Condensed Consolidated Interim Financial Statements of

# MAXIM POWER CORP.

For the Three and Nine Months Ended September 30, 2024

(Unaudited)

# MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

| As at | Note | **September 30, 2024** | December 31, 2023 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | | **99,013** | 32,258 |
| Trade and other receivables | 3 | **16,269** | 47,877 |
| Current tax asset | | **-** | 4,685 |
| Risk management asset | 11 | **2,192** | 1,584 |
| Prepaid expenses and deposits | | **506** | 5,919 |
| **Total current assets** | | **117,980** | 92,323 |
| Property, plant and equipment, net | 4 | **306,014** | 313,461 |
| Restricted cash | | **18,518** | 16,518 |
| Prepaid expenses and deposits | | **3,151** | 3,538 |
| **Total non-current assets** | | **327,683** | 333,517 |
| **TOTAL ASSETS** | | **445,663** | 425,840 |
| **LIABILITIES** | | | |
| Trade and other payables | | **13,203** | 13,287 |
| Current tax liabilities | | **448** | - |
| Risk management liability | 11 | **1,817** | 8,405 |
| Loans and borrowings | 5 | **8,135** | 4,828 |
| **Total current liabilities** | | **23,603** | 26,520 |
| Provisions for decommissioning | | **11,008** | 10,760 |
| Lease obligation | | **86** | 111 |
| Loans and borrowings | 5 | **71,734** | 76,375 |
| Deferred tax liabilities | | **19,851** | 14,329 |
| **Total non-current liabilities** | | **102,679** | 101,575 |
| **TOTAL LIABILITIES** | | **126,282** | 128,095 |
| **EQUITY** | | | |
| Share capital | | **143,318** | 143,963 |
| Contributed surplus | | **13,609** | 13,194 |
| Retained earnings | | **162,454** | 140,588 |
| **TOTAL EQUITY** | | **319,381** | 297,745 |
| *Commitments* | 9 | | |
| *Subsequent events* | 12 | | |
| **TOTAL LIABILITIES AND EQUITY** | | **445,663** | 425,840 |

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

On behalf of the Board:

| | |
|---|---|
| M. Bruce Chernoff | Michael Mayder |
| 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)

| | Note | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | | **2024** | 2023 | **2024** | 2023 |
| **Revenue and power swaps** | | | | | |
| Revenue | | **25,659** | 2,468 | **77,434** | 2,468 |
| Realized gain on power swaps | 11 | **7,289** | - | **13,862** | - |
| Unrealized gain on power swaps | 11 | **1,164** | - | **620** | - |
| **Total revenue and power swaps** | | **34,112** | 2,468 | **91,916** | 2,468 |
| **Expenses** | | | | | |
| Operating | | **13,911** | 8,254 | **44,645** | 19,397 |
| Realized loss on natural gas swaps | 11 | **4,933** | - | **9,712** | - |
| Unrealized loss (gain) on natural gas swaps | 11 | **(4,420)** | 1,324 | **(6,576)** | 1,412 |
| General and administrative | | **1,710** | 1,433 | **4,857** | 4,407 |
| Depreciation and amortization | 4 | **3,639** | 1,753 | **10,903** | 5,602 |
| **Total expenses** | | **19,773** | 12,764 | **63,541** | 30,818 |
| **Operating income (loss)** | | **14,339** | (10,296) | 28,375 | (28,350) |
| Other income, net | 6 | **58** | 5,229 | **3,037** | 43,757 |
| Finance expense, net | 7 | **(913)** | (1,292) | **(3,155)** | (3,909) |
| **Income (loss) before income taxes** | | **13,484** | (6,359) | **28,257** | 11,498 |
| **Income tax expense** | | | | | |
| Current income tax (recovery) | | **126** | (2,495) | **448** | (1,141) |
| Deferred income tax | | **2,614** | 1,033 | **5,522** | 3,821 |
| **Total income tax expense (recovery)** | | **2,740** | (1,462) | **5,970** | 2,680 |
| **Net and comprehensive income (loss)** | | **10,744** | (4,897) | **22,287** | 8,818 |
| **Earnings (loss) per share** | 8 | | | | |
| Basic | | **0.21** | (0.10) | **0.44** | 0.18 |
| Diluted | | **0.18** | (0.10) | **0.39** | 0.18 |

*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 | Total |
|---|---|---|---|---|---|
| Equity at December 31, 2023 | 50,593 | 143,963 | 13,194 | 140,588 | 297,745 |
| Net income | - | - | - | 22,287 | 22,287 |
| Repurchase of common shares for cancellation | (287) | (816) | - | (421) | (1,237) |
| Share-based compensation | - | - | 802 | - | 802 |
| Stock options settled | 232 | 105 | (375) | - | (270) |
| Stock options exercised | 26 | 66 | (12) | - | 54 |
| **Equity at September 30, 2024** | **50,564** | **143,318** | **13,609** | **162,454** | **319,381** |
| | | | | | |
| 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 settled | 144 | 2 | (141) | - | (139) |
| Stock options exercised | 248 | 570 | (101) | - | 469 |
| Equity at September 30, 2023 | 50,553 | 144,031 | 13,077 | 121,158 | 278,266 |

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

# MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

| | Note | Nine months ended September 30 2024 | 2023 |
|---|---|---|---|
| **Cash flows from operating activities**: | | | |
| Net income | | **22,287** | 8,818 |
| Adjustments for items not involving cash or operations: | | | |
| Depreciation and amortization | 4 | **10,903** | 5,602 |
| Share-based compensation | | **802** | 488 |
| Unrealized loss (gain) on commodity swaps | 11 | **(7,196)** | 1,412 |
| Stock option settlement | | **(270)** | (139) |
| Income tax expense | | **5,970** | 2,680 |
| Income tax recovered (paid) | | **4,685** | (8,121) |
| Gain on sale of wind development project | 6 | **(2,810)** | - |
| Finance expense, net | 7 | **3,155** | 3,909 |
| Funds generated from operating activities before change in non-cash working capital | | **37,526** | 14,649 |
| Change in non-cash working capital | 10 | **38,508** | 14,116 |
| Net cash generated from operating activities | | **76,034** | 28,765 |
| **Cash flows from financing activities:** | | | |
| Repayment of loans and borrowings | 5 | **(2,138)** | (2,138) |
| Proceeds from exercise of stock options | | **54** | 469 |
| Repurchase of common shares for cancellation | | **(1,237)** | (24) |
| Interest and bank charges | 7 | **(5,888)** | (6,168) |
| Net cash used in financing activities | | **(9,209)** | (7,861) |
| **Cash flows from investing activities**: | | | |
| Property, plant and equipment additions | 4 | **(3,466)** | (25,484) |
| Proceeds on sale of wind development project | 6 | **2,810** | - |
| Interest income | 7 | **3,745** | 2,190 |
| Change in non-cash working capital | 10 | **(3,208)** | (5,113) |
| Net cash used in investing activities | | **(119)** | (28,407) |
| Foreign exchange gain on cash and cash equivalents | 7 | **49** | 32 |
| Increase (decrease) in cash and cash equivalents | | **66,755** | (7,471) |
| Cash and cash equivalents, beginning of period | | **32,258** | 51,378 |
| **Cash and cash equivalents, end of period** | | **99,013** | 43,907 |

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

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

## 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.

## 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, 2023 annual audited consolidated financial statements available at www.sedarplus.ca.

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on November 7, 2024.

(b) Material 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, 2023.

The material 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, 2023.

## 3. Trade and other receivables

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Trade receivables | 13,680 | 28,371 |
| Insurance receivable | - | 18,031 |
| Other receivables | - | 45 |
| Realized risk management receivable | 2,589 | 1,430 |
| Total trade and other receivables | 16,269 | 47,877 |

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

## 4. Property, plant and equipment, net

| | Generating Facilities and Equipment | Right-of-use Asset | Assets under Construction | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance, December 31, 2022 | 241,844 | 202 | 147,335 | 389,381 |
| Additions | 531 | - | 26,890 | 27,421 |
| Capitalized interest | - | - | 1,473 | 1,473 |
| Assets in-service | 164,886 | - | (164,886) | - |
| Impairment | - | - | (2,002) | (2,002) |
| Disposal of equipment | (195) | - | - | (195) |
| Revisions to decommissioning provisions | (89) | - | - | (89) |
| Balance, December 31, 2023 | 406,977 | 202 | 8,810 | 415,989 |
| Additions | 2,071 | - | 1,395 | 3,466 |
| Revisions to decommissioning provisions | (10) | - | - | (10) |
| Balance, September 30, 2024 | 409,038 | 202 | 10,205 | 419,445 |
| **Accumulated depreciation** | | | | |
| Balance, December 31, 2022 | 92,778 | 55 | - | 92,833 |
| Depreciation | 9,665 | 30 | - | 9,695 |
| Balance, December 31, 2023 | 102,443 | 85 | - | 102,528 |
| Depreciation | 10,880 | 23 | - | 10,903 |
| Balance, September 30, 2024 | 113,323 | 108 | - | 113,431 |
| **Property, plant and equipment, net** | | | | |
| December 31, 2023 | 304,534 | 117 | 8,810 | 313,461 |
| September 30, 2024 | 295,715 | 94 | 10,205 | 306,014 |

## 5. Loans and borrowings

| | Senior Credit Facility | | | |
|---|---|---|---|---|
| | Bank Term Facility #1 | Fixed Rate Constuction Facility | Convertible Loan Facility | Total |
| Balance, December 31, 2022[1] | 26,362 | 30,000 | 29,438 | 85,800 |
| Repayment of loans and borrowings | (2,850) | - | - | (2,850) |
| Balance, December 31, 2023 | 23,512 | 30,000 | 29,438 | 82,950 |
| Less: deferred financing costs | | | | (1,747) |
| Net loans and borrowings, net of deferred financing costs | | | | 81,203 |
| Less: current portion, net of deferred financing costs | | | | (4,828) |
| Balance December 31, 2023, non-current portion, net of deferred financing costs | | | | 76,375 |

(1) Excluding deferred financings costs.

| | Senior Credit Facility | | | |
|---|---|---|---|---|
| | Bank Term Facility #1 | Fixed Rate Term Facility | Convertible Loan Facility | Total |
| Balance, December 31, 2023[1] | 23,512 | 30,000 | 29,438 | 82,950 |
| Repayment of loans and borrowings | (2,138) | - | - | (2,138) |
| Balance, September 30, 2024 | 21,374 | 30,000 | 29,438 | 80,812 |
| Less: deferred financing costs | | | | (943) |
| Net loans and borrowings, net of deferred financing costs | | | | 79,869 |
| Less: current portion, net of deferred financing costs | | | | (8,135) |
| Balance September 30, 2024, non-current portion net, of deferred financing costs | | | | 71,734 |

(1) Excluding deferred financings costs.

**5. Loans & borrowings (continued)**

(a) Senior Credit Facility

(i) Fixed Rate Term Facility

On May 31, 2024, the Corporation converted the $30,000 Fixed Rate Construction Facility into a Fixed Rate Term Facility. Upon conversion to a term facility, the first amortization payment of $1,500 is due on the first day of each financial quarter commencing on October 1, 2024.

(ii) Bank Construction Facility

The undrawn $27,400 Bank Construction Facility was available only for the construction of the combined cycle gas turbine expansion of Milner 2 (“M2”) and is now no longer available to the Corporation to draw upon. On May 31, 2024, the Bank Construction Facility was converted into a term facility and any remaining available balance on the construction facility was extinguished.

(iii) Financial Debt Covenants

Commencing on March 31, 2024, the Corporation is required to maintain an annualized debt service coverage ratio of not less than 1.25:1.00 determined as at the last day of each financial quarter.

Commencing on March 31, 2024, the Corporation is required to maintain an annualized debt (Senior Credit Facilities) to earnings before interest, taxes, depreciation and amortization below 3.00:1.00, determined as at the last day of each financial quarter.

MAXIM shall ensure that, as at the end of each financial quarter, the tangible assets of MAXIM, Milner Power II LP, Miner Power LP, and Prairie Lights Power LP, are not less than the lesser of: (a) 95% of consolidated tangible assets; and (b) consolidated tangible assets (less any consolidated tangible assets attributed to Summit Coal Inc. and Summit Coal LP).

(b) In addition, MAXIM is subject to customary non-financial covenants in its Senior Credit Facility and subordinated Convertible Loan Facility. As at September 30, 2024, MAXIM is in compliance with all applicable debt covenants.

(c) Refer to Note 12(a) to 12(c) for subsequent events related to the Corporation’s loans and borrowings.

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

## 6. Other income, net

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Business interruption insurance claim | - | (5,500) | - | (40,022) |
| Property insurance claim | - | - | - | (9,593) |
| Demolition, incidental and investigation costs | - | 266 | - | 5,830 |
| Other (income) expenses (a) | (58) | 5 | (3,037) | 28 |
| Total other income, net | (58) | (5,229) | (3,037) | (43,757) |

(a) The Corporation closed the sale of a wind development project on June 20, 2018. Under the sales agreement, the Corporation is entitled to further compensation upon the date of commercial operation. On June 28, 2024, the wind development project achieved commercial operations and the Corporation recognized $2,810 of other income and other receivables. On July 5, 2024, the Corporation collected the total receivable amount of $2,810.

## 7. Finance expense, net

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Interest expense and bank charges (a) | 1,921 | 1,717 | 5,888 | 4,802 |
| Amortization of deferred financing costs | 244 | 335 | 803 | 1,067 |
| Accretion of provisions | 82 | 101 | 258 | 262 |
| Foreign exchange loss (gain) | 4 | (59) | (49) | (32) |
| Finance expense | 2,251 | 2,094 | 6,900 | 6,099 |
| Interest income | (1,338) | (802) | (3,745) | (2,190) |
| Total finance expense, net | 913 | 1,292 | 3,155 | 3,909 |

(a) For the three and nine months ended September 30, 2024, the Corporation paid interest and fees of $890 and $2,839, respectively (September 30, 2023 - $1,078 and $3,017), under the convertible loan facility, provided by two significant shareholders of the Corporation, one of whom is also the Chair of the Board and the other of whom is the Vice Chair of the Board.

## 8. Earnings (loss) per share

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Weighted average number of common shares (basic) | 50,617,057 | 50,506,920 | 50,605,065 | 50,368,768 |
| Effect of convertible loan facility | 13,083,735 | 13,083,735 | 13,083,735 | 13,083,735 |
| Effect of stock options | 141,120 | 854,676 | 252,430 | 657,502 |
| Weighted average number of common shares (diluted) | 63,841,912 | 64,445,331 | 63,941,230 | 64,110,005 |

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net income (loss) (basic) | 10,744 | (4,897) | 22,287 | 8,818 |
| Finance expense on the convertible loan facility, net of tax | 748 | 910 | 2,389 | 2,575 |
| Net income (loss) (diluted) | 11,492 | (3,987) | 24,676 | 11,393 |

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Earnings (loss) per share: | | | | |
| Basic | 0.21 | (0.10) | 0.44 | 0.18 |
| Diluted | 0.18 | (0.10) | 0.39 | 0.18 |

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

## 9. Commitments

The Corporation has entered into a natural gas transportation service agreement from June 1, 2020 to May 31, 2025 and June 1, 2025 to May 31, 2030 to deliver natural gas to M2. The total remaining commitment from these contracts as at September 30, 2024 is $18,347 as follows:

| | |
|---|---|
| 2024 | 2,208 |
| 2025 | 6,255 |
| 2026 | 3,603 |
| 2027 | 3,012 |
| 2028 | 1,870 |
| Thereafter | 1,399 |
| | 18,347 |

## 10. Change in non-cash working capital

| | Nine months ended September 30 | |
|---|---|---|
| | 2024 | 2023 |
| Operating activities | | |
| Trade and other receivables | 31,608 | 11,164 |
| Prepaid expenses and deposits | 5,800 | 2,167 |
| Trade and other payables | 1,100 | 785 |
| | 38,508 | 14,116 |

| | Nine months ended September 30 | |
|---|---|---|
| | 2024 | 2023 |
| Investing activities | | |
| Trade and other payables | (1,208) | (913) |
| Restricted cash | (2,000) | (4,200) |
| | (3,208) | (5,113) |

## 11. Financial risk management

The Corporation's risk management process, oversight and techniques are the same as those described in the Corporation's 2023 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.

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

## 11. Financial risk management (continued)

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, 2024 is $79,225 (December 31, 2023 - $80,255).

(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 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Realized gain on power swaps | (7,289) | - | (13,862) | - |
| Realized loss on natural gas swaps | 4,933 | - | 9,712 | - |
| Total realized gain on commodity swaps | (2,356) | - | (4,150) | - |

Unrealized loss (gain) on commodity swaps

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Unrealized gain on power swaps | (1,164) | - | (620) | - |
| Unrealized loss (gain) on natural gas swaps | (4,420) | 1,324 | (6,576) | 1,412 |
| Total unrealized loss (gain) on commodity swaps | (5,584) | 1,324 | (7,196) | 1,412 |

Total realized and unrealized loss (gain) on commodity swaps

| | | | | |
|---|---|---|---|---|
| Total realized and unrealized loss (gain) on commodity swaps | (7,940) | 1,324 | (11,346) | 1,412 |

(b) Carrying amount of risk management asset and liabilities

Current risk management asset

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Power commodity swaps | 2,192 | 1,584 |
| Total carrying amount of current risk management asset | 2,192 | 1,584 |

The carrying amount of current risk management asset represents the unrealized asset from the power commodity swaps.

Current risk management liability

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Natural gas commodity swaps | 1,793 | 8,369 |
| Power commodity swaps | 24 | 36 |
| Total carrying amount of current risk management liability | 1,817 | 8,405 |

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

## 12. Subsequent events

(a) Voluntary Repayment to Senior Credit Facility

On October 17, 2024, the Corporation voluntarily repaid the outstanding principal on both the Bank Term Facility #1 and the Fixed Rate Construction Facility, $21,374 and $28,500, respectively, for a total principal repayment of $49,874 and there are no further amounts owing under the Senior Credit Facility.

(b) Amendments to Senior Credit Facility

On November 7, 2024, MAXIM has amended its Senior Credit Facility, to allow for the following:

- Increase and merge the combined availability of Revolver Facility #1 and Letter of Credit Facility #1 from $19,100 to $25,000;
- Restricted cash of $10,122 to be released for general use. (refer to Note 7b of the December 31, 2023 Consolidated Financial Statements);
- The distribution of a one-time special dividend (the “Special Dividend”) of $0.50 per common share of MAXIM (“Common Shares”); and
- Allowance for distributions, in the form of dividends or share repurchases, up to $20,000 per calendar year, subject to terms and conditions of the Senior Credit Facility.

Commencing in the fourth quarter of 2024, and as a result of the amendment on November 7, 2024, MAXIM is no longer required to maintain the debt service coverage ratio or the debt to adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”) ratio. Commencing in the fourth quarter of 2024, MAXIM is required to maintain a net debt to Adjusted EBITDA ratio of not greater than 3.00:1.00. Commencing in the first quarter of 2025, MAXIM is required to maintain an interest coverage ratio of not less than 5.00:1.00 on a rolling four quarter basis. The interest coverage ratio will be annualized beginning in the first quarter of 2025 utilizing the rolling four quarter Adjusted EBITDA and annualized interest expense starting January 1, 2025. Once four full fiscal financial quarters have occurred the annualized interest expense will be replaced with the rolling four quarter interest expense.

(c) Conversion of Convertible Loan Facility

On November 7, 2024, MAXIM received a notice of conversion from the lenders under the Convertible Loan Facility (“Convertible Loan”) to convert amounts owing thereunder, being $29,438, into Common Shares. Under the terms of the Convertible Loan and effective immediately, the lenders under this facility will receive 13,083,735 Common Shares based on a conversion price of $2.25 per Common Share. In addition, MAXIM and the lenders under the Convertible Loan have mutually agreed to terminate the facility and as a result, no further amounts will be owing or available under this facility. Following the conversion of the Convertible Loan, the Corporation will have 63,638,577 Common Shares outstanding.

(d) Declaration of Special Dividend

On November 7, 2024, MAXIM’s board of directors approved the declaration and distribution of a Special Dividend of $0.50 per Common Share. The aggregate amount of the Special Dividend will be approximately $31,819, which is payable in cash, and will be funded from surplus cash. The Special Dividend is payable on November 29, 2024 to the holders of the Common Shares, of record, as of the ex-dividend date, which is the close of business on November 21, 2024.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated November 7, 2024 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, 2024 and the audited consolidated financial statements and MD&A for the year ended December 31, 2023. MAXIM prepares its unaudited condensed consolidated interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting, under IFRS Accounting Standards, as issued by the International Accounting Standards Board ("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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## BUSINESS OF MAXIM

MAXIM is an independent power producer engaged in the development, ownership and operation of power generation facilities and the resultant sale of generating capacity and electricity. As at the date of this MD&A, MAXIM has one power generating facility, Milner 2 ("M2"), a natural gas-fired power plant with 300 MW of maximum electric generating capacity in Canada. The M2 power plant is a 300 MW state-of-the-art combined cycle gas-fired power plant that was commissioned in the fourth quarter of 2023 and is situated at the HR Milner ("Milner") generating station site near Grande Cache, Alberta.

## OVERALL PERFORMANCE

### Highlights

During the third quarter of 2024, MAXIM recorded net income and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"[(1)]) of $10.7 million and $12.7 million, respectively, as compared to net loss of $4.9 million and negative Adjusted EBITDA[(1)] of $1.5 million, respectively, in the same period of 2023. Increases to net income and Adjusted EBITDA[(1)] in the third quarter of 2024 were primarily due to net impacts of operations of M2 in 2024 as compared to the same period in 2023 while it was offline due to the non-injury fire which occurred on September 30, 2022 ("Non-Injury Fire").

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

On November 7, 2024, MAXIM received a notice of conversion from the lenders under the Convertible Loan Facility ("Convertible Loan") to convert amounts owing thereunder, being $29.4 million, into common shares of MAXIM ("Common Shares"). Under the terms of the Convertible Loan and effective immediately, the lenders under this facility will receive 13,083,735 Common Shares based on a conversion price of $2.25 per Common Share. In addition, MAXIM and the lenders under the Convertible Loan have mutually agreed to terminate the facility and as a result, no further amounts will be owing or available under this facility. Following the conversion of the Convertible Loan, the Corporation will have 63,638,577 Common Shares outstanding.

On November 7, 2024, MAXIM's board of directors approved the declaration and distribution of a special dividend (the "Special Dividend") of $0.50 per Common Share. The aggregate amount of the Special Dividend will be approximately $31.8 million, which is payable in cash, and will be funded from surplus cash. The Special Dividend is payable on November 29, 2024 to the holders of the Common Shares, of record, as of the ex-dividend date, which is the close of business on November 21, 2024. The Special Dividend will be an eligible dividend as defined by the Income Tax Act.

On October 17, 2024, the Corporation voluntarily repaid the outstanding principal on both the Fixed Rate Construction Facility and the Bank Term Facility #1, for a total principal repayment of $49.9 million and there are no further amounts owing under the Senior Credit Facility.

In addition, MAXIM amended its Senior Credit Facility on November 7, 2024, to increase and merge the combined availability of Revolver Facility #1 and Letter of Credit Facility #1 from $19.1 million to $25.0 million, release $10.1 million of restricted cash (refer to Note 7b of the December 31, 2023 Consolidated Financial Statements) and to modify other terms of the agreement to provide the Corporation with more flexibility to operate its business.

Following the amendment, Revolver Facility #1 has capacity of $25.0 million, of which $6.2 million is being used to issue cash collateralized letters of credit. The Corporation can elect to remove the $6.2 million cash collateral related to the letters of credit, in exchange for a higher margin fee. Currently, $18.8 million is available under the Senior Credit Facility.

Following completion of the Combined Cycle Gas Turbine ("CCGT") expansion of M2, and nearly a year of successful operations, the Corporation's cash position significantly outweighs its debt obligations. With its surplus cash, the Corporation has elected to both reduce debt and reward shareholders through the Special Dividend. The Corporation intends to retain sufficient liquidity on a go-forward basis to maintain operations and continue to invest in its development portfolio.

As of the date of this MD&A, the Corporation has $71.4 million of unrestricted and restricted cash, of which $63.0 million is unrestricted and $8.4 million is restricted.

As previously reported, M2 had been experiencing a temporary capability derate of the legacy cooling tower system. As a result, generation from M2 decreased in the second and third quarter of 2024 as compared to the first quarter of 2024. Following a planned maintenance outage in early October 2024, management believes that the generating capacity has been fully restored.

MAXIM's current normal course issuer bid ("NCIB") program is for the September 16, 2024 to September 15, 2025 period. Under the current NCIB, the Corporation may purchase for cancellation up to 2,529,885 Common Shares of the Corporation. Collectively under this program and as of the date of this MD&A, the Corporation has repurchased and cancelled 9,710 Common Shares at a weighted average price of $3.93 per share.

The current NCIB follows the expiration of MAXIM's previous NCIB which was effective from August 31, 2023 and expired on August 30, 2024. Under MAXIM's previous NCIB, MAXIM completed the purchase of 312,904 Common Shares at a weighted average price of $4.36 per share.

**Quarterly Financial Highlights**

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| ($000's, unless otherwise noted) | 2024 | 2023 | 2024 | 2023 |
| Revenue | 25,659 | 2,468 | 77,434 | 2,468 |
| Net income (loss) | 10,744 | (4,897) | 22,287 | 8,818 |
| Basic earnings (loss) per share ($ per share) | 0.21 | (0.10) | 0.44 | 0.18 |
| Diluted earnings (loss) per share ($ per share) | 0.18 | (0.10) | 0.39 | 0.18 |
| Adjusted EBITDA[(1)] | 12,675 | (1,545) | 32,884 | 19,174 |
| Free cash flow [(1)] | 15,062 | (17,188) | 29,779 | (16,951) |
| Total generation (MWh) | 465,584 | 31,627 | 1,307,781 | 31,627 |
| Total fuel consumption (GJ) | 3,687,425 | 436,985 | 10,637,942 | 459,492 |
| Average Alberta market power price ($ per MWh) | 55.36 | 151.60 | 66.56 | 162.00 |
| Average realized power price ($ per MWh) | 55.11 | 78.03 | 59.21 | 78.03 |
| Non-current liabilities | 102,679 | 93,793 | 102,679 | 93,793 |
| Total assets | 445,663 | 389,432 | 445,663 | 389,432 |

(1) Adjusted EBITDA and Free Cash Flow ("FCF") are non-GAAP measures. See Non-GAAP and Other Financial Measures.

**Financial Results**

During the third quarter and first nine months of 2024, revenues, Adjusted EBITDA[(1)], net income and FCF[(1)] increased as compared to 2023. The increase is primarily due to M2 continuing operations in the third quarter and first nine months of 2024, whereas it was primarily offline during the same periods of 2023 due to the Non-Injury Fire. In addition, FCF[(1)] increased due to lower capital spending in 2024 as compared to the same periods in 2023.

Average realized power prices compared to average market power prices were lower in the first nine months of 2024 due to an unplanned outage in January 2024 at M2 coinciding with a period of higher market power prices.

(1) Adjusted EBITDA and FCF are non-GAAP measures. See Non-GAAP and Other Financial Measures.

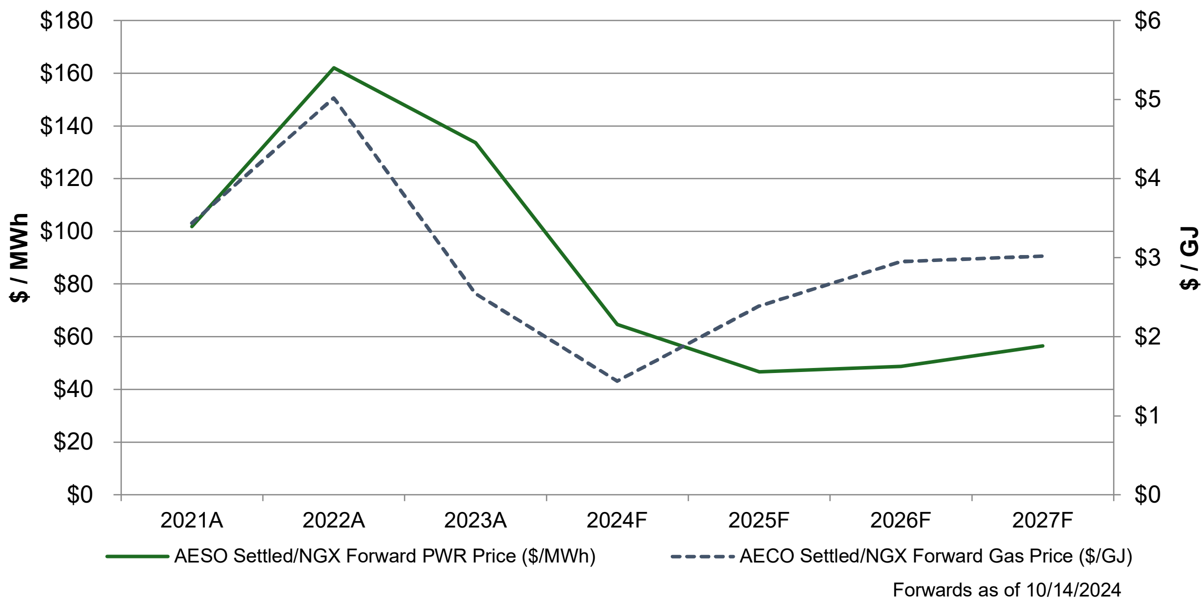
## OUTLOOK

*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 negative 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 pricing, natural gas pricing, and certain unit outages affecting generation supply. 2023 power prices were lower than 2022 due to increased renewable generation which has been partially offset by increased load, unit outages and higher carbon pricing. The graph also shows forward power prices continuing to decline in 2024 and 2025, relative to 2023, as a result of expectations that new wind and solar generation projects will come online in addition to new gas-fired generation 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 (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.

*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.

MAXIM owns the 400 MW Prairie Lights Power natural gas-fired power generation development project located near Grande Prairie, Alberta, which is in the early stages of development. MAXIM also owns a wind development project, ("Buffalo Atlee"), which has the potential for up to 200 MW of power generation capacity. In recent years, 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 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.

As previously reported, 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 expires in February 2025. At this time, there is no certainty that Valory will elect to purchase SUMMIT.

SUMMIT filed applications with the Alberta Energy Regulator ("AER") in June 2023 for the remaining approvals required to construct and operate the Mine 14 project. Following a robust review process by the AER, SUMMIT was informed in October 2024 that the AER is recommending that the applications be decided by a panel of hearing commissioners. The timing of a decision by the AER in regard to the applications is currently unknown.

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", 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, outlook for commodity prices and changes in market rules. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements or FLI, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws. Certain information in this MD&A is FLI and is subject to important risks and uncertainties. The results or events predicted in this information may differ from actual results or events.

Factors which could cause actual results or events to differ materially from current expectations include the ability of the Corporation to implement its strategic initiatives, the availability of capital and contractors to execute its development initiatives, the availability and price of energy commodities, government and regulatory decisions including carbon pricing, power plant availability 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 positive cashflows from operating activities and existing cash on hand. MAXIM estimates total capital expenditures to be incurred in 2024 of approximately $8.0 million. These expenditures primarily relate to sustaining capital spending of M2.
- The Corporation will continue to have access to its credit facility and not be in default.
- The Corporation will retain sufficient liquidity to maintain operations and continue to invest in its development portfolio.
- 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:<br>(unaudited) ($000's unless otherwise noted) | 30-Sep<br>2024 | 30-Jun<br>2024 | 31-Mar<br>2024 | 31-Dec<br>2023 |
|---|---|---|---|---|
| Revenue | 25,659 | 17,007 | 34,768 | 38,990 |
| Net income | 10,744 | 1,056 | 10,487 | 19,477 |
| Basic earnings per share ($ per share) | 0.21 | 0.02 | 0.21 | 0.39 |
| Diluted earnings per share ($ per share) | 0.18 | 0.02 | 0.18 | 0.32 |
| Adjusted EBITDA(1) | 12,675 | 4,287 | 15,922 | 31,512 |
| Average realized power price ($ per MWh) | 55.11 | 46.51 | 72.96 | 81.61 |
| Total fuel consumption (GJ) | 3,687,425 | 3,034,857 | 3,915,660 | 3,855,880 |
| Total generation (MWh) | 465,584 | 365,666 | 476,531 | 485,222 |

| Quarter ended:<br>(unaudited) ($000's unless otherwise noted) | 30-Sep<br>2023 | 30-Jun<br>2023 | 31-Mar<br>2023 | 31-Dec<br>2022 |
|---|---|---|---|---|
| Revenue | 2,468 | - | - | - |
| Net income (loss) | (4,897) | 5,964 | 7,751 | (7,156) |
| Basic earnings (loss) per share ($ per share) | (0.10) | 0.12 | 0.15 | (0.14) |
| Diluted earnings (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 (MWh) | 31,627 | - | - | - |

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 fluctuated in 2022, 2023 and 2024 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 at M2 and subsequently increased in the fourth quarter of 2023 upon commissioning of the CCGT expansion of 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 2024 included $7.9 million of net commodity swap gains and $2.7 million of income tax expense.
- The second quarter of 2024 included $0.2 million of net commodity swap gains.
- The first quarter of 2024 included $3.2 million of net commodity swap gains and $3.2 million of income tax expense.
- The fourth quarter of 2023 included other income of $20.7 million in relation to the insurance claim, net of air inlet filter house expenses, $2.0 million of asset impairment charge, $6.4 million of income tax expense and $5.0 million of net commodity swap losses.
- 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 net 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.

(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) | 2024 | 2023 | 2024 | 2023 |
| Revenue | 25,659 | 2,468 | 77,434 | 2,468 |

Revenue in the third quarter and first nine months of 2024 increased by $23.2 million and $74.9 million, respectively, from $2.5 million in same periods in 2023 due to higher generation volumes as M2 was primarily offline in the third quarter and first nine months of 2023 due to the Non-Injury Fire.

**Plant Operations**

Plant operations expenses are grouped into three major categories, fuel, Greenhouse Gas Emission Compliance Costs ("Carbon Costs") and Operations and Maintenance ("O&M").

| Three months ended September 30 ($000's) | 2024 Fuel | 2024 Carbon Costs | 2024 O&M | 2024 Total | 2023 Fuel | 2023 Carbon Costs | 2023 O&M | 2023 Total |
|---|---|---|---|---|---|---|---|---|
| Total | 3,784 | 1,908 | 8,219 | 13,911 | 2,074 | 945 | 5,235 | 8,254 |

| Nine months ended September 30 ($000's) | 2024 Fuel | 2024 Carbon Costs | 2024 O&M | 2024 Total | 2023 Fuel | 2023 Carbon Costs | 2023 O&M | 2023 Total |
|---|---|---|---|---|---|---|---|---|
| Total | 17,571 | 4,822 | 22,252 | 44,645 | 3,878 | 945 | 14,574 | 19,397 |

(1) The Corporation has certain fuel transportation costs which are incurred regardless of whether M2 is operating or not.

Fuel expenses in the third quarter and first nine months of 2024 increased by $1.7 million and $13.7 million to $3.8 million and $17.6 million from $2.1 million and $3.9 million in 2023, respectively, primarily due to higher generation volumes as M2 was primarily offline in the third quarter and first nine months of 2023 due to the Non-Injury Fire.

Carbon Costs in the third quarter and first nine months of 2024 were $1.9 million and $4.8 million, respectively, increasing from $0.9 million in the same periods in 2023 due to higher generation volumes as M2 was primarily offline in the third quarter and first nine months of 2023 due to the Non-Injury Fire. Carbon Costs were lower than expected in the third quarter and first nine months of 2024 due to favourable external carbon pricing market conditions which resulted in a favourable true up of Carbon Costs incurred in the second half of 2023 and first half of 2024.

O&M expenses in the third quarter of 2024 increased by $3.0 million, or 58%, to $8.2 million from $5.2 million in 2023, primarily due to repairs to the cooling tower and other outage maintenance costs incurred in the third quarter of 2024, as well as higher insurance premiums and variable O&M associated with the operation of M2.

O&M expenses in the first nine months of 2024 increased by $7.7 million, or 53%, to $22.3 million from $14.6 million in 2023, primarily due to the same factors impacting the third quarter.

**General and Administrative Expense**

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| ($000's) | 2024 | 2023 | 2024 | 2023 |
| Total general and administrative expense | 1,710 | 1,433 | 4,857 | 4,407 |

General and administration expense in the third quarter of 2024 increased by $0.3 million, or 21%, to $1.7 million from $1.4 million in 2023, primarily due to increased community investment contributions and employee compensation costs and lower general and administrative capital allocations to M2.

General and administration expense in the first nine months of 2024 increased by $0.5 million, or 11%, to $4.9 million from $4.4 million in 2023, primarily due to the same factors impacting the third quarter.

**Depreciation and Amortization Expense**

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| ($000's) | 2024 | 2023 | 2024 | 2023 |
| Total depreciation and amortization | 3,639 | 1,753 | 10,903 | 5,602 |

Depreciation and amortization expense in the third quarter of 2024 increased by $1.8 million to $3.6 million from $1.8 million in 2023, primarily due to commencement of depreciation of the CCGT expansion of M2.

Depreciation and amortization expense in the first nine months of 2024 increased by $5.3 million to $10.9 million from $5.6 million in 2023, primarily due to the same factor impacting the third quarter.

**Other Income, Net**

| ($000's) | Three months ended September 30 2024 | 2023 | Nine months ended September 30 2024 | 2023 |
|---|---|---|---|---|
| Other income, net | (58) | (5,229) | (3,037) | (43,757) |

Other income in the third quarter and first nine months of 2024 was $0.1 million and $3.0 million as compared to $5.2 million and $43.8 million, respectively, in 2023. The decrease is primarily due to insurance claims in 2023, net of non-capital air inlet filter house costs as a result of the Non-Injury Fire at M2, partially offset by realizing a $2.8 million contingent gain in the second quarter of 2024 relating to the sale of a wind development project sold in 2018. Refer to contractual obligations and contingencies on page 15 for details on the contingent gain.

**Gain (loss) on Commodity Swaps**

| ($000's) | Three months ended September 30 2024 | 2023 | Nine months ended September 30 2024 | 2023 |
|---|---|---|---|---|
| Realized gain on power swaps | (7,289) | - | (13,862) | - |
| Realized loss on natural gas swaps | 4,933 | - | 9,712 | - |
| Total realized gain on commodity swaps | (2,356) | - | (4,150) | - |

| ($000's) | Three months ended September 30 2024 | 2023 | Nine months ended September 30 2024 | 2023 |
|---|---|---|---|---|
| Unrealized gain on power swaps | (1,164) | - | (620) | - |
| Unrealized loss (gain) on natural gas swaps | (4,420) | 1,324 | (6,576) | 1,412 |
| Total unrealized loss (gain) on commodity swaps | (5,584) | 1,324 | (7,196) | 1,412 |
| | | | | |
| Total realized and unrealized loss (gain) on commodity swaps | (7,940) | 1,324 | (11,346) | 1,412 |

In the third quarter and first nine months of 2024, MAXIM realized net gains of $2.4 million and $4.2 million, respectively, on Alberta power and natural gas price risk management swaps, as compared to the same period in 2023 which realized gains of nil, respectively. These net gains 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 2024, MAXIM has unrealized gains of $5.6 million and $7.2 million on Alberta power and natural gas price risk management swaps, as compared to the same periods in 2023 which had unrealized losses of $1.3 million and $1.4 million, respectively. These gains and losses are due to Alberta power and natural gas forward prices deviating from the fixed swap price.

**Finance Expense, Net**

| ($000's) | Three months ended September 30 2024 | 2023 | Nine months ended September 30 2024 | 2023 |
|---|---|---|---|---|
| Interest expense and bank charges | 1,921 | 1,717 | 5,888 | 4,802 |
| Amortization of deferred financing costs | 244 | 335 | 803 | 1,067 |
| Accretion of provisions | 82 | 101 | 258 | 262 |
| Foreign exchange loss (gain) | 4 | (59) | (49) | (32) |
| Finance expense | 2,251 | 2,094 | 6,900 | 6,099 |
| Interest income | (1,338) | (802) | (3,745) | (2,190) |
| Total finance expense, net | 913 | 1,292 | 3,155 | 3,909 |

Net finance expense in the third quarter of 2024 decreased by $0.4 million, or 31%, to $0.9 million from $1.3 million in 2023, primarily due to higher interest income as a result of increased cash, partially offset by higher interest expense as the capitalization of interest ceased upon commissioning of the CCGT expansion of M2.

Net finance expense in the first nine months of 2024 decreased by $0.7 million, or 18%, to $3.2 million from $3.9 million in 2023, primarily due to the same factors impacting the third quarter.

**Income Tax Expense**

| ($000's) | Three months ended September 30 2024 | 2023 | Nine months ended September 30 2024 | 2023 |
|---|---|---|---|---|
| Current tax expense (recovery) | 126 | (2,495) | 448 | (1,141) |
| Deferred tax expense | 2,614 | 1,033 | 5,522 | 3,821 |
| Total income tax expense (recovery) | 2,740 | (1,462) | 5,970 | 2,680 |

In the third quarter of 2024, income tax expense increased $4.2 million, to $2.7 million from a recovery of $1.5 million in 2023 due to MAXIM having higher income before taxes in 2024.

In the first nine months of 2024, income tax expense increased $3.3 million to $6.0 million from $2.7 million in 2023 due to the same factor impacting the third quarter.

MAXIM claimed $21.3 million of non-capital losses in the 2022 taxation year, which were denied by the Canada Revenue Agency. During the first quarter of 2024, MAXIM filed a notice of appeal to the Tax Court of Canada, appealing the Canada Revenue Agency's assessment. These non-capital losses relate to a portion of the unrecognized deferred tax assets referenced in Note 20(c) of the 2023 Consolidated Financial Statements. MAXIM has paid the tax authorities the reassessed amount of $4.9 million and, as such, no tax liability exists as a result of claiming these non-capital losses.

**Financial Position**

The following highlights the changes in the Corporation's Consolidated Statement of Financial Position at September 30, 2024, as compared to December 31, 2023.

| As at ($000's) | September 30, 2024 | December 31, 2023 | Increase (Decrease) | Primary factors explaining change |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 99,013 | 32,258 | 66,755 | Increased as a result of operating activities, partially offset by financing and investing activities |
| Trade and other receivables | 16,269 | 47,877 | (31,608) | Decreased as a result of the collection of prior period receivables, including an insurance receivable |
| Property, plant and equipment | 306,014 | 313,461 | (7,447) | Decreased as a result of depreciation, partially offset by asset additions |
| Other assets(1) | 24,367 | 32,244 | (7,877) | Decreased as a result of lower prepaid expenses, partially offset by higher restricted cash from the issuance of letters of credit |
| **Liabilities & Equity** | | | | |
| Trade and other payables | 13,203 | 13,287 | (84) | Decreased due to the timing of settlement of accounts payable |
| Loans and borrowings | 79,869 | 81,203 | (1,334) | Decreased due to principal debt repayments, partially offset by amortization of deferred financing costs |
| Other liabilities(1) | 33,210 | 33,605 | (395) | Decreased due to lower risk management liabilities, partially offset by deferred tax liability reflecting deferred tax expense for the year |
| Equity | 319,381 | 297,745 | 21,636 | Increased primarily due to net income for the period |

(1) Other assets and other liabilities are non-GAAP measures. See Non-GAAP and Other Financial Measures.

## LIQUIDITY AND CAPITAL RESOURCES

**Liquidity**

Management is anticipating that cash flows for capital spending, the Special Dividend, 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. As at the date of this MD&A, MAXIM has unrestricted cash of $63.0 million and available borrowing capacity of up to $18.8 million.

*Senior Credit Facility*

As at October 17, 2024, the Corporation has repaid the outstanding principal on both the Fixed Rate Construction Facility and the Bank Term Facility #1, for total principal repayment of $49.9 million. In addition, on November 7, 2024, MAXIM has amended its Senior Credit Facility to allow for the following:

- Increase and merge the combined availability of Revolver Facility #1 and Letter of Credit Facility #1 from $19.1 million to $25.0 million;
- Restricted cash of $10.1 million to be released for general use. (refer to Note 7b of the December 31, 2023 Consolidated Financial Statements);
- The distribution of a one-time Special Dividend of $0.50 per Common Share; and
- Allowance for distributions, in the form of dividends or share repurchases, up to $20.0 million per calendar year, subject to terms and conditions of the Senior Credit Facility.

The Senior Credit Facility matures on June 30, 2026 and amounts available under the facility are as follows:

- Revolver Facility #1 has increased from a $15.0 million to a $25.0 million revolver following the amendment on November 7, 2024. This facility is available for general corporate purposes and is undrawn, however availability of $6.2 million was used to issue a cash collateralized letter of credit which reduced availability to $18.8 million. The Corporation can elect to remove the $6.2 million cash collateral related to the letters of credit, in exchange for a higher margin fee, however the availably of the facility is reduced by this amount regardless of whether the letters of credit are cash collateralized or not.

The remaining facilities of the Senior Credit Facility are extinguished:

- Bank Term Facility #1 was a term facility with $21.4 million outstanding on September 30, 2024. This facility was fully repaid subsequent to September 30, 2024, but prior to the date of the amendment. No additional amounts are available under this facility and it is fully extinguished.
- Fixed Rate Term Facility was a term facility with an outstanding balance of $30.0 million as at September 30, 2024 and $28.5 million after the first installment payment of $1.5 million on October 1, 2024. This facility was fully repaid subsequent to October 1, 2024, but prior to the date of the amendment. No additional amounts are available under this facility and it is fully extinguished.
- Bank Construction Facility was an undrawn $27.4 million facility available for the construction of the CCGT of M2. This facility is no longer available and was fully extinguished following the completion of certain terms and conditions in the Senior Credit Facility in the second quarter of 2024.
- Revolver Facility #2 was a $5.0 million facility, is no longer available and fully extinguished as it was merged with Revolver Facility #1 in the second quarter of 2024.
- Letter of Credit Facility #1 was a $4.1 million facility and is no longer available as it was extinguished following the amendment on November 7, 2024.

The Senior Credit Facility is secured by the assets of the Corporation, bears interest at Canadian prime rate or Canadian overnight repo rate, plus applicable margins.

Prior to the amendment on November 7, 2024, the debt financing was subject to financial covenants which include: the debt service coverage ratio of not less than 1.25:1.00 and not to exceed a debt to Adjusted EBITDA(1) ratio of 3.00:1.00. Both ratios will be annualized until four full financial quarters have occurred. MAXIM is also 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, 2024.

Commencing in the fourth quarter of 2024, and as a result of the amendment on November 7, 2024, MAXIM is no longer required to maintain the debt service coverage ratio or the debt to Adjusted EBITDA(1) ratio. Commencing in the fourth quarter of 2024, MAXIM is required to maintain a net debt(1) to Adjusted EBITDA(1) ratio of not greater than 3.00:1.00. Commencing in the first quarter of 2025, MAXIM is required to maintain an interest coverage ratio of not less than 5.00:1.00 on a rolling four quarter basis. The interest coverage ratio will be annualized beginning in the first quarter of 2025 utilizing the rolling four quarter Adjusted EBITDA and annualized interest expense starting January 1. 2025. Once four full fiscal financial quarters have occurred the annualized interest expense will be replaced with the rolling four quarter interest expense..

(1) Adjusted EBITDA and net debt are a non-GAAP measures. See Non-GAAP and Other Financial Measures.

*Convertible Loan Facility*

On November 7, 2024, the Corporation has received a notice of conversion from the lenders under the Convertible Loan to convert amounts owing thereunder, being $29.4 million, into Common Shares. Under the terms of the Convertible Loan and effective immediately, the lenders under this facility will receive 13,083,735 Common Shares which is based on a conversion price of $2.25 per Common Share. In addition, MAXIM and the lenders under the Convertible Loan have mutually agreed to reduce the remaining availability of the $75.0 million Convertible Loan and terminate the facility. As a result, no further amounts will be owing or available under this facility.

As at September 30, 2024, MAXIM was in compliance with all covenants related to this facility. As at September 30, 2024, the Corporation had $29.4 million (December 31, 2023 - $29.4 million) outstanding.

The Convertible Loan was provided by two significant shareholders of the Corporation, one of whom is the 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 2024 was $0.9 million and $2.8 million, respectively (2023 - $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, that requires full cash collateralization of letters of credit on a non-revolving basis. As at September 30, 2024, 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, 2024, the Corporation had unrestricted cash of $99.0 million included in the working capital(1) surplus of $94.4 million (see working capital on page 15). Unrestricted cash balances are on deposit with three Canadian financial institutions.

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

The following table represents the changes in cash flows and net liquidity available of the Corporation:

| Nine months ended September 30 ($000's) | 2024 | 2023 |
|---|---|---|
| Cash on hand, unrestricted, January 1 | 32,258 | 51,378 |
| Cash flow generated from operations | 76,034 | 28,765 |
| Cash flow used in financing | (9,209) | (7,861) |
| Available for investments | 99,083 | 72,282 |
| Cash flow used in investing | (119) | (28,407) |
| Effect of foreign exchange rates on cash | 49 | 32 |
| Unrestricted cash | 99,013 | 43,907 |
| Undrawn Convertible Loan Facility [2] | 45,562 | 45,562 |
| Undrawn Senior Credit Facilities [2] | 12,854 | 42,300 |
| Net liquidity available, September 30[1] | 157,429 | 131,769 |

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

(2) As of the date of this MD&A the Convertible Loan is no longer available, the current remaining availability under the Senior Credit Facility is $18.8 million and unrestricted cash has decreased as a result of repaying the outstanding amounts under the Senior Credit Facility.

Cash flow generated from operating activities in the first nine months of 2024 increased to $76.0 million from $28.8 million in 2023, which is an increase of $47.2 million. The increase is primarily due to changes in non-cash working capital, higher earnings from the operations of M2 and lower income taxes paid in the first nine months of 2024. See working capital section on page 15 for further discussion.

During the first nine months of 2024, MAXIM's cash flow used in financing activities increased $1.3 million to $9.2 million in 2024 from $7.9 million in 2023, primarily due to higher repurchase of Common Shares for cancellation.

MAXIM's investing activities in the first nine months of 2024 represented a cash outflow of $0.1 million, decreasing from $28.4 million in 2023. During 2024, MAXIM spent $3.5 million primarily on sustaining capital projects at M2 and changes in non-cash working capital of $3.2 million, partially offset by interest income of $3.8 million and proceeds on sale of wind development project of $2.8 million.

MAXIM's investing activities in the first nine months of 2023 represented a cash outflow of $28.4 million. 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.

The following table represents the net capital[1] of the Corporation:

| As at ($000's) | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Loans and borrowings | 79,869 | 81,203 |
| Less: Unrestricted cash | (99,013) | (32,258) |
| Net debt (net cash) [1] | (19,144) | 48,945 |
| Shareholders' equity | 319,381 | 297,745 |
| Capital | 300,237 | 346,690 |
| Net debt to capital [1] | -6.4% | 14.1% |

The Corporation uses the percent of net debt to capital to monitor leverage. The decrease in net debt to capital from December 31, 2023 to September 30, 2024 is primarily due to higher cashflows from operations in the first nine months of 2024 and changes in working capital.

(1) Net capital, net debt and net debt to capital are non-GAAP measures. See Non-GAAP Measures.

### Working Capital[1]

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

| As at ($000's) | September 30, 2024 | December 31, 2023 | Change |
|---|---|---|---|
| Total current assets | 117,980 | 92,323 | 25,657 |
| Total current liabilities | 23,603 | 26,520 | (2,917) |
| Working capital surplus[1] | 94,377 | 65,803 | 28,574 |

The Corporation has a working capital surplus of $94.4 million at September 30, 2024, which represents a $28.6 million increase from the working capital surplus of $65.8 million at December 31, 2023. The net increase is comprised of a $25.7 million increase in current assets and a $2.9 million decrease in current liabilities.

The increase in current assets was due to a net increase of cash and cash equivalents of $66.8 million and risk management asset of $0.6 million, partially offset by a decrease in trade and other receivables of $31.6 million and prepaid expenses and deposits of $5.4 million and current tax asset of $4.7 million.

The decrease in current liabilities was due to a decrease in risk management liabilities of $6.6 million and accounts payable of $0.1 million, partially offset by an increase in the current portion of loans and borrowings of $3.3 million and current tax liability of $0.5 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 $8.0 million for the full year of 2024. These expenditures primarily relate to sustaining capital spending of M2.

### Contractual Obligations and Contingencies

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

| As at September 30, 2024 | Total | 2024 | 2025-2026 | 2027-2028 | Thereafter |
|---|---|---|---|---|---|
| Loans and borrowings[1] | 92,404 | 3,980 | 88,424 | - | - |
| Long-term contracts[2] | 18,347 | 2,208 | 9,858 | 4,882 | 1,399 |
| Total | 110,751 | 6,188 | 98,282 | 4,882 | 1,399 |

(1) Loans and borrowings obligations were fully settled as of the date of this MD&A. Refer to the liquidity section on page 12 and 13 for details on repayment of the Senior Credit Facility and conversion of the Convertible Loan.

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

For the current significant outstanding contingencies, refer to Note 19a of the 2023 Annual Audited Consolidated Financial Statements. The contingent asset disclosed under Note 19b of the 2023 Annual Audited Consolidated Financial Statements was recognized as an asset in the second quarter of 2024 as all terms and conditions of the 2018 sales agreement for a wind power development project were met on June 28, 2024, triggering the contingent payment of $2.8 million, which the Corporation has recognized in other income. On July 5, 2024, the contingent payment was collected. No further contingent assets exist as at September 30, 2024 or as of the date of this MD&A.

## 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 completed construction and commissioning of the CCGT expansion of M2 which captures waste heat and converts 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 released the draft Clean Electricity Regulation on August 19, 2023 that would establish the performance standard framework applicable to existing and new natural gas generation facilities to achieve the federal government's objectives. On February 16, 2024, the Government of Canada provided an update of what they heard during the public consultation process and on the directions being considered for the final clean electricity regulations. Feedback on the directions being considered were accepted until March 15, 2024 and it is still expected that the final regulations will be published sometime in the fourth quarter of 2024, despite any formal announcements of late.

*Alberta*

On April 19, 2023, the Government of Alberta ("GoA") released their Emissions Reduction and Energy Development ("ERED") 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 the Technology Innovation and Emission Reduction Regulation ("TIER"). Most notable 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.  To date, the GoA has not made any further announcements regarding ERED since the release of the initial plan.

On August 3, 2023, the GoA announced that the province will be pausing the Alberta Utilities Commission ("AUC") approvals for new renewable energy development projects over one megawatt until February 29, 2024 so that the AUC could conduct an inquiry and issue a report. On February 29, 2024, based on their review of the report from the AUC, the GoA lifted the pause on new renewable energy development projects over one megawatt and announced policy changes, which included restrictions on the locations of renewable projects and reclamation security. The Corporation does not anticipate any new material impacts to its wind generation development project as a result of the announcement.

In the second half of 2023, the GoA announced its intention to consider potential electricity market reforms to help ensure reliable, affordable and low carbon electricity for Albertans. Multiple government agencies, including the Alberta Electric System Operator ("AESO"), Market Surveillance Administrator ("MSA") and the AUC were tasked with providing specific recommendations in their area of expertise to inform the path forward for the GoA. On March 11, 2024, following recommendations from the MSA and the AESO, the GoA announced temporary market rules changes that have taken effect starting July 1, 2024. These temporary rules are related to the exercise of market power and will be in place until a new Restructured Energy Market can be designed and implemented in 2026. Management is monitoring the impacts of the temporary market rules and has observed that they resulted in lower market prices during the month of July 2024, during which the new secondary offer cap rule was triggered due to high clearing prices corresponding with a prolonged heat wave. The offer cap reset in August 2024 and the secondary offer cap has not been triggered since. Additionally, Management is actively participating in the development of the new restructured energy market, to understand what, if any, impact this initiative may have on the Corporation.

*TIER regulations*

Starting January 1, 2023, M2 is exposed to carbon tax on emissions via the TIER Regulations. For 2024, emissions greater than the electricity benchmark of 0.3552 tonnes of $CO_2e$/MWh are taxed at $80/t. The benchmark will tighten by 2% annually and the carbon price will increase by $15/t annually until reaching $170/t in 2030. While MAXIM expects to make payments under TIER, the CCGT expansion of M2 greatly reduces the Corporation's 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) | 2024 | 2023 | 2024 | 2023 |
| GAAP Measures from Condensed Consolidated Statements of Operations | | | | |
| Net income (loss) | 10,744 | (4,897) | 22,287 | 8,818 |
| Income tax expense (recovery) | 2,740 | (1,462) | 5,970 | 2,680 |
| Finance expense, net | 913 | 1,292 | 3,155 | 3,909 |
| Depreciation and amortization | 3,639 | 1,753 | 10,903 | 5,602 |
| | 18,036 | (3,314) | 42,315 | 21,009 |
| Adjustments: | | | | |
| Other income | (58) | (5,229) | (3,037) | (43,757) |
| Business interruption insurance claim | - | 5,500 | - | 40,022 |
| Unrealized loss (gain) on commodity swaps | (5,584) | 1,324 | (7,196) | 1,412 |
| Share-based compensation | 281 | 174 | 802 | 488 |
| Adjusted EBITDA | 12,675 | (1,545) | 32,884 | 19,174 |

Adjusted EBITDA is calculated as described above from its most directly comparable GAAP measure, net income (loss), 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, loss on write-off of asset and impairment charges 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 of September 30, 2024 and September 30, 2023 management excluded certain non-cash and non-recurring transactions. In both 2024 and 2023, 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.

**Free Cash Flow**

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| ($000's) | 2024 | 2023 | 2024 | 2023 |
| Funds generated from operating activities before change in non-cash working capital | 17,858 | (3,411) | 37,526 | 14,649 |
| Property, plant and equipment additions | (1,500) | (11,704) | (3,466) | (25,484) |
| Repayment of loans and borrowings | (713) | (713) | (2,138) | (2,138) |
| Interest expense and bank charges | (1,921) | (2,162) | (5,888) | (6,168) |
| Interest income | 1,338 | 802 | 3,745 | 2,190 |
| Free cash flow | 15,062 | (17,188) | 29,779 | (16,951) |

FCF is calculated as described above from its most directly comparable GAAP measure from the Statement of Cash Flows, the funds generated from operating activities before change in non-cash working capital, and adjusts for specific items that are reflective of the Corporation's underlying FCF. FCF is an important metric as it represents the amount of cash that is available to potentially invest in growth initiatives, pay dividends and repurchase shares. In calculating FCF for the three and nine months ended September 30, 2024 and September 30, 2023, management uses the funds generated from operating activities before change in non-cash working capital for the period and deducts property, plant and equipment additions, repayment of loans and borrowings, interest expense and bank charges and adds interest income.

**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 and the senior credit facilities. Net liquidity is used to assist management and investors in measuring the Corporation's access to available capital. The calculation of net liquidity availability is included on page 14.

**Net Debt, Net Capital and Net Debt to Capital**

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

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

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

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

**Other Assets and Other Liabilities**

MAXIM defines other assets as current tax assets, risk management asset, prepaid expenses and deposits and restricted cash.

MAXIM defines other liabilities as risk management liability, lease obligation, provision for decommissioning and deferred tax liabilities.

Other assets and other liabilities are used to summarize primary factors explaining change in the financial position section of the MD&A.

## 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 judgements and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2023.

## NEW ACCOUNTING PRONOUNCEMENTS

**IFRS Standards Issued Not Yet Effective and Amendments**

The Corporation analyzes the impact of issued standards and 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. There is no requirement for public companies in Canada to adopt the ISSB standards until the Canadian Securities Administrators ("CSA") and Canadian Sustainability Standards Board ("CSSB") have issued a decision on reporting requirements in Canada.

The 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. While the Corporation is actively reviewing the ISSB standards, as well as recently released CSSB proposals, 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 into any new related party transactions during the first nine months of 2024, with the exception of the Convertible Loan 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 9b and 21 of the 2023 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, 2024.

## OTHER INFORMATION

Outstanding share data:

| | |
|---|---|
| Issued common shares at September 30, 2024 | 50,564,552 |
| Outstanding share options at September 30, 2024 | 3,057,615 |
| **Total diluted common shares at September 30, 2024** | 53,622,167 |
| Shares purchased and cancelled under NCIB in October 2024 | (9,710) |
| Shares issued on conversion of Convertible Loan at November 7, 2024 | 13,083,735 |
| **Total diluted common shares at November 7, 2024** | 66,696,192 |

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:

| | |
|---|---|
| **AER** | Alberta Energy Regulator |
| **AESO** | Alberta Electric System Operator |
| **AUC** | Alberta Utilities Commission |
| **Buffalo Atlee** | Buffalo Atlee is a development project for up to 200 MW of wind generation situated near Brooks, Alberta |
| **Capacity** | The rated continuous load-carrying ability, expressed in megawatts, of generation equipment, (throughout the MD&A references to capacity are stated in nameplate capacity, unless otherwise noted) |
| **Carbon Cost** | Greenhouse Gas Emission Compliance Cost |
| **CCGT** | Combined Cycle Gas Turbine |
| **CEO** | Chief Executive Officer |
| **CFO** | Chief Financial Officer |
| **CO2e** | Carbon Dioxide Equivalent |
| **Common Shares** | Common Shares of MAXIM |
| **Convertible Loan** | Convertible Loan Facility |
| **CSA** | Canadian Securities Administrators |
| **CSSB** | Canadian Sustainability Standards Board |
| **Adjusted EBITDA** | Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization |
| **ERED** | Emissions Reduction and Energy Development |
| **FCF** | Free Cash Flow |
| **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 a CCGT facility located at the Milner site near Grande Cache, Alberta, with a maximum capability of 300 MW |
| **MAXIM or the Corporation** | Maxim Power Corp. |
| **MD&A** | Management's Discussion and Analysis |
| **MSA** | Market Surveillance Administrator |
| **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 |
| **Non-Injury Fire** | Damage to M2's air inlet filter house from September 30, 2022 |
| **O&M** | Operations and Maintenance |
| **Special Dividend** | Special Dividend of $0.50 per Common Share |
| **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.