Condensed Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the Three and Nine Months Ended September 30, 2023

(Unaudited)

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

As at	Note	**September 30, 2023**	December 31, 2022
ASSETS			
Cash and cash equivalents		**43,907**	51,378
Trade and other receivables	6	**3,945**	15,109
Current tax asset		**4,469**	-
Prepaid expenses and deposits		**1,051**	4,129
Total current assets		**53,372**	70,616
Property, plant and equipment, net	4	**316,004**	296,548
Restricted cash	3	**16,518**	12,318
Other assets		**3,538**	2,627
Total non-current assets		**336,060**	311,493
TOTAL ASSETS		**389,432**	382,109
LIABILITIES			
Trade and other payables		**9,872**	9,991
Current tax liabilities		**-**	4,793
Risk management liability	12	**1,268**	-
Loans and borrowings	5	**6,233**	1,469
Total current liabilities		**17,373**	16,253
Provisions for decommissioning		**8,991**	10,511
Lease obligation		**121**	140
Risk management liability	12	**144**	-
Loans and borrowings	5	**75,369**	81,204
Deferred tax liabilities		**9,168**	5,347
Total non-current liabilities		**93,793**	97,202
TOTAL LIABILITIES		**111,166**	113,455
EQUITY			
Share capital		**144,031**	143,473
Contributed surplus		**13,077**	12,831
Retained earnings		**121,158**	112,350
TOTAL EQUITY		**278,266**	268,654
Commitments and Contingencies	9, 10		
TOTAL LIABILITIES AND EQUITY		**389,432**	382,109

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

On behalf of the Board:

M. Bruce Chernoff	Michael Mayder
CEO and Chairman of the Board	Director

MAXIM POWER CORP.

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

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

		Three months ended September 30		Nine months ended September 30	
	Note	**2023**	2022	**2023**	2022
Revenues					
Power generation		**2,468**	57,091	**2,468**	141,263
Realized loss on power swaps	12	**-**	(2,081)	**-**	(3,524)
Unrealized gain (loss) on power swaps	12	**-**	(157)	**-**	538
Total power generation and swaps		**2,468**	54,853	**2,468**	138,277
Expenses (income)					
Operating		**8,254**	16,316	**19,397**	73,529
Realized gain on natural gas swaps	12	**-**	(1,940)	**-**	(13,768)
Unrealized loss (gain) on natural gas swaps	12	**1,324**	3,091	**1,412**	(303)
General and administrative		**1,433**	1,043	**4,407**	3,956
Depreciation and amortization	4	**1,753**	3,476	**5,602**	7,745
Other expense (income), net	6	**(5,229)**	(2)	**(43,757)**	39
Total expenses (income)		**7,535**	21,984	**(12,939)**	71,198
Operating income (loss)		**(5,067)**	32,869	**15,407**	67,079
Finance expense, net	7	**1,292**	1,779	**3,909**	5,219
Income (loss) before income taxes		**(6,359)**	31,090	**11,498**	61,860
Income tax expense					
Current income tax expense (recovery)		**(2,495)**	5,950	**(1,141)**	5,963
Deferred income tax expense		**1,033**	1,170	**3,821**	6,464
Total income tax expense (recovery)		**(1,462)**	7,120	**2,680**	12,427
Net and comprehensive income (loss)		**(4,897)**	23,970	**8,818**	49,433
Earnings (loss) per share	8				
Basic		**(0.10)**	0.48	**0.18**	0.99
Diluted		**(0.10)**	0.39	**0.18**	0.82

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

(in thousands of Canadian dollars, except common share data)

	Number of common shares (thousands)	Share capital	Contributed surplus	Retained earnings (deficit)	Total
Equity at December 31, 2022	50,168	143,473	12,831	112,350	268,654
Net income	-	-	-	8,818	8,818
Repurchase of common shares for cancellation	(7)	(14)	-	(10)	(24)
Share-based compensation	-	-	488	-	488
Stock options exercised	392	572	(242)	-	330
Equity at September 30, 2023	**50,553**	**144,031**	**13,077**	**121,158**	**278,266**
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

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)

	Note	Nine months ended September 30 **2023**	2022
Cash flows from operating activities:			
Net income		**8,818**	49,433
Adjustments for items not involving cash or operations:			
Depreciation and amortization	4	**5,602**	7,745
Share-based compensation		**488**	391
Unrealized loss (gain) on commodity swaps	12	**1,412**	(841)
Stock option settlement		**-**	(81)
Income tax expense		**2,680**	12,427
Income tax paid		**(8,121)**	(13)
Loss on disposal of land		**-**	44
Finance expense, net	7	**3,909**	5,219
Funds generated from operating activities before change in non-cash working capital		**14,788**	74,324
Change in non-cash working capital	11	**14,116**	15,383
Net cash generated from operating activities		**28,904**	89,707
Cash flows from financing activities:			
Issuance of loans and borrowings		**-**	37,000
Repayment of loans and borrowings	5	**(2,138)**	(8,425)
Proceeds from exercise of stock options		**330**	112
Repurchase of common shares for cancellation		**(24)**	(1,295)
Interest and bank charges		**(6,168)**	(5,444)
Net cash generated from (used in) financing activities		**(8,000)**	21,948
Cash flows from investing activities:			
Property, plant and equipment additions	4	**(25,484)**	(70,550)
Proceeds from grant funding			20,000
Proceeds on sale of asset, net of closing costs		**-**	3,716
Proceeds from return of funds held for decommissioning		**-**	10,122
Interest income	7	**2,190**	449
Change in non-cash working capital	11	**(5,113)**	(12,778)
Net cash used in investing activities		**(28,407)**	(49,041)
Foreign exchange gain (loss) on cash and cash equivalents		**32**	(47)
Increase (decrease) in cash and cash equivalents		**(7,471)**	62,567
Cash and cash equivalents, beginning of period		**51,378**	13,550
Cash and cash equivalents, end of period		**43,907**	76,117

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

1. Reporting entity

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

On September 30, 2022, the air inlet filter house of the Milner 2 ("M2") operating facility was damaged by a non-injury fire. Repairs commenced shortly after and completed in August of 2023 to allow for the recommencement of commissioning activities, M2 began generating intermittent electricity to the grid on August 14, 2023, and achieved Combined Cycle Gas Turbine ("CCGT") commercial operations on October 24, 2023.

2. Basis of preparation and statement of compliance

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The unaudited condensed consolidated interim financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Corporation's December 31, 2022 annual audited financial statements available at www.sedarplus.ca.

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on November 6, 2023.

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

The use of judgments and estimates in the preparation of these unaudited condensed consolidated interim financial statements have been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2022.

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, 2022.

The Corporation records a compensation cost for all restricted share units ("RSU") granted to employees over the vesting period of the RSU based on the fair value of the RSU at grant date. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair values of the amounts payable, which are settled in cash, are recognized as expenses with corresponding increases in the liabilities over the period that the employees unconditionally become entitled to payments. The fair value of each grant is measured at the closing share price of MAXIM's shares. The liability is remeasured to fair value at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized in income or loss.

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

3. Restricted Cash

	September 30, 2023	December 31, 2022
Cash collaterized letters of credit (a)	6,396	2,196
Cash collateral (b)	10,122	10,122
Total restricted cash	16,518	12,318

(a) On August 4, 2023, the Corporation acquired a natural gas power generation project in the early stages of development for cash consideration of $1,000. The value of the identifiable assets of the acquired entity was based on the fair value of consideration paid and as at the date of acquisition are $936 of non-current prepaid deposits and $64 of assets under construction. In order to continue advancing the project the Corporation posted cash collateralized letters of credit of $4,200.

Cash of the same amount has been deposited into a restricted bank account maintained by the bank. As at September 30, 2023, the Corporation has $6,396 (December 31, 2022 - $2,196) of outstanding cash collateralized letters of credit.

(b) As at September 30, 2023, cash collateral of $10,122 (December 31, 2022 - $10,122) is restricted by MAXIM's senior lenders for the purpose of end of life decommissioning, remediation and reclamation of the Milner site. Upon extinguishment of the senior credit facilities, $10,122 becomes unrestricted and available to the Corporation.

4. Property, plant and equipment, net

	Land	Generating Facilities and Equipment	Right-of-use Asset	Assets under Construction	Total
Cost					
Balance, December 31, 2021	3,760	250,085	333	91,037	345,215
Additions	-	6,458	-	74,631	81,089
Capitalized interest	-	-	-	1,667	1,667
Grant funding	-	-	-	(20,000)	(20,000)
Revisions to decommissioning provisions	-	642	-	-	642
Return of funds held for decommissioning	-	(5,268)	-	-	(5,268)
Derecognition of fully depreciated asset	-	(1,469)	-	-	(1,469)
Write-off of asset	-	(8,735)	-	-	(8,735)
Disposal of land	(3,760)	-	-	-	(3,760)
Balance, December 31, 2022	-	241,713	333	147,335	389,381
Additions	-	314	-	25,170	25,484
Capitalized interest	-	-	-	1,366	1,366
Assets in-service (a)	-	15,436	-	(15,436)	-
Revisions to decommissioning provisions	-	(1,792)	-	-	(1,792)
Balance, September 30, 2023	-	255,671	333	158,435	414,439
Accumulated depreciation					
Balance, December 31, 2021	-	84,469	156	-	84,625
Depreciation	-	10,521	30	-	10,551
Derecognition of fully depreciated asset	-	(1,469)	-	-	(1,469)
Write-off of asset	-	(874)	-	-	(874)
Balance, December 31, 2022	-	92,647	186	-	92,833
Depreciation	-	5,579	23	-	5,602
Balance, September 30, 2023	-	98,226	209	-	98,435
Property, plant and equipment, net					
December 31, 2022	-	149,066	147	147,335	296,548
September 30, 2023	-	157,445	124	158,435	316,004

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

4. Property, plant and equipment, net (continued)

(a) Assets in-service

During the third quarter of 2023, the Corporation transferred $15,436 from assets under construction to power generating facilities, of which, $14,268 relates to the air inlet filter house and $1,168 relates to general M2 facilities equipment and components.

5. Loans and borrowings

	Bank Term Facility #1	Fixed Rate Constuction Facility	Revolver Facility #1	Convertible Loan Facility	Total
Balance, December 31, 2022[1]	26,362	30,000	-	29,438	85,800
Issuance of loans and borrowings	-	-	-	-	-
Repayment of loans and borrowings	(2,138)	-	-	-	(2,138)
Balance, September 30, 2023	24,224	30,000	-	29,438	83,662
Less: deferred financing costs					(2,060)
Net loans and borrowings, net of deferred financing costs					81,602
Less: current portion, net of deferred financing costs					(6,233)
Balance September 30, 2023, non-current portion net of deferred financing costs					75,369

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

(1) Excluding deferred financings costs.

Senior Credit Facility and Convertible Loan Facility

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

MAXIM is currently in a financial covenant break period under the senior credit facility as a result of commissioning the CCGT expansion of M2. During this period compliance is not required with the debt service coverage ratio and debt to earnings before interest, taxes, depreciation and amortization. The requirement to comply with these covenants are expected to resume in the first quarter of 2024.

(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	
	2023	2022	2023	2022
Business interruption insurance claim (a)	(5,500)	-	(40,022)	-
Property insurance claim (a)	-	-	(9,593)	-
Demolition, incidental and investigation costs (b)	266	-	5,830	-
Other expense (income)	5	(2)	28	39
Total other expense (income), net	(5,229)	(2)	(43,757)	39

(a) Insurance claims

For the three and nine months ended September 30, 2023, the business interruption claims of $5,500 and $40,022, respectively, and property insurance claims of $nil and $9,593, respectively, relate to the air inlet filter house non-injury fire insurance claim. During the first nine months of 2023, the Corporation collected $63,000 relating to the business interruption and property insurance claims. As at September 30, 2023, the total of business interruption and property insurance claims is $64,000, of which, $1,000 is included in trade and other receivables. Insurance claims are subject to approval by the insurers and claims pending approval are not recognized in these unaudited condensed consolidated interim financial statements.

(b) Demolition, incidental and investigation costs

For the three and nine months ended September 30, 2023, the Corporation incurred $266 and $5,830, respectively, in relation to demolition, incidental and investigation costs related to the air inlet filter house non-injury fire incident.

7. Finance expense, net

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Interest expense and bank charges (a)	1,717	1,582	4,802	4,290
Amortization of deferred financing costs	335	414	1,067	1,294
Gain on interest rate swaps	-	(13)	-	(101)
Accretion of provisions	101	74	262	138
Foreign exchange loss (gain)	(59)	35	(32)	47
Finance expense	2,094	2,092	6,099	5,668
Interest income	(802)	(313)	(2,190)	(449)
Total finance expense, net	1,292	1,779	3,909	5,219

(a) For the three and nine months ended September 30, 2023, the Corporation paid interest and fees of $1,078 and $3,017, respectively, (September 30, 2022 - $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	
	2023	2022	2023	2022
Weighted average number of common shares (basic)	50,506,920	50,061,240	50,368,768	50,073,796
Effect of convertible loan facility	13,083,736	13,083,736	13,083,736	13,083,736
Effect of exercisable stock options	854,676	675,990	657,502	676,605
Weighted average number of common shares (diluted)	64,445,332	63,820,966	64,110,006	63,834,137

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

8. Earnings per share (continued)

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Net income (loss) (basic)	(4,897)	23,970	8,818	49,433
Finance expense on the convertible loan facility, net of tax	910	923	2,575	2,610
Net income (loss) (diluted)	(3,987)	24,893	11,393	52,043

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Earnings per share:				
Basic	(0.10)	0.48	0.18	0.99
Diluted (a)	(0.10)	0.39	0.18	0.82

(a) The effects of the exercisable stock options and the convertible loan facility on diluted earnings per share were $nil for the three and nine months ended September 30, 2023 as they were antidilutive.

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 $4,062 as at September 30, 2023.

(b) The Corporation has entered into a natural gas transportation service agreement from June 1, 2020 to May 31, 2025 to deliver natural gas to M2. The total remaining commitment from this five-year contract as at September 30, 2023 is $6,794 over the next two years as follows:

2023	1,020
2024	4,080
2025	1,694
	6,794

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, 2022.

11. Change in non-cash working capital

Nine months ended September 30	2023	2022
Operating activities		
Trade and other receivables	11,164	18,970
Prepaid expenses and deposits	2,167	(102)
Trade and other payables	785	(3,485)
	14,116	15,383

Nine months ended September 30	2023	2022
Investing activties		
Trade and other payables	(913)	(6,656)
Restricted cash (note 3)	(4,200)	(6,122)
	(5,113)	(12,778)

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

12. Financial risk management

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

The fair value measurement of a financial instrument or derivative contract is included in one of three levels as follows:

- Level I: unadjusted quoted prices in active markets for identical assets or liabilities
- Level II: inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly
- Level III: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Corporation is required to recognize and disclose the fair value of financial assets and liabilities. The Corporation's financial assets and financial liabilities that are not risk management swaps or options or loans and borrowings are all classified as Level I under the fair value hierarchy as they are based on unadjusted quoted prices in active markets for identical instruments.

The fair value of the loans and borrowings are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. The fair value of loans and borrowings at September 30, 2023 is $80,558 (December 31, 2022 - $81,775).

(a) Commodity risk management swaps

The fair values of the power and natural gas commodity swaps are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. The Corporation determined the fair value of the swaps by applying the market approach using market settled forward prices as reported by the Natural Gas Exchange for forward contracts of comparable term at the reporting date.

Realized loss (gain) on commodity swaps

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Realized loss on power swaps	-	2,081	-	3,524
Realized gain on natural gas swaps	-	(1,940)	-	(13,768)
Total realized loss (gain) on commodity swaps	-	141	-	(10,244)

Unrealized loss (gain) on commodity swaps

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Unrealized loss (gain) on power swaps	-	157	-	(538)
Unrealized loss (gain) on natural gas swaps	1,324	3,091	1,412	(303)
Total unrealized loss (gain) on commodity swaps	1,324	3,248	1,412	(841)

Loss (gain) on commodity swaps

Total realized and unrealized loss (gain) on commodity swaps	1,324	3,389	1,412	(11,085)

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

12. Financial risk management (continued)

(b) Carrying amount of risk management liability

Current risk management liability

	September 30, 2023	December 31, 2022
Natural gas commodity swaps	1,268	-
Total carrying amount of current risk management liability	1,268	-

The carrying amount of the current risk management liability represents the unrealized liability from the natural gas commodity swaps.

Non-current risk management liability

	September 30, 2023	December 31, 2022
Natural gas commodity swaps	144	-
Total carrying amount of non-current risk management liability	144	-

The carrying amount of the non-current risk management liability represents the unrealized liability from the natural gas commodity swaps.

As at September 30, 2023 and December 31, 2022, the Corporation had no outstanding interest rate swaps.

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis ("MD&A") is dated November 6, 2023 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the three and nine months ended September 30, 2023 and the audited consolidated financial statements and MD&A for the year ended December 31, 2022. MAXIM prepares its unaudited condensed consolidated interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting, under International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the CPA Canada Handbook of the Chartered Professional Accountants of Canada ("GAAP"). MAXIM occasionally refers to non-GAAP and other financial measures in the MD&A which are not standardized measures and may not be comparable to other reporting issuers. See the Non-GAAP and other financial measures section for more information. The MD&A contains Forward-Looking Information (“FLI”). This information is based on certain estimates and assumptions and involve risks and uncertainties. Actual results may differ materially. See the FLI section of this MD&A for additional information.

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

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OVERALL PERFORMANCE

Highlights

On October 24, 2023, MAXIM successfully commissioned the Combined Cycle Gas Turbine ("CCGT") expansion of its natural gas-fired power plant ("M2") located near Grande Cache, Alberta.

Construction of the heat recovery technology required to expand M2 into a CCGT facility commenced in 2021 and the project was originally expected to commission in the fourth quarter of 2022. Commissioning was delayed due to the non-injury fire on September 30, 2022, which caused damage to M2's air inlet filter house. Repairs commenced shortly after and completed in August of 2023 to allow for the recommencement of commissioning activities. M2 began generating intermittent electricity to the grid on August 14, 2023, and achieved CCGT commercial operations on October 24, 2023.

The CCGT expansion of M2 is expected to increase the maximum generation capacity of the HR Milner ("Milner") site to 300 MW and has been designed to lower operations and maintenance costs per MWh. The CCGT expansion of M2 captures waste heat that would otherwise exhaust into the atmosphere and converts it into useful low carbon dispatchable electricity for the Alberta power grid. The estimated final project cost of the CCGT expansion of M2 is currently $163.6 million, excluding borrowing costs and the net effect of $20.0 million of grant proceeds.

This significant milestone completes the coal to gas energy transformation and repowering project at the Milner site which saw over $300 million of investment and successfully converted the legacy 150 MW coal-fired facility into a 300 MW CCGT facility. The CCGT expansion of M2 is expected to reduce the intensity of carbon emissions by more than 60% compared to the legacy coal-fired Milner facility.

As of September 30, 2023, MAXIM has incurred $160.9 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.

MAXIM reaffirms coverage for the non-injury fire incident subject to the terms and conditions of the Corporation's property insurance policy, including business interruption provisions. As of the date of this MD&A, MAXIM has cumulatively submitted claims for $87.0 million, of which $60.5 million relates to business interruption and $26.5 million relates to property damage. As of the date of this MD&A, $63.0 million has been paid by the insurance companies in relation to these claims. The Corporation continues to progress on the insurance claims for damages and lost earnings. MAXIM anticipates to receive a majority of the amounts claimed and the primary difference in the amounts claimed and received or recognized is due to timing of the approval by the insurers. MAXIM has only recognized insurance claims approved by the insurers and claims pending approval are not recognized in the interim financial statements. The estimated final project costs to repair the air inlet filter house is $23.9 million as of the date of the MD&A. As of September 30, 2023, MAXIM has incurred $23.0 million of capital and expenses directly in relation to the repairs to the air inlet filter house.

As previously reported, MAXIM submitted an additional insurance claim for a delay in start up related to the non-injury fire incident under its Course of Construction ("COC") insurance policy, which includes a provision for Delay in Start Up ("DSU") coverage relating to the CCGT expansion of M2. The Corporation has received a denial of coverage under this policy from the insurer and is currently evaluating its options in relation to this claim. No amounts have been recognized by the Corporation in relation to this claim.

During the third quarter of 2023, MAXIM recorded a net loss and negative adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"[(1)]) of $4.9 million and $1.5 million, respectively, as compared to net income of $24.0 million and positive Adjusted EBITDA of $39.7 million, respectively, in the same period of 2022. Net income in the third quarter of 2023 decreased as compared to the same period in 2022 primarily due to the M2 unplanned outage which resulted in less generation from M2 in the third quarter of 2023, partially offset by the approved business interruption claim in 2023, less income tax expense in 2023 and higher unrealized and realized commodity swap losses in 2022. A significant portion of the decrease to Adjusted EBITDA was due to the M2 unplanned outage in the third quarter of 2023, partially offset by the approved business interruption claim.

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

Quarterly Financial Highlights

	Three months ended September 30		Nine months ended September 30	
($000's, unless otherwise noted)	2023	2022	2023	2022
Revenue	2,468	57,091	2,468	141,263
Net income (loss)	(4,897)	23,970	8,818	49,433
Basic earnings (loss) per share ($ per share)	(0.10)	0.48	0.18	0.99
Diluted earnings (loss) per share ($ per share)	(0.10)	0.39	0.18	0.82
Adjusted EBITDA(1)	(1,545)	39,739	19,174	74,413
Total generation (MWh)	31,627	280,290	31,627	1,064,693
Total fuel consumption	436,985	2,943,544	459,492	11,242,662
Average Alberta market power price ($ per MWh)	151.60	221.41	162.00	145.11
Average realized power price ($ per MWh)	78.03	203.68	78.03	132.68
Non-current liabilities	93,793	96,359	93,793	96,359
Total assets	389,432	390,014	389,432	390,014

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

Financial Results

During the third quarter of 2023, revenues and Adjusted EBITDA(1) decreased as compared to 2022 primarily due to the M2 unplanned outage in 2023, partially offset by the business interruption claim in 2023.

Net income decreased in the third quarter of 2023 as compared to 2022 primarily due to the same factors impacting Adjusted EBITDA(1), partially offset by lower income tax expense and net unrealized losses from commodity swaps in 2023.

During the first nine months of 2023, revenues and Adjusted EBITDA(1) decreased as compared to 2022 primarily due to the same factors impacting the third quarter and higher realized gains from commodity swaps in 2022.

Net income decreased in the first nine months of 2023 as compared to 2022 primarily due to the same factors impacting Adjusted EBITDA(1) and higher unrealized losses from commodity swaps in 2023, partially offset by lower income tax expense and the property insurance claims in 2023.

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

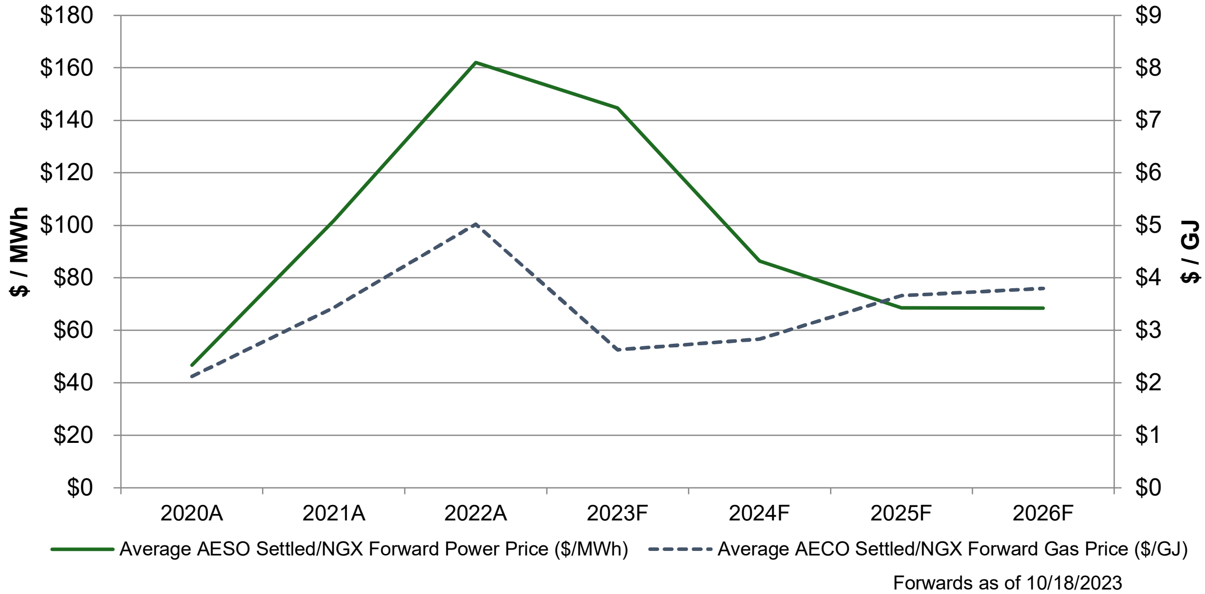
OUTLOOK

Alberta Power Price

The following commentary represents FLI and users are cautioned that actual results may vary. Refer to the discussion of FLI on page 5 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 continued to increase in 2022 for the same reasons as 2021 and were further elevated due to higher carbon tax and natural gas prices compared to 2021 and certain unit outages affecting generation supply. 2023 power prices are expected to be similar to 2022 as increased renewable penetration has been offset by increased load and unit outages. The graph also shows forward power prices declining starting in 2024 as a result of expectations that new wind and solar generation projects will come online along with further gas-fired projects. Forward power prices are expected to stabilize in 2025 after the last of the large gas-fired generation projects, which are currently under construction, reach commercial operation.

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



DEVELOPMENT AND BUSINESS INITIATIVES

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

Current Project Developments

Management commenced construction of the heat recovery technology required to expand M2 into a CCGT facility in 2021. The CCGT expansion of M2 completed commissioning during October 2023 and is expected to increase the maximum generation capacity of the Milner site to 300 MW and has been designed to lower operations and maintenance costs per MWh. The CCGT expansion of M2 captures waste heat that would otherwise exhaust into the atmosphere and converts it into useful low carbon dispatchable electricity for the Alberta power grid. The CCGT expansion of M2 reduces the intensity of carbon emissions by more than 60% compared to the legacy coal-fired Milner facility.

The total anticipated costs of the CCGT construction and commissioning is currently $163.6 million, excluding borrowing costs, $20.0 million of grant proceeds and historical development costs of $4.9 million. In the first nine months of 2023, MAXIM has spent $12.6 million on capital investment related to the CCGT expansion of M2. As at September 30, 2023, the Corporation has spent $160.9 million towards the estimated $163.6 million project costs.

Future Business Initiatives

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

In addition to M2 and the existing Milner facility, MAXIM has permits to develop an incremental 346 MW of gas-fired power generation at the Milner site. MAXIM also has a wind development project, Buffalo Atlee, which has the potential for up to 200 MW of power 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. In the third quarter of 2023, MAXIM also acquired the 400 MW Prairie Lights Power gas-fired power generation project located near Grande Prairie, Alberta, which is in the early stages of development, for cash consideration of $1.0 million. The Corporation continues to monitor changes to provincial and federal government regulations as they relate to opportunities to develop and construct natural gas and wind power projects.

Other Business Initiatives

Summit Coal LP ("SUMMIT") is a wholly owned subsidiary of MAXIM that owns metallurgical coal leases for Mine 14 and Mine 16S located north of Grande Cache, Alberta. Current estimates for Mine 14 are 18.9 million tonnes of low-mid volatile metallurgical coal reserves 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 Valory Resources Inc. ("Valory") who will be paying for and advancing the remaining required approvals for construction and operation of the Mine 14 project, in exchange for the option to purchase SUMMIT under pre-agreed terms and conditions. The contract was first renewed in the first quarter of 2023 with an expiry of February 2024, and as a result of regulatory delays, further renewed early in the fourth quarter of 2023 with a revised expiry date of February 2025. In June 2023, SUMMIT, with assistance from Valory, submitted the remaining applications with the Alberta Energy Regulator to construct and operate the Mine 14 project. The remaining applications have been deemed complete by the Alberta Energy Regulator and are working through the robust regulatory process. At this time, there is no certainty that Valory will elect to purchase SUMMIT.

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

FORWARD-LOOKING INFORMATION

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

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

Forward-looking statements are often, but not always, identified by the use of words such as “anticipate”, “plan”, “estimate”, “intend”, “believe”, “expect”, “will”, “may”, “project”, “predict”, “potential”, “could”, “might”, “should”, “will” and other similar expressions. The Corporation believes the expectations reflected in forward-looking statements and FLI are reasonable, but no assurance can be given that these expectations will prove to be correct. These forward-looking statements speak only to the date of this MD&A and are expressly qualified by this cautionary statement. Specifically, this MD&A contains forward-looking statements concerning, among other things, estimated project costs, current expectation of the Corporation’s periodic outages resulting in intermittent generation of electricity (and related revenue) from its M2 operations, the Corporation’s insurance coverage and claims related to the M2 incident and outlook for commodity prices and expected benefits from the CCGT expansion of M2. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements or FLI, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws. Certain information in this MD&A is FLI and is subject to important risks and uncertainties. The results or events predicted in this information may differ from actual results or events.

Factors which could cause actual results or events to differ materially from current expectations include the ability of the Corporation to implement its strategic initiatives, the amount and timing of receipt of funds from insurers in relation to the non-injury fire incident at M2, the 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 and capacity under simple cycle or combined cycle, 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.sedarplus.ca.

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 and general and administrative expenses will be funded by its cashflows from operating activities and existing cash on hand. MAXIM estimates total capital expenditures to be incurred in 2023 of approximately $31.0 million.
- In the fourth quarter of 2023, the Corporation expects to incur approximately $5.0 million of capital expenditures in relation to the CCGT expansion of M2, air inlet filter house and other sustaining capital.
- It is anticipated that the majority of both capital and operating and repair expenditures in relation to the air inlet filter house will be recovered by the Corporation’s property insurance policy.
- The expenditures noted above will be funded with existing cash on hand, debt, operating cash flows and insurance proceeds. Refer to the Development and Business Initiatives section on page 4 for further discussion on capital spending.
- The Corporation will continue to have access to its credit facilities and not be in default.
- MAXIM will continue to 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’s continued compliance with all necessary provincial and federal regulations for environmental and climate change legislation and all necessary requirements of operating permits. Further changes to environmental legislation and operational issues may affect the ability of MAXIM to comply with regulations and may result in unplanned costs and plant outages.
- Other matters and factors described under the Outlook section on page 3.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Highlights

Quarter ended: (unaudited) ($000's unless otherwise noted)	30-Sep 2023	30-Jun 2023	31-Mar 2023	31-Dec 2022
Revenue	2,468	-	-	-
Net income (loss)	(4,897)	5,964	7,751	(7,156)
Basic net income (loss) per share ($ per share)	(0.10)	0.12	0.15	(0.14)
Diluted net income (loss) per share ($ per share)	(0.10)	0.11	0.14	(0.14)
Adjusted EBITDA(1)	(1,545)	8,988	11,731	1,697
Average realized power price ($ per MWh)	78.03	-	-	-
Total fuel consumption (GJ)	436,985	961	21,546	17,878
Total generation (MW)	31,627	-	-	-

Quarter ended: (unaudited) ($000's unless otherwise noted)	30-Sep 2022	30-Jun 2022	31-Mar 2022	31-Dec 2021
Revenue	57,091	48,380	35,792	37,418
Net income	23,970	8,565	16,898	4,402
Basic net income per share ($ 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)	280,289	390,813	393,591	317,813

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

The third quarter of 2023 included other income of $5.2 million in relation to the insurance claim, net of air inlet filter house expenses, $1.5 million of income tax recovery and $1.4 million of commodity swap losses. The second quarter of 2023 included other income of $18.5 million in relation to the insurance claim, net of air inlet filter house expenses, and $1.9 million of income tax expense. The first quarter of 2023 included other income of $20.0 million in relation to the insurance claim, net of air inlet filter house expenses, and $2.3 million of income tax expense.

The fourth quarter of 2022 included other income of $11.4 million in relation to the insurance claim, net of air inlet filter house expenses, a $7.9 million loss on write-off of the air inlet filter house and $2.1 million of income tax recovery. 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.

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

FINANCIAL RESULTS OF OPERATIONS

Revenue

($000's)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Revenue	2,468	57,091	2,468	141,263

Revenue in the third quarter and first nine months of 2023 decreased by $54.6 million and $138.8 million, respectively, from $57.1 million and $141.3 million, respectively, to $2.5 million due to lower generation volumes as M2 has been offline for a majority of 2023 due to the non-injury fire. Revenues generated in the third quarter of 2023 are the result of intermittent generation volumes related to the commissioning activities of the CCGT expansion of M2.

Plant Operations

Plant operations expenses are grouped into three major categories, fuel, carbon costs and O&M.

Three months ended September 30 ($000's)	2023				2022		
	Fuel	Carbon Costs	O&M	Total	Fuel	O&M	Total
Total	2,074	945	5,235	8,254	12,428	3,888	16,316

Nine months ended September 30 ($000's)	2023				2022		
	Fuel	Carbon Costs	O&M	Total	Fuel	O&M	Total
Total	3,878	945	14,574	19,397	61,760	11,769	73,529

Fuel expenses in the third quarter and first nine months of 2023 decreased by $10.3 million and $57.9 million, to $2.1 million and $3.9 million from $12.4 million and $61.8 million in 2022, respectively, primarily due to lower generation volumes as M2 has been offline for a majority of 2023 due to the non-injury fire.

Carbon costs in the third quarter and first nine months of 2023 increased by $0.9 million from $nil in 2022, due to M2 becoming taxable under Technology Innovation and Emission Reduction Regulation ('TIER") commencing on January 1, 2023.

O&M expenses in the third quarter of 2023 increased by $1.3 million, or 33%, to $5.2 million from $3.9 million in 2022, primarily due to higher insurance premiums and variable power costs while M2 has been offline in 2023.

O&M expenses in the first nine months of 2023 increased by $2.8 million, or 24%, to $14.6 million from $11.8 million in 2022, primarily due to the same factors impacting the third quarter, and one time repairs and maintenance while M2 is offline.

General and Administrative Expense

($000's)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Total general and administrative expense	1,433	1,043	4,407	3,956

General and administration expense in the third quarter of 2023 increased by $0.4 million, or 40%, to $1.4 million from $1.0 million in 2022, primarily due to lower general and administrative capital allocations to the CCGT expansion of M2 and increased employee compensation costs.

General and administration expense in the first nine months of 2023 increased by $0.4 million, or 10%, to $4.4 million from $4.0 million in 2022, primarily due to the same factors impacting the third quarter.

Depreciation and Amortization Expense

($000's)	Three months ended September 30 2023	Three months ended September 30 2022	Nine months ended September 30 2023	Nine months ended September 30 2022
Total depreciation and amortization	1,753	3,476	5,602	7,745

Depreciation and amortization expense in the third quarter of 2023 decreased by $1.7 million, or 49%, to $1.8 million from $3.5 million in 2022, primarily due to certain components of the M2 and Milner property, plant and equipment being fully depreciated in 2022.

Depreciation and amortization expense in the first nine months of 2023 decreased by $2.1 million, or 27%, to $5.6 million from $7.7 million in 2022, primarily due to the same factor impacting the third quarter.

Other Income, Net

($000's)	Three months ended September 30 2023	Three months ended September 30 2022	Nine months ended September 30 2023	Nine months ended September 30 2022
Other expense (income), net	(5,229)	(2)	(43,757)	39

Other income in the third quarter and first nine months of 2023 was $5.2 million and $43.8 million, respectively, as compared to $nil in 2022. The increase is primarily due to net insurance claims in 2023 as a result of the non-injury fire incident at M2.

Loss (Gain) on Commodity Swaps

($000's)	Three months ended September 30 2023	Three months ended September 30 2022	Nine months ended September 30 2023	Nine months ended September 30 2022
Realized loss on power swaps	-	2,081	-	3,524
Realized gain on natural gas swaps	-	(1,940)	-	(13,768)
Total realized loss (gain) on commodity swaps	-	141	-	(10,244)

($000's)	Three months ended September 30 2023	Three months ended September 30 2022	Nine months ended September 30 2023	Nine months ended September 30 2022
Unrealized loss (gain) on power swaps	-	157	-	(538)
Unrealized loss (gain) on natural gas swaps	1,324	3,091	1,412	(303)
Total unrealized loss (gain) on commodity swaps	1,324	3,248	1,412	(841)
Total realized and unrealized loss (gain) on commodity swaps	1,324	3,389	1,412	(11,085)

In the third quarter and first nine months of 2023, MAXIM realized gains of $nil, on Alberta power and natural gas price risk management swaps, as compared to the same period in 2022 which realized losses of $0.1 million and gains of $10.2 million, respectively. These net 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 2023, MAXIM has unrealized losses of $1.3 million and $1.4 million, respectively, on Alberta power and natural gas price risk management swaps, as compared to the same period in 2022 which had unrealized losses of $3.2 million and gains of $0.8 million, respectively. These gains and losses are due to Alberta power and natural gas forward prices deviating from the fixed swap price.

As of September 30, 2023, MAXIM has no outstanding Alberta power price risk management swaps.

Finance Expense, Net

($000's)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Interest expense and bank charges	1,717	1,582	4,802	4,290
Amortization of deferred financing costs	335	414	1,067	1,294
Gain on interest rate swaps	-	(13)	-	(101)
Accretion of provisions	101	74	262	138
Foreign exchange loss (gain)	(59)	35	(32)	47
Finance expense	2,094	2,092	6,099	5,668
Interest income	(802)	(313)	(2,190)	(449)
Total finance expense, net	1,292	1,779	3,909	5,219

In the third quarter of 2023, net finance expense decreased $0.5 million, or 28%, to $1.3 million from $1.8 million in 2022, primarily due to higher interest income in 2023, partially offset by higher interest expense due to higher interest rates.

In the first nine months of 2023, net finance expense decreased $1.3 million, or 25%, to $3.9 million from $5.2 million in 2022, primarily due to the same factors impacting the third quarter.

Income Tax Expense (Recovery)

($000's)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Current tax expense (recovery)	(2,495)	5,950	(1,141)	5,963
Deferred tax expense	1,033	1,170	3,821	6,464
Total income tax expense (recovery)	(1,462)	7,120	2,680	12,427

In the third quarter of 2023, income tax expense decreased $8.6 million, to a recovery of $1.5 million from an expense of $7.1 million in 2022 due to MAXIM having lower income before taxes in 2023.

In the first nine months of 2023, income tax expense decreased $9.7 million to $2.7 million from $12.4 million in 2022 due to the same factor impacting the third quarter, partially offset by the release of deferred tax liabilities in the second quarter of 2022.

Financial Position

The following highlights the changes in the Corporation's Consolidated Statement of Financial Position at September 30, 2023, as compared to December 31, 2022.

As at ($000's)	September 30, 2023	December 31, 2022	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	43,907	51,378	(7,471)	Decreased as a result of investing and financing activities, partially offset by operating activities
Trade and other receivables	3,945	15,109	(11,164)	Decreased as a result of a lower insurance recovery receivable
Property, plant and equipment	316,004	296,548	19,456	Increased as a result of capital additions for M2, partially offset by depreciation
Net other assets, net	25,576	19,074	6,502	Increased as a result of higher restricted cash and tax installments, partially offset by lower prepaid expenses and deposits
Liabilities & Equity				
Trade payables and other liabilities	9,872	14,784	(4,912)	Decreased due to lower current tax liabilities
Loans and borrowings	81,602	82,673	(1,071)	Decreased due to principal debt repayments, partially offset by deferred financing costs
Other liabilities	19,692	15,998	3,694	Increased due to the deferred tax liability reflecting deferred tax expense for the period
Equity	278,266	268,654	9,612	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 from the CCGT expansion of M2. Remaining cash flows for construction of the CCGT expansion of M2 and repairs to the simple cycle assets of M2 will be funded by the Corporation's existing cash on hand, insurance proceeds and debt. Cashflows from operations was unfavourably impacted as a result of the non-injury fire at M2, however is partially offset by insurance proceeds. The Corporation has ample liquidity from cash on hand, remaining capacity under its credit facilities and the anticipated additional future insurance proceeds to fund the expenditures noted above. As at September 30, 2023, MAXIM has up to $87.9 million of borrowing capacity, including the $4.1 million letter of credit facility available only for issuing letters of credit, remaining under its senior credit facilities and subordinated convertible loan and $43.9 million of unrestricted cash.

Senior Credit Facility

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

- Bank Term Facility #1 is the remaining original term facility with $24.2 million outstanding. This facility is fully drawn, and incurs quarterly principal payments of $0.7 million and amortizes over ten years. No additional amounts are available under this facility.
- Revolver Facility #1 is a $10.0 million revolver and is available for general corporate purposes. This facility is undrawn, however availability of $4.2 million was used to issue a cash collateralized letter of credit which reduced availability to $5.8 million.
- Revolver Facility #2 is a $5.0 million revolver and is available for the CCGT expansion of M2, until the CCGT expansion of M2 is completed, and for general corporate purposes on a revolving basis thereafter. This facility is undrawn.
- Bank Construction Facility is a $27.4 million facility and is available only for the CCGT expansion of M2 on a non-revolving basis, with amortization required over ten years commencing on completion of the CCGT expansion of M2. This facility is undrawn.
- Fixed Rate Construction Facility is a $30.0 million facility and is available only for the CCGT expansion of M2 on a non-revolving basis with amortization required over five years commencing on completion of the CCGT expansion of M2. This facility is fully drawn and no additional amounts are available. Payments to the Fixed Rate Construction Facility will commence after the conversion of the debt from a construction facility to a term facility after the completion of the CCGT expansion of M2. It is anticipated that principal payments will commence in the first quarter of 2024.
- Letter of Credit Facility #1 is a $4.1 million facility and is available to be drawn to issue letters of credit. This facility can be cash collateralized or used to be drawn on to issue or replace letters of credit. As at September 30, 2023, the Corporation has $0.1 million in cash collateralized letters of credit under this facility. Cash of the same amount was deposited into a restricted bank account maintained by the bank.

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

MAXIM is currently in a financial covenant break period as a result of commissioning the CCGT expansion of M2. During this period compliance is not required with the debt service coverage ratio and debt to Adjusted EBITDA(1). The requirement to comply with these covenants are expected to resume in the first quarter of 2024, at which point Adjusted EBITDA(1) will be annualized until four full financial quarters have occurred. However, MAXIM is required to comply with the minimum tangible assets of 95% of the consolidated tangible assets held within select entities named under the agreement. The Corporation is compliant with these covenants as at September 30, 2023.

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

Convertible Loan Facility

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

The convertible loan was provided by two significant shareholders of the Corporation, one of whom is the Chief Executive Officer and Chair of the Board and the other is Vice Chair of the Board. Total interest and fees paid under this facility for the third quarter and first nine months of 2023 was $1.1 million and $3.0 million, respectively (2022 - $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, 2023, the Corporation has $2.2 million of outstanding letters of credit and cash of the same amount was deposited into a restricted bank account maintained by the bank. There are no financial covenants under this credit agreement.

Cash flow summary:

At September 30, 2023, the Corporation had unrestricted cash of $43.9 million included in the net working capital surplus(1) of $36.0 million (see working capital on page 14). Unrestricted cash balances are on deposit with three Canadian financial institutions.

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

Nine months ended September 30 ($000's)	2023	2022
Cash on hand, unrestricted, January 1	51,378	13,550
Cash flow generated from operations	28,904	89,707
Cash flow generated from (used in) financing	(8,000)	21,948
Available for investments	72,282	125,205
Cash flow generated used in investing	(28,407)	(49,041)
Effect of foreign exchange rates on cash	32	(47)
Unrestricted cash	43,907	76,117
Undrawn Convertible Loan	45,562	45,562
Undrawn Senior Credit Facilities	42,300	46,500
Net liquidity available, September 30(1)	131,769	168,179

(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 2023 decreased to $28.9 million from $89.7 million in 2022, which is a decrease of $60.8 million. The decrease is primarily due to lower earnings from the operations of M2 in 2023, changes in non-cash working capital and taxes paid in 2023. See working capital section below for further discussion.

During the first nine months of 2023, MAXIM's cash flow used in financing activities increased $29.9 million to $8.0 million in 2023, from an inflow of $21.9 million in 2022, primarily due to a debt issuance in the first nine months of 2022.

MAXIM's investing activities in the first nine months of 2023 represented a cash outflow of $28.4 million, decreasing from $49.0 million in 2022. During the first nine months of 2023, MAXIM spent $25.5 million primarily on the CCGT expansion of M2 and the new air inlet filter house, and changes in non-cash working capital of $5.1 million, partially offset by interest income of $2.2 million.

MAXIM's investing activities in the first nine months of 2022 represented a cash outflow of $49.0 million. 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 proceeds of $3.7 million and interest income of $0.5 million.

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

As at ($000's)	September 30, 2023	December 31, 2022
Loans and borrowings	81,602	82,673
Less: Unrestricted cash	(43,907)	(51,378)
Net debt	37,695	31,295
Shareholders' equity	278,266	268,654
Capital	315,961	299,949
Net debt to capital	11.9%	10.4%

The Corporation uses the percent of net debt to capital to monitor leverage. The increase in net debt to capital from December 31, 2022 to September 30, 2023 is primarily due to lower cashflows from operations in 2023.

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

Working Capital(1)

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

As at ($000's)	September 30, 2023	December 31, 2022	Difference
Total current assets	53,372	70,616	(17,244)
Total current liabilities	17,373	16,253	1,120
Working capital surplus(1)	35,999	54,363	(18,364)

The Corporation has a working capital surplus of $36.0 million at September 30, 2023, which represents a $18.4 million decrease from the working capital surplus of $54.4 million at December 31, 2022. The net decrease is comprised of a $17.3 million decrease in current assets and a $1.1 million increase in current liabilities.

The decrease in current assets was due to a net decrease of $7.5 million in unrestricted cash, trade and other receivables of $11.2 million and prepaid expenses and deposits of $3.1 million, partially offset by current tax asset of $4.5 million.

The increase in current liabilities was due to an increase in the current portion of loans and borrowings of $4.7 million and risk management liability of $1.3 million, partially offset by a $0.1 million decrease in accounts payable and lower current tax liabilities of $4.8 million.

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

Capital Resources

This following commentary represents FLI and users are cautioned that actual results may vary. The Corporation is currently anticipating capital expenditures of approximately $31.0 million for the full year of 2023. These expenditures primarily relate to the estimated replacement of the air inlet filter house, completion of the CCGT expansion of M2 and sustaining capital spending. Capital spending for the first nine months of 2023 is $25.5 million which includes $12.6 million on the CCGT expansion of M2, $12.2 million on the new air inlet filter house, and $0.7 million on other sustaining capital projects.

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, 2023	Total	2023	2024-2025	2026-2027	Thereafter
Loans and borrowings(1)	102,089	2,555	31,270	68,264	-
Long-term contracts(2)	6,794	1,020	5,774	-	-
Purchase obligations(3)	4,062	4,062	-	-	-
Total	112,945	7,637	37,044	68,264	-

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

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

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

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

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

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

Risks

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

Canada

On March 15, 2022, the Government of Canada released a discussion paper *A Clean Electricity Standard in support of a net-zero electricity sector*, signaling its intent to move forward with regulations to achieve a net-zero electricity system by 2035.

The Government of Canada has been advancing the clean energy regulations and published a draft regulation on August 19, 2023. The draft regulations propose a performance standard of 0.03 t CO2/MWh that will apply to fossil fuel combustion units. For new units, the standard would apply starting in 2035; for existing units, such as M2, the standard would apply 20 years after the commissioning date. The publication of the draft regulation started a 75-day public consultation period that ends on November 2, 2023. Management participated in the public consultation process and closely monitor developments related to the clean energy regulations.

Alberta

On April 19, 2023 the Government of Alberta ("GoA") released their emissions reduction and energy development plan which "includes an aspiration to achieve a carbon neutral economy by 2050, and to do so without compromising affordable, reliable and secure energy for Albertans, Canadians and the world." Generally, as it applies to the electricity sector, the plan is supportive of new technology and a continued price on carbon via TIER. Most notably is that while the provincial carbon neutral goal of 2050 aligns with the federal goal of 2050, there is not a short-term goal nor a specific electricity sector target for Alberta. MAXIM management continues to monitor the provincial approach to net carbon neutrality.

On August 3, 2023, the GoA announced that the province will be pausing Alberta Utilities Commission approvals for new renewable energy development projects over one megawatt until February 29, 2024. Management will participate in the consultations that will be held by the GoA in relation to renewable project developments in the province and will continue to assess the impacts and opportunities, as they relate to MAXIM, as details become known.

Under the Alberta TIER regulations

Starting January 1, 2023, M2 is exposed to carbon tax on emissions greater than 0.3626 tonnes of CO_2e/MWh, tightening by 2% annually. The carbon price in 2023 is $65/t and will increase by $15/t annually until reaching $170/t in 2030. 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)	2023	2022	2023	2022
GAAP Measures from Condensed Consolidated Statements of Operations				
Net income (loss)	(4,897)	23,970	8,818	49,433
Income tax expense (recovery)	(1,462)	7,120	2,680	12,427
Finance expense, net	1,292	1,779	3,909	5,219
Depreciation and amortization	1,753	3,476	5,602	7,745
	(3,314)	36,345	21,009	74,824
Adjustments:				
Other expense (income)	(5,229)	(2)	(43,757)	39
Business interruption insurance claim	5,500	-	40,022	-
Unrealized loss (gain) on commodity swaps	1,324	3,248	1,412	(841)
Share-based compensation	174	148	488	391
Adjusted EBITDA	(1,545)	39,739	19,174	74,413

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 excludes other non-cash items.

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

In calculating Adjusted EBITDA for the third quarter and first nine months ended September 30, 2023 and September 30, 2022 management excluded certain non-cash and non-recurring transactions. In both 2023 and 2022, Adjusted EBITDA excluded unrealized gains or losses on commodity swaps, share-based compensation and all items of other income and expense except for business interruption insurance as it reflects a portion of earnings that would have been earned if M2 was operational.

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 14.

Net Liquidity Available

MAXIM defines net liquidity available as its cash and cash equivalents plus undrawn amounts on the convertible loan facility and the senior credit facilities. Net liquidity is used to assist management and investors in measuring the Corporation's access to available capital. The calculation of net liquidity availability is included on page 12.

Net Debt, Net Capital and Net Debt to Capital

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

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

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

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

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The judgements and estimates used in the preparation of the condensed consolidated interim financial statements have been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2022.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Standards Issued Not Yet Effective and Amendments

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

Reporting Regulations

In June 2023, the International Sustainability Standards Board ("ISSB") issued IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures which are effective for annual reporting periods beginning on or after January 1, 2024. These standards provide for transition relief in IFRS S1 that allow reporting entity to report on only climate-related risks and opportunities in the first year of reporting under the sustainability standards.

The Canadian Securities Administrators ("CSA") are responsible for determining the reporting requirements for public companies in Canada and are responsible for decisions related to the adoption of the sustainability disclosure standard, including the effective annual reporting dates. The CSA issued proposed National Instrument NI-51-107 - Disclosure of Climate-related Matters in October 2021. The CSA intends to consider the ISSB standards in addition to development in United States reporting requirements in its decision relating to development of climate-related disclosure requirements for Canadian reporting issuers. The CSA will involve the Canadian Sustainability Standards Board ("CSSB") for a combined review of the suitability of adopting the ISSB standards in Canada. There is no requirement for public companies in Canada to adopt the ISSB standards until the CSA and CSSB have issued a decision on reporting requirements in Canada. While the Corporation is actively reviewing the ISSB standards it has not yet determined the impact on future financial statements nor has it quantified the costs to comply with such standards.

TRANSACTIONS WITH RELATED PARTIES

The Corporation did not enter any related party transactions during the first nine months of 2023, with the exception of the convertible loan facility interest and fees (page 13) and transactions with the Corporation's Directors and members of the Executive Committee in the normal course of business. These transactions in the normal course of business are detailed in note 10b and 22 of the 2022 Annual Audited Consolidated Financial Statements.

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for the design of internal controls over financial reporting ("ICFR") and disclosure controls of the Corporation. In accordance with National Instrument NI 52-109, the CEO and CFO have filed certifications that ICFR and disclosure controls have been adequately designed, and that there have been no changes in ICFR that materially affected, or are reasonably likely to materially affect ICFR, during the quarter ended September 30, 2023.

OTHER INFORMATION

Outstanding share data:

Issued common shares at September 30, 2023	50,552,390
Shares issuable on conversion of convertible loan at September 30, 2023	13,083,736
Outstanding share options at September 30, 2023	2,672,782
Total diluted common shares at September 30 and November 6, 2023	66,308,908

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

GLOSSARY OF TERMS

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

Buffalo Atlee	Buffalo Atlee is a development project for up to 200 MW of wind generation situated near Brooks, Alberta
Capacity	The rated continuous load-carrying ability, expressed in megawatts, of generation equipment, (throughout the MD&A references to capacity are stated in nameplate capacity)
CCGT	Combined Cycle Gas Turbine
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CO2e	Carbon Dioxide Equivalent
COC	Course of Construction
CSA	Canadian Securities Administrators
CSSB	Canadian Sustainability Standards Board
DSU	Delay in Start Up
Adjusted EBITDA	Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization
FLI	Forward-looking information
GAAP	IFRS, as set out in Part 1 of the CPA Canada Handbook of the CPAs of Canada
GJ	Gigajoule
GoA	Government of Alberta
ICFR	Internal Controls Over Financial Reporting
IFRS	International Financial Reporting Standards
ISSB	International Sustainability Standards Board
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 now a 300 MW combine cycle generating facility located at the Milner site near the town of Grande Cache, Alberta
MAXIM or the Corporation	Maxim Power Corp.
MD&A	Management's Discussion and Analysis
MW	Megawatt, a measure of electrical generating capacity that is equivalent to one million watts
MWh	Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour
O&M	Operations and Maintenance
Summit	Summit Coal LP
TIER	Technology Innovation and Emissions Reduction Regulation
Valory	Valory Resources Inc.

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