Condensed Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the Three and Nine Months Ended September 30, 2022

(Unaudited)

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

As at	Note	**September 30, 2022**	December 31, 2021
ASSETS			
Cash and cash equivalents		**76,117**	13,550
Trade and other receivables		**1,796**	20,766
Risk management asset	12	**1,052**	708
Prepaid expenses and deposits		**527**	842
Total current assets		**79,492**	35,866
Property, plant and equipment, net	3	**295,606**	260,590
Restricted cash	4	**12,318**	6,196
Deferred tax assets		**-**	179
Other assets	4	**2,598**	9,606
Total non-current assets		**310,522**	276,571
TOTAL ASSETS		**390,014**	312,437
LIABILITIES			
Trade and other payables		**9,075**	19,216
Current tax liabilities		**5,950**	-
Risk management liability	12	**-**	453
Loans and borrowings	5	**2,888**	-
Total current liabilities		**17,913**	19,669
Provisions for decommissioning		**9,822**	11,733
Lease obligation		**150**	203
Loans and borrowings	5	**80,102**	53,650
Deferred tax liabilities		**6,285**	-
Total non-current liabilities		**96,359**	65,586
TOTAL LIABILITIES		**114,272**	85,255
EQUITY			
Share capital		**143,530**	144,106
Contributed surplus		**12,686**	12,676
Retained earnings		**119,526**	70,400
TOTAL EQUITY		**275,742**	227,182
Commitments and Contingencies	9, 10		
TOTAL LIABILITIES AND EQUITY		**390,014**	312,437

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

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

	Note	Three months ended September 30		Nine months ended September 30	
		2022	2021	**2022**	2021
Revenues					
Power generation		**57,088**	44,224	**141,260**	118,596
Realized loss on power swaps	12	**(2,081)**	(5,474)	**(3,524)**	(17,592)
Unrealized gain (loss) on power swaps	12	**(157)**	3,912	**538**	(313)
Total power generation and swaps		**54,850**	42,662	**138,274**	100,691
Expenses (income)					
Operating		**16,313**	18,658	**73,526**	49,196
Realized gain on natural gas swaps	12	**(1,940)**	(1,544)	**(13,768)**	(2,961)
Unrealized loss (gain) on natural gas swaps	12	**3,091**	(4,674)	**(303)**	(9,338)
General and administrative		**1,043**	1,113	**3,956**	3,595
Depreciation and amortization		**3,476**	2,161	**7,745**	5,966
Asset impairment charge		**-**	5,347	**-**	5,347
Other expense (income), net	6	**(2)**	24	**39**	(46,946)
Total expenses		**21,981**	21,085	**71,195**	4,859
Operating income		**32,869**	21,577	**67,079**	95,832
Finance expense, net	7	**1,779**	1,872	**5,219**	3,554
Income before income taxes		**31,090**	19,705	**61,860**	92,278
Income tax expense					
Current income tax expense		**5,950**	-	**5,963**	-
Deferred income tax expense		**1,170**	1,613	**6,464**	18,171
Total income tax expense		**7,120**	1,613	**12,427**	18,171
Net and comprehensive income		**23,970**	18,092	**49,433**	74,107
Earnings per share	8				
Basic		**0.48**	0.36	**0.99**	1.49
Diluted		**0.39**	0.30	**0.82**	1.21

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, 2021	50,096	144,106	12,676	70,400	227,182
Net income	-	-	-	49,433	49,433
Repurchase of common shares for cancellation	(332)	(988)	-	(307)	(1,295)
Share-based compensation	-	-	391		391
Stock options settled in cash	-	-	(81)	-	(81)
Stock options exercised	436	412	(300)	-	112
Equity at September 30, 2022	**50,200**	**143,530**	**12,686**	**119,526**	**275,742**
Equity at December 31, 2020	49,802	143,584	12,431	(8,105)	147,910
Net income	-	-	-	74,107	74,107
Share-based compensation	-	-	329	-	329
Stock options settled in cash	-	-	(17)	-	(17)
Stock options exercised	241	525	(108)	-	417
Equity at September 30, 2021	50,043	144,109	12,635	66,002	222,746

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

(in thousands of Canadian dollars)

		Nine months ended September 30	
	Note	**2022**	2021
Cash flows from operating activities:			
Net income		**49,433**	74,107
Adjustments for items not involving cash or operations:			
Depreciation and amortization		**7,745**	5,966
Asset impairment charge		**-**	5,347
Share-based compensation		**391**	329
Unrealized gain on commodity swaps	12	**(841)**	(9,025)
Stock option settlement		**(81)**	(17)
Deferred income tax expense		**6,464**	18,171
Income tax paid		**(13)**	-
Current income tax expense		**5,963**	-
Loss on sale of asset	3	**44**	-
Finance expense, net	7	**5,219**	3,554
Funds generated from operating activities before change in non-cash working capital		**74,324**	98,432
Change in non-cash working capital	11	**15,383**	(10,287)
Net cash generated from operating activities		**89,707**	88,145
Cash flows from financing activities:			
Issuance of loans and borrowings	5	**37,000**	-
Repayment of loans and borrowings	5	**(8,425)**	(10,750)
Issue costs on loans and borrowings		**-**	(2,810)
Proceeds from exercise of stock options		**112**	417
Repurchase of common shares for cancellation		**(1,295)**	-
Interest and bank charges		**(5,444)**	(4,118)
Net cash generated from (used in) financing activities		**21,948**	(17,261)
Cash flows from investing activities:			
Property, plant and equipment additions	3	**(70,550)**	(56,869)
Proceeds from grant funding	3	**20,000**	-
Proceeds on sale of asset, net of closing costs	3	**3,716**	-
Proceeds from return of funds held for decommissioning	4	**10,122**	-
Interest income	7	**449**	112
Change in non-cash working capital	11	**(12,778)**	(335)
Net cash used in investing activities		**(49,041)**	(57,092)
Foreign exchange loss on cash and cash equivalents		**(47)**	(29)
Increase in cash and cash equivalents		**62,567**	13,763
Cash and cash equivalents, beginning of period		**13,550**	12,261
Cash and cash equivalents, end of period		**76,117**	26,024

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.

Interim results will fluctuate due to plant maintenance schedules, seasonal demand for electricity, and changes in energy and commodity prices.

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 for the remainder of 2022. MAXIM is currently monitoring the financial impact of the non-injury fire incident but does not expect a significant adverse impact to the Corporations longer term financial performance or financial condition. The Corporation does not believe that the critical judgments and estimates used in the preparation of the unaudited condensed consolidated interim financial statements have materially changed as a result of this incident.

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, 2021 annual audited financial statements available at www.sedar.com.

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on November 8, 2022.

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

Except as noted below, 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, 2021.

During the third quarter of 2022, the Corporation revised the useful life of certain components of property, plant and equipment as a result of the accelerated timing of a major overhaul which gave rise to additional depreciation of $1,190 in the third quarter of 2022.

Except as noted below, 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, 2021.

Grants are recognized when there is a reasonable assurance that the Corporation will comply with all conditions attaching to it, and that the grant will be received. Grants relating to assets are presented in the Statements of Financial Position by deducting the grant in arriving at the carrying amount of the asset.

(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, 2020	4,077	230,252	3,248	333	22,686	260,596
Additions	-	13,830	-	-	74,747	88,577
Impairment	-	-	-	-	(5,347)	(5,347)
Revisions to decommissioning provisions	-	1,706	-	-	-	1,706
Proceeds from option agreement	(317)	-	-	-	-	(317)
Assets in-service	-	1,049	-	-	(1,049)	-
Balance, December 31, 2021	3,760	246,837	3,248	333	91,037	345,215
Additions	-	4,450	11	-	66,089	70,550
Capitalized interest	-	-	-	-	1,206	1,206
Grant funding (a)	-	-	-	-	(20,000)	(20,000)
Revisions to decommissioning provisions	-	33	-	-	-	33
Return of funds held for decommissioning	-	(5,268)	-	-	-	(5,268)
Disposal of land (b)	(3,760)	-	-	-	-	(3,760)
Balance, September 30, 2022	-	246,052	3,259	333	138,332	387,976
Accumulated depreciation						
Balance, December 31, 2020	-	73,641	2,885	131	-	76,657
Depreciation	-	7,931	12	25	-	7,968
Balance, December 31, 2021	-	81,572	2,897	156	-	84,625
Depreciation	-	7,677	23	45	-	7,745
Balance, September 30, 2022	-	89,249	2,920	201	-	92,370
Property, plant and equipment, net						
December 31, 2021	3,760	165,265	351	177	91,037	260,590
September 30, 2022	-	156,803	339	132	138,332	295,606

(a) Grant funding

During the third quarter of 2022, the Corporation received grant funding in the amount of $20,000 for waste heat recovery through the construction of the Combined Cycle Gas Turbine ("CCGT") expansion of M2. The proceeds are restricted to eligible expenditures only for the CCGT expansion of M2 and are subject to customary terms and conditions.

(b) Disposal of land

On April 5, 2022, the Corporation closed the sale of land wholly owned by Forked River II, LLC for proceeds of $3,716, net of closing costs, for a loss of $44.

(c) Indicator of impairment

During the third quarter of 2022, the Corporation identified an indicator of impairment due to damage sustained to the air inlet filter house of M2. As such, the Corporation calculated the value in use of the M2 cash generating unit, which includes all assets at the HR Milner site, and determined that the discounted projected cash flows exceeded the carrying amount of the assets and no impairment loss is required to be recognized.

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

4. Other Assets

	September 30, 2022	December 31, 2021
Long term prepaid expenses	2,598	2,680
Milner decommissioning reimbursement (a)	-	6,926
Total other assets	2,598	9,606

(a) Return of funds held for decommissioning

During the third quarter of 2022, the Corporation entered into an amended and restated bilateral agreement with the Balancing Pool. This amendment resulted in $10,122 of cash held with the Balancing Pool for HR Milner decommissioning purposes being transferred back to MAXIM in the form of cash which was concurrently restricted by MAXIM's senior lenders. As a result, the Milner decommissioning reimbursement asset was derecognized.

In addition, this amendment allowed for MAXIM to remove restrictions on $4,000 of long-term restricted cash previously held in the form of cash collateral for letters of credit returned by the Balancing Pool.

Collectively the amendment and restatement to the bilateral agreement increased restricted cash by $6,122.

5. Loans and borrowings

	Bank Term Facility #1 (a)	Fixed Rate Constuction Facility (b)	Convertible Loan Facility	Revolver Facility #1	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	(1,425)	-	-	(7,000)	(8,425)
Balance, September 30, 2022	27,075	30,000	29,438	-	86,513
Less: deferred financing costs					(3,523)
Net loans and borrowings, net of deferred financing costs					82,990
Less: current portion, net of deferred financing costs					(2,888)
Total long-term loans and borrowings, net of deferred financing costs					80,102

(1) Loans and borrowings, excluding deferred financings costs as at December 31, 2021.

(a) Bank Term Facility #1

During the first nine months of 2022, the Corporation amended the terms of its senior credit facility to allow for an increase to its normal course issuer bid limitations from $1,000 to $2,500 for the 2022 calendar year. Additionally, the Corporation recommenced principal payments to its $27,050 Bank Term Facility #1, under the senior credit facility, in the amount of $713 quarterly.

(b) Fixed Rate Construction Facility

During the first nine months of 2022, the Corporation fully drew the Fixed Rate Construction Facility in the amount of $30,000. This facility is non-revolving, available only for the construction of the CCGT expansion of M2, with the amortization required over five years commencing on the completion of the CCGT expansion of M2. This facility currently bears interest of 6.09%.

As at September 30, 2022, the Corporation was in compliance with all debt covenants.

For the three and nine months ended September 30, 2022 and 2021
(Amounts in thousands of Canadian dollars except as otherwise noted)

6. Other expense (income), net

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Line Loss Proceedings payment	-	-	-	(46,514)
Other expense (income), net	(2)	24	39	(432)
Total other expense (income), net	(2)	24	39	(46,946)

7. Finance expense, net

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Interest expense and bank charges (a)	1,582	1,400	4,290	4,247
Amortization of deferred financing costs	414	479	1,294	1,235
Loss (gain) on interest rate swaps (note 12)	(13)	2	(101)	(9)
Gain on modification of debt	-	-	-	(1,752)
Accretion of provisions	74	17	138	46
Foreign exchange loss (gain)	35	16	47	(101)
Finance expense	2,092	1,914	5,668	3,666
Interest income	(313)	(42)	(449)	(112)
Total finance expense, net	1,779	1,872	5,219	3,554

(a) For the three and nine months ended September 30, 2022, the Corporation paid interest and fees of $1,078 and $3,017, respectively, (September 30, 2021 - $1,078 and $3,017) 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.

8. Earnings per share

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Weighted average number of common shares (basic)	50,061,240	49,900,823	50,073,796	49,859,386
Effect of convertible loan facility	13,083,736	13,083,736	13,083,736	13,083,736
Effect of exercisable stock options	675,990	756,342	676,605	551,535
Weighted average number of common shares (diluted)	63,820,966	63,740,901	63,834,137	63,494,657

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Net income (basic)	23,970	18,092	49,433	74,107
Finance expense on the convertible loan facility, net of tax	923	920	2,610	2,566
Net income (diluted)	24,893	19,012	52,043	76,673

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Earnings per share:				
Basic	0.48	0.36	0.99	1.49
Diluted	0.39	0.30	0.82	1.21

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

9. 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 $8,448 as at September 30, 2022.

(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 September 30, 2022 is $10,532 over the next four years as follows:

2022	987
2023	3,948
2024	3,948
2025	1,649
	10,532

10. Contingencies

Current significant outstanding contingencies remain unchanged, refer to Note 20 of the annual audited consolidated financial statements for the year ended December 31, 2021.

11. Change in non-cash working capital

Nine months ended September 30	2022	2021
Operating activities		
Trade and other receivables	18,970	(7,512)
Prepaid expenses and deposits	(102)	(529)
Trade and other payables	(3,485)	(2,246)
	15,383	(10,287)

Nine months ended September 30	2022	2021
Investing activties		
Trade and other payables	(6,656)	235
Restricted cash (note 4)	(6,122)	-
Non-current deposits	-	(570)
	(12,778)	(335)

12. Financial risk management

The Corporation’s risk management process, oversight and techniques are the same as those described in the Corporation’s 2021 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)

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

12. Financial risk management (continued)

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 amounts outstanding under the Senior Credit Facilities 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 September 30		Nine months ended September 30	
	2022	2021	2022	2021
Realized loss on power swaps	2,081	5,474	3,524	17,592
Realized gain on natural gas swaps	(1,940)	(1,544)	(13,768)	(2,961)
Total realized loss (gain) on commodity swaps	141	3,930	(10,244)	14,631

Unrealized loss (gain) on commodity swaps

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Unrealized loss (gain) on power swaps	157	(3,912)	(538)	313
Unrealized loss (gain) on natural gas swaps	3,091	(4,674)	(303)	(9,338)
Total unrealized loss (gain) on commodity swaps	3,248	(8,586)	(841)	(9,025)

Loss (gain) on commodity swaps

Total realized and unrealized loss (gain) on commodity swaps	3,389	(4,656)	(11,085)	5,606

(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 September 30, 2022, the Corporation has interest rate swaps with a nominal value of $7,750 until November 2022 at 3.82% in relation to the outstanding variable $27,075 Bank Term Facility #1.

Realized loss (gain) on interest rate swaps

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Total realized loss (gain) on interest rate swaps	(40)	9	(46)	27

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

12. Financial risk management (continued)

Unrealized loss (gain) on interest rate swaps

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Total unrealized loss (gain) on interest rate swaps	27	(7)	(55)	(36)

Loss (gain) on interest rate swaps

Total realized and unrealized loss (gain) on interest rate swaps	(13)	2	(101)	(9)

(c) Carrying amount of risk management asset and liabilities

Current risk management asset

	September 30, 2022	December 31, 2021
Natural gas commodity swaps	1,010	708
Interest rate swaps	42	-
Total carrying amount of current risk management asset	1,052	708

The carrying amount of current risk management asset represents the unrealized asset from the natural gas commodity and interest rate swaps.

Current risk management liability

	September 30, 2022	December 31, 2021
Power commodity swaps	-	440
Interest rate swaps	-	13
Total carrying amount of current risk management liability	-	453

The carrying amount of current risk management liability represents the unrealized liability from the power commodity and interest rate swaps.

13. Comparative figures

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated November 8, 2022 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 and nine months ended September 30, 2022. This MD&A should be read in conjunction with the audited consolidated financial statements and MD&A for the year ended December 31, 2021. 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.

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OVERALL PERFORMANCE

Highlights

On September 30, 2022, there was a non-injury fire incident at the Milner 2 (“M2”) facility. MAXIM reports that the damage was contained to the air inlet filter house of M2. The incident has not resulted in any damage to the M2 gas turbine, generator, heat recovery steam generator, balance of plant and their associated ancillary systems. Damage from the non-injury fire incident currently prevents performance of the hot commissioning activities related to the Combined Cycle Gas Turbine (“CCGT”) expansion of M2 and prevents M2 from operating as a simple cycle facility.

MAXIM is in the process of disassembling the damaged air inlet filter house of M2, as well as procuring a replacement air inlet filter house and expediting the construction process to restore M2 to operational service as soon as possible. As previously reported, MAXIM does not expect to be generating electricity from the HR Milner (“Milner”) site for the remainder of 2022. MAXIM is committed to providing an update to the return to service date as it becomes known. MAXIM can confirm coverage for the non-injury fire event subject to the terms and conditions of the Corporation’s property insurance policy, including business interruption provisions. The Corporation continues to progress the insurance claim for damages and future lost earnings.

In 2022, MAXIM continued progress on the engineering and construction of the CCGT expansion of M2 and is pleased to report that construction is greater than 97% complete. Recent milestones included the completion of cold commissioning activities which included taking the M2 gas turbine offline in September 2022 to allow for the connection of the heat recovery steam generator, steam turbine and related components. Hot commissioning activities were expected to commence in the early part of October 2022, however are delayed as a result of the non-injury fire incident.

The estimated project cost, excluding borrowing costs and the net effect of $20.0 million of grant proceeds, is currently $155.0 million as of the date of this MD&A, subject to inclusion of incremental costs anticipated to be incurred as a result of the delay in commissioning due to the non-injury fire incident. As of September 30, 2022, MAXIM has incurred $140.7 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 third quarter of 2022, MAXIM recorded net income and adjusted earnings before interest, taxes, depreciation and amortization, (“Adjusted EBITDA”[(1)]) of $30.5 million and $39.7 million, respectively, as compared to $18.1 million and $20.6 million, respectively, in the same period of 2021. A significant portion of the increase is the result of higher realized power prices, partially offset by lower generation volumes and higher per unit natural gas costs. M2 realized prices of $203.68 per MWh in the third quarter of 2022 resulting in $57.1 million of revenues. M2 generation decreased to 280,290 MWh of electricity in the third quarter of 2022, as compared to 418,511 MWh in 2021, due to a planned outage to commence the cold commissioning of the CCGT expansion of M2 at the beginning of September 2022.

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

MAXIM continues its current Normal Course Issuer Bid (“NCIB”) program for the August 29, 2022 to August 28, 2023 period. Under this NCIB, the Corporation may purchase for cancellation up to 2,500,000 common shares of the Corporation. Collectively under this program and as of the date of this MD&A, the Corporation has repurchased and cancelled 38,302 common shares for $0.2 million. MAXIM’s NCIB program is limited to $2.5 million for the 2022 calendar year under the senior credit facility. Any excess is subject to approval from the lenders under the senior credit facility.

The NCIB follows the expiration of MAXIM's previous normal course issuer bid which was effective from August 25, 2021 and expired on August 24, 2022. Under MAXIM’s previous NCIB, the Corporation completed the purchase of 330,050 Shares at a weighted average price of $3.74 per share.

Quarterly Financial Highlights

($000's, unless otherwise noted)	Three months ended September 30 2022	Three months ended September 30 2021	Nine months ended September 30 2022	Nine months ended September 30 2021
Revenue	57,088	44,224	141,260	118,596
Net income	23,970	18,092	49,433	74,107
Basic earnings per share ($ per share)	0.48	0.36	0.99	1.49
Diluted earnings per share ($ per share)	0.39	0.30	0.82	1.21
Adjusted EBITDA(1)	39,739	20,639	74,413	51,503
Total generation (MWh)	280,290	418,511	1,064,693	1,132,102
Total fuel consumption	2,943,544	4,390,800	11,242,662	12,125,234
Average Alberta market power price ($ per MWh)	221.41	100.33	145.11	100.12
Average realized power price ($ per MWh)	203.68	105.67	132.68	104.76
Total assets	390,014	296,604	390,014	296,604

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

Financial Results

During the third quarter of 2022, revenues and Adjusted EBITDA[1] increased due to higher realized power prices, partially offset by lower generation volumes. Adjusted EBITDA further increased in the third quarter of 2022, due to lower fuel consumption as a result of lower generation and lower net realized losses from power and natural gas commodity swaps in 2022. These favourable variances were partially offset by higher per unit natural gas costs.

Net income increased in the third quarter of 2022 as compared to 2021, due to the same factors impacting Adjusted EBITDA[1] and the non-recurrence of impairment charges from 2021, partially offset by unrealized losses from natural gas and power swaps in 2022 and higher income tax expense.

During the first nine months of 2022, revenues and Adjusted EBITDA[1] increased due to higher realized power prices, partially offset by lower generation volumes. Adjusted EBITDA further increased in the first nine months of 2022 due to lower fuel consumption as a result of lower generation and net realized gains from power and natural gas commodity swaps. These favourable variances were partially offset by higher per unit natural gas costs.

Net income decreased in the first nine months of 2022 as compared to 2021, with a significant portion due to the recognition of the second and third (final) payment from the Line Loss Proceedings in 2021 and lower unrealized gains from natural gas and power swaps in 2022. These unfavourable variances were partially offset by the same factors impacting Adjusted EBITDA[1], the non-recurrence of impairment charges from 2021 and lower income tax expense.

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

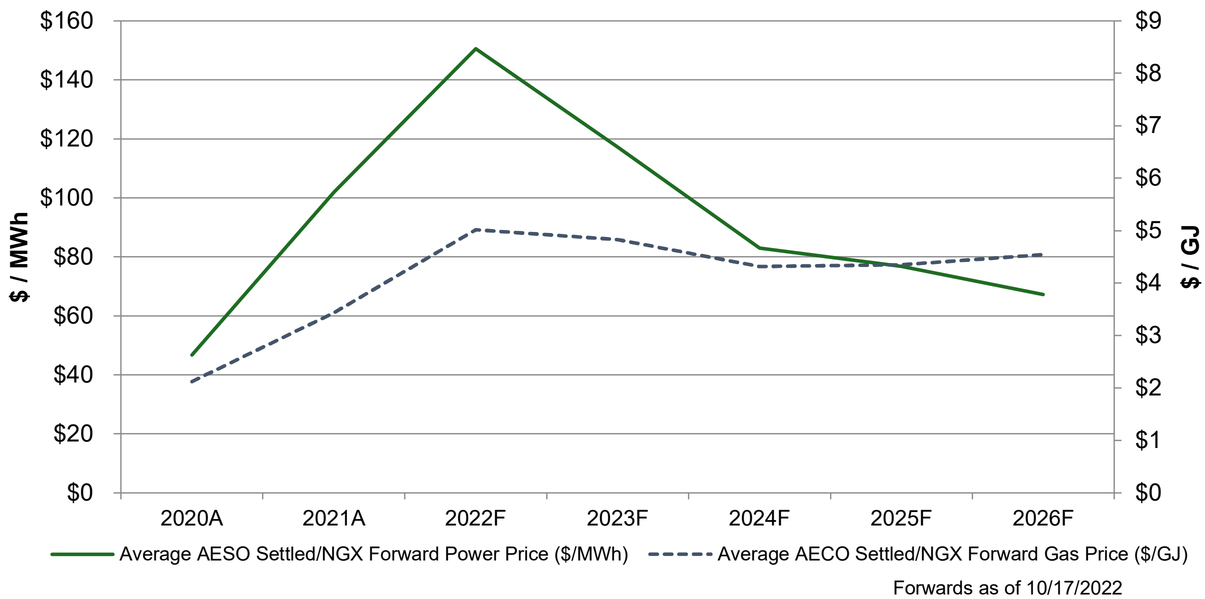
OUTLOOK

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 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 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 2024.

Near-term (2022 and 2023) natural gas forward prices have risen significantly in recent months, primarily as a result of geopolitical issues and tightening supply/demand fundamentals world-wide. Longer-term (2024+) natural gas forward prices 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 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 resulting 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 will 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. The revised plan for commissioning of the CCGT expansion of M2 is still being finalized. 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 $155.0 million, excluding borrowing costs and $20.0 million of grant proceeds. In the first nine months of 2022, MAXIM has spent $64.2 million on capital investment related to the CCGT expansion of M2.

The current estimated M2 CCGT total project costs of $155.0 million includes all costs estimated to be spent on the CCGT expansion project from 2020 to present. Financing costs and historical costs of $4.9 million incurred prior to 2020 are not included in this estimate. As at September 30, 2022, the Corporation has spent $140.7 million towards the estimated $155.0 million project costs, excluding borrowing costs and grant proceeds.

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 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 Development Initiatives

On April 5, 2022, the Corporation closed the sale of the 31 acre Forked River land parcel ("FR Land") for $3.7 million net of customary closing costs.

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.

In February 2022, 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 initial term of the contract is twelve months with a potential extension of an additional twelve months. 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 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 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", "estimate", "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 simple cycle operations and repairs, the timing of hot commissioning activities and damages to the M2 facility, procurement of a replacement air inlet filter house, current expectation of the Corporation's inability to generate electricity (and related revenue) from its Milner operations and the Corporation's insurance coverage and claim related to the M2 incident. 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 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 2022 of approximately $85.0 million to $95.0 million, including the estimated replacement of the air inlet filter house. These expenditures will be funded with existing cash on hand, debt, operating cash flows and insurance proceeds, and primarily relate to expansion of M2 into a CCGT facility and purchase of capital spares. Refer to the Development Initiatives section on page 5 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 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 for the remainder of 2022.
- 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 4.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Highlights

Quarter ended: (unaudited) ($000's unless otherwise noted)	30-Sep 2022	30-Jun 2022	31-Mar 2022	31-Dec 2021
Revenue	57,088	48,380	35,792	37,418
Net income	23,970	8,565	16,898	4,402
Basic net income per share ($ per share)	0.48	0.17	0.34	0.09
Diluted net income per share ($ per share)	0.39	0.15	0.28	0.08
Adjusted EBITDA[(1)]	39,739	18,781	15,893	16,915
Average realized power price ($ per MWh)	203.68	123.79	90.94	117.74
Total fuel consumption (GJ)	2,943,544	4,119,567	4,183,908	3,366,505
Total generation (MW)	280,290	390,813	393,591	317,813

Quarter ended: (unaudited) ($000's unless otherwise noted)	30-Sep 2021	30-Jun 2021	31-Mar 2021	31-Dec 2020
Revenue	44,224	44,342	30,030	17,282
Net income	18,092	29,589	26,426	8,923
Basic net income per share ($ per share)	0.36	0.59	0.53	0.18
Diluted net income per share ($ per share)	0.30	0.48	0.43	0.18
Adjusted EBITDA[(1)]	20,639	21,441	9,423	3,998
Average realized power price ($ per MWh)	105.67	113.96	92.54	51.10
Total fuel consumption (GJ)	4,390,800	4,137,093	3,597,341	3,713,241
Total generation (MW)	418,511	389,101	324,490	338,201

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 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 2021 and 2022 due to the higher generation volumes of M2 and higher realized power prices. In addition to the factors noted above, net income is affected by certain non-cash and non-recurring transactions as follows:

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. 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.

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

FINANCIAL RESULTS OF OPERATIONS

Revenue

	Three months ended September 30		Nine months ended September 30	
($000's)	2022	2021	2022	2021
Revenue	57,088	44,224	141,260	118,596

Revenue in the third quarter of 2022 increased by $12.9 million, or 29%, to $57.1 million from $44.2 million in 2021, primarily due to higher realized power prices, partially offset by lower generation volumes in 2022. M2 generation decreased to 280,290 MWh of electricity in the third quarter of 2022, as compared to 418,511 MWh in 2021 due to a planned outage to commence the cold commissioning of the CCGT expansion of M2 at the beginning of September 2022. M2 realized power prices of $203.68 per MWh in the third quarter of 2022, as compared to $105.67 per MWh in 2021.

Revenue in the first nine months of 2022 increased by $22.7 million, or 19%, to $141.3 million from $118.6 million in 2021, primarily due to the same factors impacting the third quarter. M2 generated 1,064,693 MWh of electricity in the first nine months of 2022, as compared to 1,132,102 MWh in 2021. M2 realized power prices of $132.68 per MWh in the first nine months of 2022, as compared to $104.76 per MWh in 2021.

Plant Operations

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

Three months ended September 30 ($000's)	2022			2021		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	12,428	3,885	16,313	15,605	3,053	18,658
Percent	76%	24%	100%	84%	16%	100%
$ Per MWh[(1)]	44.34	13.86	58.20	37.29	7.29	44.58
$ Per GJ[(1)]	4.22	1.32	5.54	3.55	0.70	4.25

Nine months ended September 30 ($000's)	2022			2021		
	Fuel	O&M	Total	Fuel	O&M	Total
Total	61,760	11,766	73,526	39,993	9,203	49,196
Percent	84%	16%	100%	81%	19%	100%
$ Per MWh[(1)]	58.01	11.05	69.06	35.33	8.13	43.46
$ Per GJ [(1)]	5.49	1.05	6.54	3.30	0.76	4.06

The changes in $ per MWh[(1)] and percentage of plant operation expenses incurred under fuel and O&M are primarily due to higher $ per gigajoule ("GJ")[(1)].

(1) Supplementary financial measures. See Non-GAAP and Other Financial Measures

Fuel expenses in the third quarter of 2022 decreased by $3.2 million or 21%, to $12.4 million from $15.6 million in 2021, primarily due to lower generation volumes of M2 in 2022, partially offset by increased $ per GJ(1) as a result of higher natural gas prices as compared to the same period in 2021.

Fuel expenses in the first nine months of 2022 increased by $21.8 million or 54.5%, to $61.8 million from $40.0 million in 2021, primarily due to higher natural gas prices in 2022, partially offset by lower generation volumes of M2 as compared to the same period in 2021.

O&M expenses in the third quarter of 2022 increased by $0.8 million, or 26%, to $3.9 million from $3.1 million in 2021, primarily due higher general repairs and maintenance at M2 and compensation expenditures.

O&M expenses in the first nine months of 2022 increased by $2.6 million, or 28%, to $11.8 million from $9.2 million in 2021, primarily due to the same factor impacting the third quarter and one-time costs incurred to repair certain components at Milner.

General and Administrative Expense

	Three months ended September 30		Nine months ended September 30	
($000's)	2022	2021	2022	2021
Total general and administrative expense	1,043	1,113	3,956	3,595

General and administration expense in the third quarter of 2022 was $1.0 million which is comparable to the same period in 2021.

General and administration expense in the first nine months of 2022 increased by $0.4 million, or 11%, to $4.0 million from $3.6 million in 2021, primarily due to increased employee compensation as a result of increased headcount.

Depreciation and Amortization Expense

	Three months ended September 30		Nine months ended September 30	
($000's)	2022	2021	2022	2021
Total depreciation and amortization	3,476	2,161	7,745	5,966

Depreciation and amortization expense in the third quarter of 2022 increased by $1.3 million, or 59%, to $3.5 million from $2.2 million in 2021, due to the advancement of depreciation of certain components of M2 property plant and equipment.

Depreciation and amortization expense in the first nine months of 2022 increased by $1.7 million, or 28%, to $7.7 million from $6.0 million in 2021, primarily due to the same factor impacting the third quarter.

Other Expense (Income), Net

	Three months ended September 30		Nine months ended September 30	
($000's)	2022	2021	2022	2021
Other expense (income), net	(2)	24	39	(46,946)

Other income in the third quarter of 2022 was $nil which is comparable to the same period in 2021.

In the first nine months of 2022, other income was $nil as compared to $47.0 million in 2021. The decrease is primarily due to the recognition of the second and third (final) payment from the Line Loss Proceedings in the first nine months of 2021.

Loss (Gain) on Commodity Swaps

($000's)	Three months ended September 30 2022	2021	Nine months ended September 30 2022	2021
Realized loss on power swaps	2,081	5,474	3,524	17,592
Realized gain on natural gas swaps	(1,940)	(1,544)	(13,768)	(2,961)
Total realized loss (gain) on commodity swaps	141	3,930	(10,244)	14,631

($000's)	Three months ended September 30 2022	2021	Nine months ended September 30 2022	2021
Unrealized loss (gain) on power swaps	157	(3,912)	(538)	313
Unrealized loss (gain) on natural gas swaps	3,091	(4,674)	(303)	(9,338)
Total unrealized loss (gain) on commodity swaps	3,248	(8,586)	(841)	(9,025)
Total realized and unrealized loss (gain) on commodity swaps	3,389	(4,656)	(11,085)	5,606

In the third quarter and first nine months of 2022, MAXIM realized losses of $0.1 million and gains of $10.2 million, respectively, on Alberta power and natural gas price risk management swaps, as compared to the same period in 2021 which realized losses of $3.9 million and $14.6 million, respectively. These gains and losses are due to settled Alberta power and natural gas prices deviating from the fixed swap price.

In the third quarter and first nine months of 2022, MAXIM has unrealized losses of $3.2 million and gains of $0.8 million, respectively, on Alberta power and natural gas price risk management swaps, as compared to the same period in 2021 which had unrealized gains of $8.6 million and $9.0 million, respectively. These gains and losses are due to Alberta power and natural gas forward prices deviating from the fixed swap price.

As of the date of this MD&A, MAXIM has no outstanding Alberta power or natural gas price risk management swaps outstanding.

Finance Expense, Net

($000's)	Three months ended September 30 2022	2021	Nine months ended September 30 2022	2021
Interest expense and bank charges	1,582	1,400	4,290	4,247
Amortization of deferred financing costs	414	479	1,294	1,235
Loss (gain) on interest rate swaps	(13)	2	(101)	(9)
Gain on modification of debt	-	-	-	(1,752)
Accretion of provisions	74	17	138	46
Foreign exchange loss (gain)	35	16	47	(101)
Finance expense	2,092	1,914	5,668	3,666
Interest income	(313)	(42)	(449)	(112)
Total finance expense, net	1,779	1,872	5,219	3,554

In the third quarter of 2022, net finance expense was $1.8 million which is comparable to the same period in 2022.

In the first nine months of 2022, net finance expense was $5.2 million as compared to $3.6 million in 2021, primarily due to a gain recognized on the modification of the senior and subordinated credit facilities in the second quarter of 2021.

Income Tax Expense

	Three months ended September 30		Nine months ended September 30	
($000's)	2022	2021	2022	2021
Current tax expense	5,950	-	5,963	-
Deferred tax expense	1,170	1,613	6,464	18,171
Total income tax expense	7,120	1,613	12,427	18,171

In the third quarter of 2022, MAXIM has an income tax expense of $7.1 million as compared to $1.6 million in 2021 due to MAXIM having higher income before taxes in 2022.

In the first nine months of 2022, MAXIM has an income tax expense of $12.4 million as compared to $18.2 million in 2021 due to MAXIM having higher income before taxes in 2021 and the release of deferred tax liabilities in 2022.

Financial Position

The following highlights the changes in the Corporation's Condensed Consolidated Interim Statement of Financial Position at September 30, 2022, as compared to December 31, 2021.

As at ($000's)	September 30, 2022	December 31, 2021	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	76,117	13,550	62,567	Increased as a result of operating and financing activities, partially offset by investing activities
Trade and other receivables	1,796	20,766	(18,970)	Decreased as a result of lower revenues in the month of September 2022 as compared to December 2021
Property, plant and equipment, net and asset held for sale	295,606	260,590	35,016	Increased as a result of capital additions for M2, partially offset by grant proceeds, depreciation and the impact of the return of funds held for decommissioning
Net other assets, net	16,495	17,531	(1,036)	Decreased as a result of the net impact of the return of funds held for decommissioning
Liabilities & Equity				
Trade and other payables	15,025	19,669	(4,644)	Decreased due to lower amounts owing for construction of the CCGT expansion of M2 and capital spares, partially offset by current tax liabilities
Loans and borrowings	82,990	53,650	29,340	Increased primarily due to a debt issuance on the senior credit facility to fund the CCGT expansion of M2
Other liabilities	16,257	11,936	4,321	Increased due to the deferred tax liability reflecting deferred tax expense for the quarter
Equity	275,742	227,182	48,560	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 components of M2 will be funded by the Corporation's existing cash on hand and debt. The effect from the non-injury fire incident at M2 unfavourably impacts cashflows as the facility will not be operational for at least the remainder of 2022, however the Corporation has ample liquidity from cash on hand, remaining capacity under its credit facilities and the anticipated future receipt of insurance proceeds to fund the expenditures noted above. As at September 30, 2022, MAXIM has up to $92.1 million of borrowing capacity remaining under its senior credit facilities and subordinated convertible loan and $76.1 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 for the remainder of 2022. MAXIM is currently monitoring the financial impact of the non-injury fire incident but does not expect a significant adverse impact to the Corporations longer term financial performance or financial condition.

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 $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 $27.1 million outstanding. This facility is fully drawn and no additional amounts are available. During the first nine months of 2022, the Corporation amended the senior credit facilities to permit an increase to the annual normal course issuer bid program from $1.0 million to $2.5 million for the 2022 calendar year. In addition, the Corporation agreed to recommence quarterly principal payments on the Bank Term Facility #1 in the amount of $0.7 million. The first quarterly payment occurred on August 2, 2022, followed by regular quarter payments commencing at the end of the third quarter and the loan amount will amortize over ten years.
- Revolver Facility #1 is the original $10.0 million revolver which is unchanged and continues to be available for general corporate purposes. This facility is undrawn.
- Revolver Facility #2 increased from $4.0 million to $5.0 million and is available for the CCGT expansion of M2 and operating purposes on a revolving basis, 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 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 September 30, 2022, 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.

This amended debt financing is subject to financial and other covenants and the Corporation is compliant with these covenants as at September 30, 2022. 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 not more than 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 consolidated tangible assets held within 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. 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 September 30, 2022, 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 September 30, 2022, the Corporation has $29.4 million (December 31, 2021 - $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 in the third quarter and first nine months of 2022 was $1.1 million and $3.0 million, respectively (2021 - $1.1 million and $3.0 million, respectively).

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 September 30, 2022, 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 September 30, 2022, the Corporation had unrestricted cash of $76.1 million included in the net working capital surplus(1) of $61.6 million (see working capital on page 15). Unrestricted cash balances are on deposit with two Canadian financial institutions.

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

Nine months ended September 30 ($000's)	2022	2021
Cash on hand, unrestricted, January 1	13,550	12,261
Cash flow generated from operations	89,707	88,145
Cash flow generated from (used in) financing	21,948	(17,261)
Available for investments	125,205	83,145
Cash flow generated used in investing	(49,041)	(57,092)
Effect of foreign exchange rates on cash	(47)	(29)
Unrestricted cash	76,117	26,024
Undrawn Convertible Loan	45,562	45,562
Undrawn Senior Credit Facilities	46,500	76,500
Net liquidity available, September 30(1)	168,179	148,086

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

Cash flow generated from operating activities in the first nine months of 2022 increased to $89.7 million from $88.1 million in 2021, which is an increase of $1.6 million. The increase is primarily due to higher earnings from the operations of M2 in 2022 and changes in non-capital working capital in 2022, partially offset by the receipt of the second and third payment from the Line Loss Proceedings in 2021. See working capital section on page 15 for further discussion.

During the first nine months of 2022, MAXIM's cash flow generated from financing activities increased $39.2 million to $21.9 million in 2022, from an outflow of $17.3 million in 2021, primarily due to a debt issuance in 2022 and repayment of debt in 2021.

MAXIM's investing activities in the first nine months of 2022 represented a cash outflow of $49.0 million, decreasing from $57.1 million in 2021. During the first nine months of 2022, MAXIM spent $70.5 million primarily on advancing engineering and construction of the CCGT expansion of M2 and on capital spares relating to M2 and changes in non-cash working capital of $12.8 million, partially offset by proceeds from grant funding of $20.0 million, the return of funds held for decommissioning of $10.1 million, the sale of asset of $3.7 million and interest income of $0.5 million.

MAXIM's investing activities in the first nine months of 2021 represented a cash outflow of $57.1 million. During the first nine months of 2021, MAXIM spent $56.9 million primarily on advancing engineering and construction of the CCGT expansion of M2 and on capital spares relating to M2, changes in non-cash working capital of $0.3 million, partially offset by interest income of $0.1 million.

The following table represents the net capital of the Corporation:

As at ($000's)	September 30, 2022	December 31, 2021
Loans and borrowings	82,990	53,650
Less: Unrestricted cash	(76,117)	(13,550)
Net debt	6,873	40,100
Shareholders' equity	275,742	227,182
Capital	282,615	267,282
Net debt to capital	2.4%	15.0%

The Corporation uses the percent of net debt to capital to monitor leverage. The decrease in net debt to capital from December 31, 2021 to September 30, 2022 is primarily due to increased cashflows from operations and is partially offset by the issuance of debt.

Working Capital(1)

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

As at ($000's)	September 30, 2022	December 31, 2021	Difference
Total current assets	79,492	35,866	43,626
Total current liabilities	17,913	19,669	(1,756)
Working capital surplus(1)	61,579	16,197	45,382

The Corporation has a working capital surplus of $61.6 million at September 30, 2022, which represents a $45.4 million increase from the working capital surplus of $16.2 million at December 31, 2021. The total increase is comprised of a $43.6 million increase in current assets which was partially offset by a $1.8 million decrease in current liabilities.

The increase in current assets was due to a net increase of $62.5 million in unrestricted cash, which was primarily due to operating income, financing activities and grant funding, partially offset by capital spending, and an increase in risk management assets of $0.4 million These favourable variances were partially offset by a decrease in accounts receivable of $19.0 million due to decreased revenues and a decrease in prepaid expenses deposits of $0.3 million.

The decrease in current liabilities was due to a $10.1 million decrease in accounts payable primarily due to lower amounts owing for the construction of the CCGT expansion of M2 and capital spares relating to M2 and an decrease in risk management liabilities of $0.5 million, partially offset by current tax liabilities of $5.9 million and the current portion of loans and borrowings of $2.9 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 expenditure costs of approximately $85.0 million to $95.0 million for the full year of 2022. These expenditures primarily relate to advancing engineering and construction for expanding M2 into a CCGT facility, purchasing capital spares and the estimated replacement of the air inlet filter house.

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 September 30, 2022	Total	2022	2023-2024	2025-2026	Thereafter
Long-term debt(1)	109,245	2,391	27,464	79,390	-
Long-term contracts(2)	10,532	987	7,896	1,649	-
Purchase obligations(3)	8,448	8,448	-	-	-
Total	128,225	11,826	35,360	81,039	-

(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 2021 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 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.

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 has 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 a draft regulation by the end of 2022. Management will monitor the progress on this initiative and regularly assess the potential impact to MAXIM.

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 expires on December 31, 2022. MAXIM is participating in the GoA's engagement efforts and will monitor potential impacts that any revisions to TIER may have on the organization.

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. If the GoA does not implement an equivalent program that considers the federal price of carbon, these regulations are anticipated to impact Alberta carbon emitters. However, it is expected that the TIER carbon price will rise with the pricing stated in the GGPPA.

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.

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. Starting January 1, 2023, the M2 project will be exposed to carbon tax on emissions greater than 0.37 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 September 30		Nine months ended September 30	
($000's)	2022	2021	2022	2021
GAAP Measures from Condensed Consolidated Statement of Income				
Net income	23,970	18,092	49,433	74,107
Income tax expense	7,120	1,613	12,427	18,171
Finance expense, net	1,779	1,872	5,219	3,554
Asset impairment charge	-	5,347	-	5,347
Depreciation and amortization	3,476	2,161	7,745	5,966
	36,345	29,085	74,824	107,145
Adjustments:				
Other expense (income)	(2)	24	39	(46,946)
Unrealized loss (gain) on commodity swaps	3,248	(8,586)	(841)	(9,025)
Share-based compensation	148	116	391	329
Adjusted EBITDA	39,739	20,639	74,413	51,503

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

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

In calculating Adjusted EBITDA for the quarter ended September 30, 2022 and September 30, 2021 management excluded certain non-cash and non-recurring transactions. In both 2022 and 2021, Adjusted EBITDA excluded all items of other income and expense including: Line Loss Proceeds as well as unrealized gains on commodity swaps and share-based compensation.

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. The calculation of net liquidity availability is included on page 14.

Supplementary Financial Measures

Set forth below is a summary of supplementary financial measures used herein. A supplementary financial measure: (a) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Company; (b) is not presented in the financial statements of the Company, (c) is not a non-GAAP financial measure; and (d) is not a non-GAAP ratio.

Fuel expense and O&M expense, as part of operating expenses ($ per MWh) is fuel expense or O&M divided by MWh of electricity generated during the period.

Fuel expense and O&M expense, as part of operating expenses ($ per GJ) is fuel expense or O&M divided by GJ of fuel/natural gas consumed during the period.

Fuel expenses and O&M expense, as part of operating expenses (Percent) is the percentage breakdown of operating expense.

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, 2021.

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 nine months, with the exception of the convertible loan facility interest and fees (page 14) 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 2021 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 September 30, 2022.

OTHER INFORMATION

Outstanding share data:

Issued common shares at September 30, 2022	50,199,686
Shares issuable on conversion of convertible loan at September 30, 2022	13,083,736
Outstanding share options at September 30, 2022	2,465,283
Total diluted common shares at September 30, 2022	65,748,705
Shares cancelled under NCIB in October 2022	(25,768)
Total diluted common shares at November 8, 2022	65,722,937

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, with the exception of "capacity payments" and "capacity market" (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
CPA	Charted Professional Accountants
Adjusted EBITDA	Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization
FLI	Forward-looking information
FR Land	The 31 acre Forked River land parcel
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
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 and has been in continuous operation since 2020
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
NCIB	Normal course issuer bid
O&M	Operations and maintenance
Summit	Summit Coal LP
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.