (June 30, 2020 - $nil and $nil, respectively).

Letter of Credit Facility

The Corporation has a credit for a demand facility that requires full cash collateralization of letters of credit on a non-revolving basis. As at June 30, 2021, 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 June 30, 2021, the Corporation had unrestricted cash of $42.4 million included in the net working capital surplus of $39.2 million (see working capital on page 13). Unrestricted cash balances are on deposit with one Canadian financial institution.

Six months ended June 30 ($000's)	2021	2020
Cash on hand, unrestricted, January 1	12,261	20,924
Cash flow generated from (used in) operations	72,839	(7,808)
Cash flow generated from (used in) financing	(16,130)	13,415
Available for investments	68,970	26,531
Cash flow generated used in investing	(26,587)	(13,768)
Effect of foreign exchange rates on cash	(19)	15
Unrestricted cash	42,364	12,778
Undrawn Convertible Loan	45,562	46,030
Undrawn Senior Credit Facilities	76,500	4,000
Net liquidity available, June 30	164,426	62,808

Cash flow generated from operations in the first six months of 2021 increased to $72.8 million from an outflow of $7.8 million in 2020, which is an increase of $80.6 million. The increase is primarily due to higher revenues and the receipt of the second and third payment from the Line Loss Proceedings, partially offset by higher O&M, realized losses on commodity swaps and changes in non-cash working capital. Fluctuations in non-cash working capital from operating activities represented a cash outflow of $5.0 million in 2021, as compared to $7.6 million in 2020. See working capital section below for further discussion.

During the first six months of 2021, MAXIM's cash flow used in financing activities increased $29.5 million to $16.1 million in 2021, from $13.4 million cash flow generated in 2020, primarily due to using cashflows from operations, after capital spending, to repay loans and borrowings, issuance costs and interest paid on the loans and borrowings in 2021.

MAXIM's investing activities in the first six months of 2021 represented a cash outflow of $26.6 million, increasing from $13.8 million in 2020. During the first six months of 2021, MAXIM spent $30.4 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 $3.7 million and interest income of $0.1 million.

MAXIM's investing activities in the first six months of 2020 represented a cash outflow of $13.8 million. MAXIM spent $16.3 million on the development of the simple cycle phase of M2. This amount was partially offset by a change in non-cash working capital of $2.3 million and interest income of $0.2 million.

The following table represents the net capital of the Corporation:

As at ($000's)	June 30, 2021	December 31, 2020
Loans and borrowings	52,812	66,775
Less: Unrestricted cash	(42,364)	(12,261)
Net debt	10,448	54,514
Shareholders' equity	204,232	147,910
Capital	214,680	202,424
Net debt to capital	4.9%	26.9%

The Corporation uses the percent of net debt to capital to monitor leverage. The decrease in net debt to capital from December 31, 2020 to June 30, 2021 is primarily due to increased cashflows from operations, receipt of the second and third Line Loss Proceeding payments and repayment of loans and borrowings.

Working Capital

The Corporation has a working capital surplus of $38.2 million at June 30, 2021, which represents a $32.7 million increase from the working capital surplus of $5.5 million at December 31, 2020. The total increase is comprised of a $44.9 million increase in current assets which was partially offset by a $12.2 million increase in current liabilities.

The increase in current assets was due to a net increase of $30.1 million in unrestricted cash, which was primarily due the receipt of the second and third Line Loss Proceeding payments and an increase in operating income, as well as, an increase in accounts receivable of $11.9 million due to increased revenues and an increase in risk management assets of $3.1 million, partially offset by a $0.2 million decrease to prepaid expenses.

The increase in current liabilities was due to a $11.4 million increase in accounts payable primarily due to outstanding payables related to capital spending and an increase in risk management liabilities of $2.5 million, partially offset by a $1.7 million decrease in the current portion of loans and borrowings.

Capital Resources

The Corporation is currently anticipating capital expenditure costs of approximately $81 million to $86 million for the full year of 2021. These expenditures primarily relate to advancing engineering and construction of M2 into a CCGT facility, capital spares and finalization of compliance projects for M2.

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 June 30, 2021	Total	2021	2022-2023	2024-2025	Thereafter
Long-term debt(1)	80,482	2,336	12,465	17,200	48,481
Long-term contracts(2)	15,613	1,992	7,968	5,653	-
Purchase obligations(3)	4,043	4,043	-	-	-
Total	100,138	8,371	20,433	22,853	48,481

(1) Long-term debt obligations are comprised of the principal and interest payments

(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 2020 Annual Audited Consolidated Financial Statements. The changes to the following contingent asset during the three and six months ended June 30, 2021 are included below:

For the three and six months ended June 30, 2021, the Corporation collected $18.6 million and $46.5 million, respectively, pertaining to the Line Loss Proceeding payments which has been recognized as other income and increased the total amount collected under the claim to $52.9 million and the claim under this matter has been fully collected.

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

Risks

MAXIM is exposed to risks in potential legislation that have yet to be enacted. Management has assessed that the most significant risks in potential future legislation are 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.

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 and $40/tonne for 2021, 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).

In 2018, the Government of Canada enacted regulations to create a federal carbon pricing plan. The Greenhouse Gas Pollution Pricing Act became effective on January 1, 2019 and acts as a backstop to any province that has not implemented a compliant carbon pricing regime. Based on the current compliant carbon pricing regime in Alberta, these enacted regulations do not have an impact on carbon emitters in the Alberta power market. If the Alberta provincial government modifies or repeals the price of carbon, these regulations are anticipated to impact Alberta carbon emitters. On December 11, 2020, the Government of Canada announced its *A Healthy Environment and a Healthy Economy plan*, with intentions to increase carbon pricing by $15/tonne, per year, beginning in 2023 until 2030. This increase has not been enacted and management continues to assess the impact to M2 and other development projects.

Additional Federal Restrictions on Carbon Dioxide Emissions

In 2012, the Government of Canada enacted regulations to reduce CO2 emissions from coal-fired generation facilities. These new regulations dictate that power plants built before 1975 are able to operate at full capacity until the earlier of fifty years after the commissioning date and December 31, 2019. Moreover, power plants built after 1974 are able to operate until the earlier of fifty years after the commissioning date and December 31, 2029. The Milner facility was commissioned in 1972, and, accordingly, was allowed to operate to its full capacity to December 31, 2019. After December 31, 2019, Milner is allowed to operate at an annual capacity factor of up to 9% (using coal as a portion of its fuel supply), which is approximately 113,500 MWh per annum, until December 31, 2029. In December 2018, the Government of Canada issued finalized regulations in relation to natural gas-fired units and, more specifically, in relation to coal-to-gas conversions. In the regulations, any generation facility that previously used a boiler in conjunction with coal-fired generation that continues to generate electricity without coal as a fuel source, and instead uses natural gas as a fuel source, will be deemed to be a coal-to-gas conversion and will be subject to CO2 emissions stringency requirements prospectively commencing at the unit's end of life as defined in the current federal coal regulations. If Milner ceases to burn coal as part of its fuel mix, then Milner would fall under this provision.

As at the date of this MD&A, MAXIM anticipates that it will continue to be permitted to run Milner at a 9% capacity factor until December 31, 2029 subject to utilizing coal for a portion of its fuel. Alternatively, MAXIM currently anticipates that if Milner does not include coal as a fuel source, it would not comply with the regulations for coal to gas conversions. Management is currently maintaining the ability to operate the existing Milner facility as a dual fuel-fired facility at a 9% capacity factor.

The M2 project, as a new facility, is subject to the TIER carbon tax, but exempt until January 1, 2023, and is not otherwise adversely impacted by any of the provincial or federal legislation above.

NON-GAAP 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 attributable to shareholders 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 June 30		Six months ended June 30	
($000's)	2021	2020	2021	2020
GAAP Measures from Condensed Consolidated Statement of Income				
Net income (loss)	29,589	(1,167)	56,015	(161)
Income tax expense (benefit)	8,302	(3,787)	16,558	(3,813)
Finance expense (income), net	(139)	841	1,682	1,885
Depreciation and amortization	2,012	915	3,805	1,252
	39,764	(3,198)	78,060	(837)
Adjustments:				
Other expense (income)	(18,758)	965	(46,970)	718
Unrealized loss (gain) on commodity swaps	330	489	(439)	479
Share-based compensation	105	155	213	246
Adjusted EBITDA	21,441	(1,589)	30,864	606

Adjusted EBITDA is calculated as described above, adjusted 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 provides predictive value and 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 three and six months ended June 30, 2021 and June 30, 2020 management excluded certain non-cash and non-recurring transactions. In both 2021 and 2020, Adjusted EBITDA excluded all items of other income including: Line Loss Proceeds, restructuring of Alberta operations, net proceeds from the option to sell Forked River land and option to sell Summit LP, as well as unrealized gains and losses on commodity swaps and share-based compensation.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The judgements and estimates used in the preparation of the condensed consolidated interim financial statements has been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2020.

RESTATEMENT

The Corporation has restated the diluted EPS for the three and six months ended June 30, 2021 to include the impact of the convertible loan facility. The convertible loan facility is dilutive for these periods and therefore is included in the calculation of diluted EPS. The effects of the restatement were as follows:

	Three months ended June 30	Six months ended June 30
($000's)	2021	2021
Diluted earnings per share:		
Original amount reported	0.59	1.11
Adjustment	(0.11)	(0.20)
Restated	0.48	0.91

RISK MANAGEMENT UPDATE

As a result of COVID-19, certain staff at MAXIM have been working remotely to follow the guidelines provided by government authorities while ensuring that MAXIM maintains its normal status of operations. The Corporation has observed that the frequency and sophistication of cyberattacks continues to increase. Management believes that this increase in attempts is a direct result of the opportunity present from employees working remotely. These attacks may use a variety of techniques that include the targeting of individuals and the use of sophisticated malicious software and hardware, or a combination of both, to evade the technical and administrative safeguards that are in place. The Corporation continues to monitor this risk to ensure it maintains integrity of its systems and enhance safeguards to address these threats accordingly.

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 second quarter of 2021, with the exception of the amendment to the convertible loan facility (page 12), related 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 2020 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 June 30, 2021, with the exception of the remediation in the design of the control over the preparation and review of the calculation of diluted EPS within financial reporting through implementation of necessary review procedures.

OTHER INFORMATION

Outstanding share data (restated):

Issued common shares at June 30, 2021	49,880,060
Outstanding convertible share options under the convertible loan facility at June 30, 2021	13,083,736
Outstanding share options at June 30, 2021	2,549,449
Total diluted common shares at June 30, 2021	65,513,245
Share options exercised in July, August and September 2021	(162,806)
Issuance of common shares in July, August and September 2021	162,806
Share options granted in July, August and September 2021	203,379
Share options cancelled in July, August and September 2021	(29,740)
Total diluted common shares at September 20, 2021	65,686,884

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

GLOSSARY OF TERMS

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

AESO	Alberta Electric System Operator
AUC	Alberta Utilities Commission
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, with the exception of "capacity payments" and "capacity market" (throughout the MD&A references to capacity are stated in nameplate capacity)
COVID-19	Coronavirus
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
Deerland	Deerland is a development project for a 190 MW natural gas-fired peaking station located near Bruderheim, Alberta
Adjusted EBITDA	Adjusted earnings before Interest, Taxes, Depreciation and Amortization
EPC	Engineering, Procurement and Construction
EPS	Earnings Per Share
FLI	Forward-looking information
GAAP	IFRS, as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants
GoA	Government of Alberta
IAS	International Accounting Standards
ICFR	Internal Controls over Financial Reporting
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicators
Milner	HR Milner**,** a 150 MW (nameplate capacity) generating facility located near the town of Grande Cache, Alberta has been in continuous operation since 1972 and was acquired by MAXIM on March 31, 2005
M2	Milner 2, a gas expansion initiative to develop up to 520 MW natural gas-fired generating facility, previously known as MGE
MAXIM or the Corporation	Maxim Power Corp.
MD&A	Amended and Restated 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
TIER	Technology Innovation and Emissions Reduction Regulation
U.S. or **United States**	The United States of America

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