Consolidated Financial Statements of

MAXIM POWER CORP.

For the Years Ended December 31, 2020 and 2019

(Audited)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Maxim Power Corp.

Opinion

We have audited the consolidated financial statements of Maxim Power Corp. (the "Entity"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, the consolidated statements of income and comprehensive income (loss), changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Assessment of the carrying amount of deferred tax assets

Description of the matter

We draw attention to notes 2(e)(vi), 20(b) and 21 to the financial statements. The Entity has recorded deferred tax assets of $19.8 million related to a Canadian legal entity. The deferred tax assets primarily arise from deductible temporary differences related to non-capital losses. Assessing the recoverability of deferred tax assets requires the Entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are dependent on generating taxable income in future periods and monetization of contingent assets. Taxable income is estimated based on forecasted prices for power and natural gas and production volumes. Additionally, the utilization of these losses is dependent on the monetization, in part, of the remaining contingent assets in connection with the Entity's Line Loss Proceedings.

Why the matter is a key audit matter

We identified the assessment of the carrying amount of deferred tax assets as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the deferred tax assets and high degree of estimation uncertainty in determining the future taxable income and monetization of the Entity's remaining contingent assets. In addition, significant auditor judgment was required to evaluate the results of our procedures regarding the significant estimates.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We compared the Entity's historical taxable income estimates to actual results from the prior year to assess the Entity's ability to accurately estimate future taxable income.

We evaluated the future taxable income by comparing forecasted prices for power and natural gas to forecasted prices published by a third party energy service provider.

We compared forecasted production volumes to plant capacity and prior year historical production.

We assessed the estimated proceeds from the monetization of the Entity's remaining contingent assets by comparing to the adjustment calculations published by the Alberta Electric System Operator.

Other Information

Management is responsible for the other information. Other information comprises Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditors' report is Stephanie Regier Pankratz.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 18, 2021

MAXIM POWER CORP.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	**December 31, 2020**	December 31, 2019
ASSETS			
Cash and cash equivalents		**12,261**	20,924
Trade and other receivables	5	**6,952**	4,064
Prepaid expenses and deposits		**1,390**	1,030
Total current assets		**20,603**	26,018
Property, plant and equipment, net	6	**183,939**	170,317
Restricted cash	7	**6,196**	7,849
Deferred tax assets	21	**19,798**	13,336
Other assets	8	**8,774**	7,754
Total non-current assets		**218,707**	199,256
TOTAL ASSETS		**239,310**	225,274
LIABILITIES			
Trade and other payables	9	**13,426**	21,659
Loans and borrowings	10	**1,668**	2,559
Total current liabilities		**15,094**	24,218
Provisions for decommissioning	11	**10,997**	13,744
Other long-term liability	9	**202**	1,638
Loans and borrowings	10	**65,107**	46,442
Total non-current liabilities		**76,306**	61,824
TOTAL LIABILITIES		**91,400**	86,042
EQUITY			
Share capital	12	**143,584**	144,771
Contributed surplus		**12,431**	12,175
Deficit		**(8,105)**	(17,714)
TOTAL EQUITY		**147,910**	139,232
Commitments and Contingencies	19, 20		
Subsequent event	28		
TOTAL LIABILITIES AND EQUITY		**239,310**	225,274

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

On behalf of the Board:

M. Bruce Chernoff	Wiley Auch
CEO and Chairman of the Board	Director

MAXIM POWER CORP.

Consolidated Statements of Income and Comprehensive Income (Loss)

For the years ended December 31
(in thousands of Canadian dollars)

	Note	**2020**	2019
Revenue	14	**46,726**	28,335
Expenses (income)			
Operating	15	**35,013**	29,086
General and administrative	15	**4,083**	3,725
Depreciation and amortization	6	**5,457**	2,732
Gain on commodity swaps	26	**(276)**	(2,737)
Asset impairment charge	6	**-**	1,078
Other income, net	16	**(5,749)**	(726)
Operating income (loss)		**8,198**	(4,823)
Finance expense (income), net	17	**5,400**	(171)
Income (loss) before income taxes		**2,798**	(4,652)
Income tax expense (benefit)			
Current	21	**-**	(13)
Deferred	21	**(6,462)**	1,211
		(6,462)	1,198
Net income (loss) and comprehensive income (loss)		**9,260**	(5,850)
Earnings per share	18		
Basic earnings		**0.19**	(0.11)
Diluted earnings		**0.18**	(0.11)

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

MAXIM POWER CORP.

Consolidated Statements of Changes in Equity

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

	Number of common shares (thousands)	Share capital	Contributed surplus	Deficit	Total
Equity at December 31, 2019	50,214	144,771	12,175	(17,714)	139,232
Net income	-	-	-	9,260	9,260
Repurchase of common shares for cancellation	(412)	(1,187)	-	349	(838)
Share-based compensation	-	-	402	-	402
Stock options settled in cash	-	-	(146)	-	(146)
Equity at December 31, 2020	**49,802**	**143,584**	**12,431**	**(8,105)**	**147,910**
Equity at December 31, 2018	52,526	151,430	11,839	(14,729)	148,540
Net loss	-	-	-	(5,850)	(5,850)
Repurchase of common shares for cancellation	(2,312)	(6,659)	-	2,865	(3,794)
Share-based compensation	-	-	336	-	336
Equity at December 31, 2019	50,214	144,771	12,175	(17,714)	139,232

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

MAXIM POWER CORP.

Consolidated Statements of Cash Flows

For the years ended December 31
(in thousands of Canadian dollars)

	Note	**2020**	2019
Cash flows from operating activities:			
Net income (loss)		**9,260**	(5,850)
Adjustments for items not involving cash or operations:			
Depreciation and amortization	6, 8	**5,457**	2,732
Asset impairment charge	6	**-**	1,078
Share-based compensation	13	**402**	336
Unrealized loss on commodity swaps	26	**1,994**	-
Stock option settlement	13	**(146)**	-
Income tax expense (benefit)	21	**(6,462)**	1,198
Income taxes refunded	21	**-**	13
Finance expense (income), net	17	**5,400**	(171)
Gain on disposal of asset		**-**	(1,202)
Funds generated from (used in) operating activities before changes in working capital		**15,905**	(1,866)
Change in non-cash working capital from operations	24	**(8,941)**	7,357
Net cash generated from operating activities		**6,964**	5,491
Cash flows from financing activities:			
Issuance of loans and borrowings		**14,762**	78,860
Repayment of loans and borrowings		**(750)**	(26,027)
Issue costs on loans and borrowings		**-**	(4,164)
Repurchase of common shares for cancellation	12	**(838)**	(3,794)
Interest and bank charges		**(2,826)**	(1,483)
Net cash generated from financing activities		**10,348**	43,392
Cash flows from investing activities:			
Property, plant and equipment additions	6	**(20,178)**	(104,550)
Proceeds from withdrawal of short-term investment		**-**	41,779
Reinvested interest income from short-term investment		**-**	(227)
Proceeds on sale of asset, net of closing costs	16	**-**	1,222
Interest income	17	**202**	874
Change in non-cash working capital from investing	24	**(5,911)**	10,730
Net cash used in investing activities		**(25,887)**	(50,172)
Unrealized foreign exchange loss on cash and cash equivalents		**(88)**	(33)
Decrease in cash and cash equivalents		**(8,663)**	(1,322)
Cash and cash equivalents, beginning of year		**20,924**	22,246
Cash and cash equivalents, end of year		**12,261**	20,924

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

1. Reporting entity

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

2. Basis of preparation and statement of compliance

(a) Statement of compliance

MAXIM prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on March 18, 2021.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the reimbursement of decommissioning costs and commodity swaps, which are measured at fair value on the statements of financial position.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation and its subsidiaries. All financial information presented in Canadian dollars has been rounded to the nearest thousand unless otherwise noted.

(d) Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions, based on its experience, that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(e) Significant judgments and estimates

(i) Contingencies

The Corporation operates in a regulatory and commercial environment that exposes it to regulatory, contractual and litigation risks. As a result, the Corporation is involved in certain disputes and legal proceedings including litigation, arbitration, and regulatory investigations. Such cases are subject to many uncertainties, and the outcome is often difficult to predict, particularly in the earlier stages of the case. By their nature contingencies will only be resolved when one or more uncertain future events not wholly within the control of the Corporation occur or fail to occur. The assessment of the existence of contingencies inherently involves the exercise of significant judgment by management, which includes incorporating external legal advice.

2. Basis of preparation and statement of compliance (continued)

(ii) Impairment indicators

At the end of each reporting period, management makes a judgment whether there are any indications of impairment of its property, plant and equipment ("PP&E") and intangible assets at the lowest level at which there are separately identifiable cash flows. If there are indications of impairment, MAXIM performs an impairment test on the asset or the cash-generating unit (“CGU”).

The Corporation evaluates impairment losses for potential reversals when management has determined that events or circumstances warrant such consideration.

(iii) Decommissioning costs

Decommissioning costs are expected to be incurred at the end of the operating life of the facilities. A provision is recognized when there is a present obligation to restore the site, it is probable the expenditure will be required, and a reliable estimate of the costs can be determined. The ultimate cost to settle these obligations is uncertain due to timing and cost estimates that may vary in response to many different factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other facilities. As a result, there could be significant adjustments to the provisions established which could affect future financial results. Management bases these estimates on its best knowledge, experience in similar circumstances and in some cases reports from independent experts.

During 2020, the Corporation continued remediation of certain lands at the HR Milner generating facility ("Milner") site, and as a result management updated the cost estimate to decommission Milner. The updated cost estimates resulted in a decrease to the decommissioning cost estimate as it reflects current information. The effect of these changes has been disclosed in note 11.

(iv) Useful life and residual value of PP&E

Each major component of PP&E is depreciated over its estimated useful life net of residual value. The estimated useful lives of the assets are based upon current conditions and management’s experience, which take into consideration specific contracts, agreements, condition of the asset, technology, production and use of the asset, and regular maintenance programs. The facilities are operated within manufacturers’ specifications to realize the expected useful life of each asset. Notwithstanding these measures, the useful life of equipment may vary from that which is estimated by management.

Residual value is estimated by management to be the amount that MAXIM would receive from disposal of the asset after deducting the estimated costs of disposal if the asset was already of the age and in the condition expected at the end of its useful life. Actual amounts received may differ from estimated amounts.

2. Basis of preparation and statement of compliance (continued)

(v) Impairment of non-financial assets

The recoverable amount of a CGU or asset is determined based on the higher of its fair value less costs of disposal or its value-in-use (the present value of the estimated future cash flows). Management is required to make assumptions about future cash flows including future commodity prices, expected generation, future operating and development costs, discount rates, sustaining capital programs and tax rates. It is possible that future cash flow assumptions may change. This may impact the estimated fair value of the associated asset and may require a material adjustment to the carrying value of the asset.

(vi) Income taxes

The Corporation recognizes the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Corporation to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are dependent on generating taxable income in future periods and monetization of contingent assets. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the statements of financial position date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Corporation operates could limit the ability of the Corporation to obtain estimated tax deductions in future periods.

3. Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements have been applied consistently for all periods presented and are set out below.

(a) Basis of consolidation

The financial statements include the accounts of the Corporation and its subsidiaries. Subsidiaries are entities which the Corporation controls by having the power to govern the entity's financial and operating policies. The Corporation consolidates all of its wholly-owned subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances, transactions and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

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

3. Significant accounting policies (continued)

The Consolidated Financial Statements of MAXIM include the following entities:

	Country of Incorporation	Ownership Interest % 2020	2019
Milner Power Limited Partnership ("MPLP")	Canada	100	100
Milner Power II Limited Partnership	Canada	100	100
Forked River II, LLC	USA	100	100
Deerland Power Limited Partnership	Canada	100	100
Summit Coal Limited Partnership	Canada	100	100

(b) Foreign currency translation

(i) Foreign operations

The Corporation’s subsidiaries’ functional currencies are in Canadian dollars. Each subsidiary determines its functional currency based on the currency of the primary economic environment in which it operates.

(ii) Foreign currency transactions

Foreign currency transactions of the Corporation and its subsidiaries are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation, at period end exchange rates, of monetary assets and liabilities denominated in currencies other than the Corporation’s or subsidiaries’ functional currency are recognized as finance costs in the statements of income or loss.

(c) Impairment of non-financial assets

The carrying value of the Corporation’s non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there are any indicators of impairment. MAXIM performs an impairment test on the CGU or asset if there are indicators of impairment present.

The impairment test compares the recoverable amount of the CGU or asset to its carrying amount. The recoverable amount is the higher of the CGU or asset’s value in use (present value of the estimated future cash flows) and its estimated fair value less costs to sell. Management is required to make assumptions about future cash flows including production, fuel costs, operating expenses, power prices and capital programs. It is possible that future cash flow assumptions may change. This may impact the estimated fair value of the associated asset and may require a material adjustment to the carrying value of the asset including intangible assets.

The Corporation evaluates impairment losses for potential reversals when management has made the judgment that events or circumstances warrant such consideration.

(d) Financial instruments

(i) Recognition

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled or expires.

3. Significant accounting policies (continued)

(ii) Measurement and classification

All financial instruments, including all derivatives, are measured at fair value or amortized cost upon initial recognition and are classified into one of the following three categories: financial assets and liabilities at amortized cost, fair value through profit or loss and fair value through other comprehensive income. The Corporation does not have any instruments classified as fair value through other comprehensive income.

(iii) Financial assets at amortized cost

A financial asset is classified in this category if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments from principal and interest on the principal amount outstanding. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The Corporation's financial assets at amortized cost are comprised of trade and other receivables and cash and cash equivalents.

(iv) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it does not meet the requirements of amortized cost, including derivative assets. Financial instruments in this category are recognized initially and subsequently at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(v) Financial liabilities at amortized cost

Financial liabilities include trade payable, other long-term liabilities and loans and borrowings, and are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

(vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(vii) Impairment of financial assets

At each reporting date, the Corporation assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimate future cash flows of the financial asset have occurred. For trade receivables the Corporation applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the financial assets.

3. Significant accounting policies (continued)

(e) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits with banks and other financial institutions, and highly liquid short-term investments with original maturities of less than or equal to ninety days. Cash deposits held as collateral to various counterparty agreements to secure credit are recorded separately as non-current restricted cash.

(f) PP&E

The Corporation records PP&E at cost less accumulated depreciation and impairment losses. Cost includes expenditures to purchase and construct assets, and other costs associated with purchasing and preparing assets for their intended use. The costs associated with construction include material, labor, interest, and other direct costs required to bring the assets to their intended use.

Cost also includes the present value of an initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located to its original state.

MAXIM separates PP&E into identifiable components with different useful lives for depreciation purposes. Depreciation is based on the cost of the asset less its residual value. Depreciation of a component commences when the asset is first available for use and ceases when the asset is classified as held for sale or when the asset is derecognized.

The following rates are used in the computation of depreciation expense in the period:

Generating facilities	Straight-line from 2020 to 2045
Equipment	20 - 30% declining balance or straight-line from 2020 to 2045

Assets under construction are projects undertaken by the Corporation where the asset is not yet available for use. Capitalization of costs associated with these projects commences once technical feasibility is established. If the project is subsequently abandoned, all costs are expensed in the period.

(g) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

(h) Employee benefits

(i) Defined contribution plans

The Corporation has a defined contribution plan under which the Corporation pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts as a result of past service. Contributions are recognized as an employee benefit expense in the statements of income in the period in which services are rendered by employees.

3. Significant accounting policies (continued)

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under a short-term cash bonus if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based compensation

The Corporation records a compensation cost for all stock options granted to employees, directors or officers over the vesting period of the options based on the fair value of the option at the grant date using the Black-Scholes option pricing model. Compensation expense is recognized over the options vesting period, with a corresponding adjustment to contributed surplus. The number of awards expected to vest is reviewed each period, with the effect of any change being recognized immediately. Consideration paid by employees, directors or officers upon exercise of the stock options and the amount previously recognized in contributed surplus are recorded as an increase to share capital.

(i) Provisions

(i) Decommissioning liabilities

The Corporation has an obligation to restore certain project sites to an acceptable level at the end of each project's respective life. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The estimated cash flows for decommissioning costs are discounted at a current pre-tax rate that reflects the risk-free rate specific to the decommissioning liability. The unwinding of the discount due to the passage of time is recorded as an increase to provisions for decommissioning liabilities with the associated expense recognized in the statements of loss as a finance cost. When the Corporation carries out its obligation to restore a site, incurred decommissioning costs will be recorded as a reduction to the decommissioning liability. The estimated future costs of decommissioning are reviewed periodically and adjusted to reflect the current best estimate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset and the liability.

(ii) Other provisions

A provision is recognized if, as a result of a past event, the Corporation has a present or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the Corporation expects some or all of a provision to be reimbursed the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statements of loss net of any reimbursement. Non-current provisions are determined by discounting the expected future cash flows using a risk-free rate. Provisions are not recognized for future operating losses.

3. Significant accounting policies (continued)

(j) Revenue recognition

Revenue from the sale of electricity is measured based on the consideration specified in contract with the customer. MAXIM recognizes revenue when it transfers control of the electricity to the customer. This is considered to occur when electricity is physically transferred to the customer.

(k) Finance income and finance expense

Finance income is comprised of interest income on cash and cash equivalents. Interest income is recognized as it accrues in the statements of income, using the effective interest method.

Finance expense is comprised of interest expense on borrowings, finance costs on letters of credit, amortization of deferred financing costs and unwinding of the discount on provisions.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expense depending on whether foreign currency movements are in a net gain or net loss position.

(l) Income taxes

Income taxes are comprised of current and deferred taxes. Current tax and deferred tax are recognized in the statements of loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for taxation purposes. Deferred tax is not recognized for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

(ii) Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which these deductions can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Earnings per share

Basic income per share is calculated by dividing the net income or loss for the period attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the period.

3. Significant accounting policies (continued)

Diluted income per share is calculated in the same manner as basic income per share, except that the weighted average number of common shares outstanding is adjusted for dilutive instruments.

The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Corporation's potentially dilutive common shares are comprised of stock options granted to employees.

(n) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. All operating segments' operating results are reviewed regularly by the Corporation's chief decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. As of December 31, 2020, there is only one operating segment.

4. Determination of fair value

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other accounts receivable

The fair value of trade and other accounts receivable is estimated as their carrying value due to the short period to maturity.

(b) Other assets

The fair value of the Milner decommissioning reimbursement (note 11) is estimated at the present value of future cash flows, discounted at the risk-free rate specific to the asset.

(c) Commodity and interest rate swaps

The fair value of swaps is based on the amount that would be paid or received to settle the contracts at period end. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Corporation and counterparty when appropriate.

(d) Share-based payment transactions

The fair value of the employee share options are measured using the Black-Scholes model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instrument, expected dividends, and the risk-free interest rate. Assumptions regarding employee turnover, and related forfeitures, are also taken into account in determining fair value.

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

5. Trade and other receivable

	December 31, 2020	December 31, 2019
Trade receivables	5,769	1,390
GST receivable	42	1,848
Risk management receivable (a)	952	502
Lease receivable	-	31
Other receivables (b)	189	293
Total accounts receivable	6,952	4,064

(a) Risk management receivable of $952 are realized gains on power commodity swap transactions as at December 31, 2020 (2019 - $502).

(b) Other receivables are primarily comprised of amounts due from Balancing Pool for billings related to the reclamation of certain lands at Milner in 2020 and 2019 (note 11) and the reimbursement of certain operating expenses.

6. Property, plant and equipment, net

	Land	Generating Facilities	Equipment	Right-of-use Asset	Assets under Construction (a)	Total
Cost						
Balance, December 31, 2018	5,155	92,412	3,248	-	42,422	143,237
Additions	-	368	-	-	104,182	104,550
Adoption of IFRS 16	-	-	-	131	-	131
Capitalized interest	-	-	-	-	1,326	1,326
Revisions to decommissioning provisions	-	(3,801)	-	-	-	(3,801)
Disposals	-	(2,848)	-	-	-	(2,848)
Impairment (b)	(1,078)	-	-	-	-	(1,078)
Balance, December 31, 2019	4,077	86,131	3,248	131	147,930	241,517
Additions	-	3,703	-	-	16,475	20,178
Lease addition	-	-	-	202	-	202
Capitalized interest	-	-	-	-	1,905	1,905
Revisions to decommissioning provisions	-	(3,206)	-	-	-	(3,206)
Assets in-service (c)	-	143,624	-	-	(143,624)	-
Balance, December 31, 2020	4,077	230,252	3,248	333	22,686	260,596
Accumulated depreciation						
Balance, December 31, 2018	-	68,520	2,840	-	-	71,360
Depreciation	-	2,572	36	60	-	2,668
Derecognition of fully depreciated asset	-	(2,828)	-	-	-	(2,828)
Balance, December 31, 2019	-	68,264	2,876	60	-	71,200
Depreciation	-	5,377	9	71	-	5,457
Balance, December 31, 2020	-	73,641	2,885	131	-	76,657
Property, plant and equipment, net						
December 31, 2019	4,077	17,867	372	71	147,930	170,317
December 31, 2020	4,077	156,611	363	202	22,686	183,939

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

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

(a) Assets under construction

During the year, the Corporation incurred direct costs for assets under construction totaling $16,475 primarily related to the purchase and construction of a natural gas-fired combustion turbine generator and certain other equipment (2019 - $104,182).

(b) Asset impairment charge

During 2019, the Corporation obtained an appraisal for certain land and based on a sales approach to same or similar land, the Corporation determined that the book value of the land was greater than the recoverable amount and recognized an $1,078 asset impairment charge. Due to changes in market conditions, the recoverable amount was estimated based on the appraisal to be US$3,250.

(c) Assets in service

During the year, the Corporation commissioned Milner 2 (“M2”) and $143,624 of assets under construction have been reallocated to power generation facilities.

7. Restricted cash

The Corporation maintains credit agreements with Bank of Montreal ("BMO") and ATB Financial (“ATB”) for a demand facility that will fully cash collaterize up to $10,150 (December 31, 2019 - $8,000) of letters of credit on a non-revolving basis. As at December 31, 2020, the Corporation has $6,196 (December 31, 2019 - $7,849) of outstanding letters of credit and this amount was deposited into restricted bank accounts maintained by BMO and ATB (note 10).

8. Other Assets

	December 31, 2020	December 31, 2019
Long term prepaid expenses	817	180
Milner decommissioning reimbursement (note 11a)	7,957	7,574
Total other assets	8,774	7,754

9. Trade and other payables and other long-term liability

	December 31, 2020	December 31, 2019
Trade and other payables	2,693	6,836
Accrued liabilities and other payables	4,724	10,295
Deferred vendor payments (a)	3,828	4,424
Risk management liability (b)	2,181	-
Lease obligation	-	104
Total trade and other payables	13,426	21,659
Lease obligation	202	-
Deferred vendor payments (a)	-	1,638
Other long-term liability	202	1,638

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

9. Trade and other payables and other long-term liability (continued)

(a) Deferred vendor payments

Deferred vendor payments consist of deferred vendor payments for the construction of M2 beyond standard trade payable terms with the final payment in 2021. As at December 31, 2020, the cash price equivalent, plus accrued interest in trade and other payables for those deferred payments, is $3,828 (December 31, 2019 - $4,424 and $1,638 – other long-term liability).

(b) Risk management liability

Risk management liability consists of a $1,994 for unrealized losses related to commodity risk management swaps (note 26), of which $259 relates to power commodity swaps and $1,735 to gas commodity swaps, a $132 realized loss on gas commodity swaps and a $55 liability for the unrealized interest rate swaps and options (note 26).

10. Loans and borrowings

	December 31, 2020	December 31, 2019
Term facility (a)	29,250	28,238
Revolver facility #1 (a)	10,000	3,000
Convertible loan facility (b)	29,438	21,595
	68,688	52,833
Less: deferred financing costs	(1,913)	(3,832)
Net loans and borrowings	66,775	49,001
Less: current portion, net of deferred financing costs	1,668	2,559
Total long-term loans and borrowings, net of deferred financing costs	65,107	46,442

(a) ATB Financial (“ATB”) Credit Facilities

The ATB Credit Facilities consist of various facilities that provide for senior debt financing of up to $44,000 to support financing requirements of M2, plus credit available for letters of credit and hedging, maturing on November 19, 2022.

Financing is provided as follows:

(i) Term facility

On August 18, 2020, the Corporation converted a $30,000 construction facility into a term facility. Upon conversion to a term facility, the first amortization payment of $750 was paid on September 30, 2020, with the second payment of the same amount payable on March 31, 2021 and quarterly thereafter.

(ii) Revolver facility #1

$10,000 facility, fully drawn as at December 31, 2020, is available for general corporate purposes.

The term facility and revolver facility bear interest at variable rates. As at December 31, 2020, the Corporation’s interest rate for its advances range from 3.47% to 4.93% (December 31, 2019 - 5.03%) on the $29,250 and $10,000 (December 31, 2019 - $28,238 and $3,000) drawn under the term facility and revolver facility, respectively.

10. Loans and borrowings (continued)

(iii) Revolver facility #2

$4,000 facility, available for certain working capital requirements, undrawn as at December 31, 2020.

(iv) Letter of credit facility

As at December 31, 2020, the Corporation has issued $4,046 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 and has availability up to $8,000.

(v) Hedging facility

A risk management facility allowing for interest rate, commodity and foreign exchange hedging. As at December 31, 2020, the Corporation has a $9,500 interest rate swap until November 2022 at 3.82%. This swap settles $250 per quarter beginning in the third quarter of 2020, until the loan matures on November 19, 2022 (note 26).

(b) Convertible loan facility

The convertible loan is a revolving, subordinated, secured credit facility of $75,000. It is convertible into common shares at $2.25 per share, bears interest at 12% per annum and is subordinated to the ATB credit facilities. The convertible feature of the loan was valued at $nil and therefore has no amount allocated to equity. Pursuant to an intercreditor agreement, the term of the convertible loan ends upon repayment of the ATB credit facilities. As at December 31, 2020, the Corporation has $29,438 (December 31, 2019 - $21,595) outstanding.

The convertible loan facility was provided by two significant shareholders of the Corporation, one of whom is also Chief Executive Officer and Chairman of the Board and the other of whom is Vice Chairman of the Board. Total interest and fees paid under this facility was $1,494 (December 31, 2019 – nil).

(c) Bank of Montreal facility

The Corporation has a credit agreement with the Bank of Montreal for a demand facility that requires full cash collateralization of letters of credit on a non-revolving basis. As at December 31, 2020, the Corporation has $2,150 of outstanding letters of credit (December 31, 2019 - $7,849) and cash of the same amount was deposited into a restricted bank account maintained by the bank. There are no financial covenants or funds available to be drawn under this credit agreement.

(d) Debt covenants

Commencing on December 31, 2020, the Corporation is required to maintain a Debt Service Coverage Ratio of not less than 1.50:1.00 determined as at the last day of each financial quarter on a rolling four quarter basis.

Commencing on December 31, 2020, the Corporation shall not exceed debt to earnings before interest, taxes, depreciation and amortization of 3.00:1.00 determined as at the last day of each financial quarter on a rolling four quarter basis.

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

10. Loans and borrowings (continued)

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

In addition, MAXIM is subject to customary affirmative covenants and reporting requirements. As at December 31, 2020, MAXIM is in compliance with all debt covenants.

(e) Repayments

The Corporation’s anticipated principal repayment obligations as at December 31, 2020 on the above loans and borrowings over the next five calendar years are as follows:

2021	3,000
2022	65,688
	68,688

11. Provisions for decommissioning

The Corporation’s provisions are comprised of decommissioning liabilities that relate to the retirement of its electrical generating facilities related to continuing operations. The decommissioning liabilities have been discounted at the risk-free rate, which was 0.2% to 1.1% (December 31, 2019 – 1.6% to 1.7%) depending on the timeframe of when the liability will be settled and inflation rates, which were 0.2% to 1.1% (December 31, 2019 – 1.3%). The Corporation is required to re-measure the provision at each reporting period in order to reflect expected cost, timing and discount rates in effect at that time. The total undiscounted inflation adjusted amounts of estimated obligations are approximately $14,183 (December 31, 2019 - $19,827) and are expected to be incurred in one to twenty five years from the date of these consolidated financial statements.

Because of the long-term nature of the liabilities, the greatest uncertainty in estimating the provision is the costs that will be incurred. In particular, the Corporation has assumed that each site will be restored using technology and materials that are currently available.

Balance, December 31, 2018	16,977
Accretion	381
Changes in estimate	(3,338)
Remediation of certain lands at the Milner site in progress	(276)
Balance, December 31, 2019	13,744
Accretion	157
Changes in estimate	(2,617)
Remediation of certain lands at the Milner site in progress	(287)
Balance, December 31, 2020	10,997

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

11. Provisions for decommissioning (continued)

(a) Reimbursement of decommissioning costs

The Corporation is responsible for the decommissioning of Milner subject to the Balancing Pool reimbursing MAXIM for the first $15,000 of costs. The Corporation continued remediation of certain lands at the Milner site in 2020 and as at December 31, 2020, the Corporation has billed the Balancing Pool $4,685 (December 31, 2019 - $4,398). At December 31, 2020, the Corporation remains responsible for $10,315 and the fair value of this remaining reimbursement from the Balancing Pool of $7,957 (December 31, 2019 - $7,574) is included in other assets (note 8), the accretion of the asset is included as a credit to finance expense (note 17).

(b) Change in estimate of decommissioning costs

During 2020, the Corporation has recognized the decommissioning liability for M2. As at December 31, 2020, the estimated decommissioning costs are $2,149. The life expectancy of this asset is December 31, 2045 and estimated costs have been valued using the discounted risk-free rate of 1.2%. The Corporation has also updated the estimate of decommissioning liability for Milner and M2. As at December 31, 2020, the estimated decommissioning costs for Milner and M2 are $8,399 and $2,149, respectively. The life expectancy of this asset is December 31, 2045 and estimated costs have been valued using the discounted risk-free rate of 1.2%.

12. Share capital

During 2020, the Corporation purchased and cancelled 412,568 (2019 – 2,312,067) common shares under the normal course issuer bid ("NCIB") program at a cost of $838 (2019 - $3,794). Common shares purchased were recognized as a $1,187 (2019 - $6,659) reduction to share capital which is equal to the weighted average carrying value of common shares. The difference between the aggregate purchase price and the average carrying value of the common shares of $349 (2019 - $2,865) was recorded as a reduction in deficit.

	Number of Shares	$
Common Shares of MAXIM		
Common Shares, December 31, 2018	52,526,173	151,430
Common Shares purchased and cancelled under NCIB	(2,312,067)	(6,659)
Common Shares, December 31, 2019	50,214,106	144,771
Common Shares purchased and cancelled under NCIB	(412,568)	(1,187)
Common Shares, December 31, 2020	49,801,538	143,584

The Corporation is authorized to issue the following classes and number of shares:

(a) an unlimited number of Common Shares without nominal or par value

(b) an unlimited number of Preferred Shares

All shares rank equally with regard to the Corporation's equity and shall be entitled to one vote per share at the meetings of the shareholders of the Corporation. The holders of the Common Shares are entitled to receive equally any dividends declared by the Corporation. As at December 31, 2020 and 2019, there are nil Preferred Shares outstanding.

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

13. Share-based compensation

The Corporation has an employee stock option plan under which employees, directors and key consultants are eligible to receive grants.

Stock options granted under the plan vest over a three year period in equal amounts. The grantee has the right to exercise the vested stock options within one year of vesting. The maximum number of outstanding stock options under the plan is limited to 10% of the number of common shares outstanding. The Corporation's Board of Directors determines the number of stock options to be granted, and sets the exercise price based on the market value at the time of granting. Stock options issued and outstanding are as follows:

			December 31, 2020			December 31, 2019
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of period	2,148,202	$	2.05	1,862,653	$	2.45
Cancelled	(250,000)		2.20	(144,451)		2.59
Settled for cash (a)	(391,852)		1.81	-		-
Granted (b)	1,244,168		1.80	1,145,467		1.86
Expired	(586,069)		2.32	(715,467)		2.68
Outstanding, end of period	2,164,449	$	1.86	2,148,202	$	2.05
Exercisable	534,814	$	2.03	586,069	$	2.32

The Corporation recorded non-cash share-based expense of $402 (December 31, 2019 - $336) for the year ended December 31, 2020.

(a) During 2020, the Corporation cash-settled 391,852 options for cash for $146.

(b) During 2020 and 2019, the Corporation granted options to certain employees and directors. The fair value of each option granted is estimated at the date of grant using the Black-Scholes option pricing model with weighted average assumptions for the grant as follows:

	2020	2019
Fair value of each option ($)	0.42	0.36
Share price at grant date ($)	1.80	1.86
Exercise price ($)	1.80	1.86
Risk-free interest rate (%)	0.46	1.53
Expected life (years)	1.92	1.68
Expected volatility (%)	40.26	28.70
Forefiture rate (%)	-	-

Expected volatility was calculated by using daily volatility of the historical closing value of the Corporation's stock, using the date of the grant as the starting point of the retrospective data capture.

(c) As at December 31, 2020, the range of exercise prices was $1.40 - $2.20 (December 31, 2019 - $1.60 - $2.50) and the weighted average remaining contractual life was 1.8 years (December 31, 2019 – 1.8 years).

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

14. Revenue

	December 31, 2020	December 31, 2019
Revenue from contracts with customers	46,720	28,303
Other revenue	6	32
Total revenue	46,726	28,335

Revenue from contracts with customers consists of revenue generated from the sale of electricity to the Corporation's sole customer. MAXIM recognizes revenue when the performance obligation is satisfied, which is the moment electricity is generated and delivered to the grid. The amount of revenue recognized is based on the agreed transaction price which is the average spot price determined on an hourly basis for the volume of generation produced. Collection occurs the following month on the twentieth business day.

15. Operating, general and administrative expenses by nature

	December 31, 2020	December 31, 2019
Fuel costs	22,928	10,566
Operating and maintenance	8,792	12,790
Wages and employee benefits	7,376	9,455
Total operating and general and administrative expenses	39,096	32,811

16. Other income, net

	December 31, 2020	December 31, 2019
Line loss proceedings payment (a)	(6,418)	-
Restructuring operations (b)	994	447
Other expense (income)	(325)	29
Gain on sale of asset (c)	-	(1,202)
Total other income, net	(5,749)	(726)

(a) The Line Loss Proceeding payment of $6,418 is the first payment from the Alberta Electric System Operator (“AESO”) for the Line Loss Proceeding and relates to years 2014 to 2016. Payments for years 2006 to 2013 are outstanding (note 20).

(b) This consists of costs incurred to restructure the Corporation’s operations to reduce ongoing operating costs. These expenses primarily related to severance payments to employees.

(c) During 2019, the Corporation sold the assets of the Gold Creek generating facility, classified as PP&E, for cash consideration of $1,222, net of closing costs. As a result, the Corporation realized a pre-tax gain of $1,202.

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

17. Finance expense (income), net

	December 31, 2020	December 31, 2019
Interest expense and bank charges	3,526	157
Amortization of deferred financing costs	1,946	332
Loss on interest rate swap	87	-
Accretion of provisions	76	181
Foreign exchange (gain) loss	(33)	33
Finance expense	5,602	703
Interest income (a)	(202)	(874)
Total finance expense (income), net	5,400	(171)

(a) Includes interest income on cash and cash equivalents, and restricted cash.

18. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2020 was based on the net income attributable to common shareholders of $9,260 (December 31, 2019 – loss of $5,850) and weighted average number of common shares outstanding for the period of 49,989,731 (December 31, 2019 – 52,244,935), calculated below:

Weighted average number of common shares (basic):

	2020	2019
Issued common shares at January 1	50,211,206	52,526,173
Effect of stock options exercised	-	-
Effect of NCIB	(221,475)	(281,238)
Weighted average number of common shares at December 31	49,989,731	52,244,935

(b) Diluted earnings per share

For the year ended December 31, 2020, 217,552 shares were added to the average number of common shares outstanding as the effects of exercisable stock options were antidilutive. For the year ended December 31, 2019 diluted earnings per share calculation no shares were added to the average number of common shares outstanding as the effects of exercisable stock options were antidilutive

Weighted average number of common shares (diluted):

	2020	2019
Weighted average number of common shares (basic)	49,989,731	52,244,935
Effect of exercisable stock options	217,552	-
Weighted average number of common shares (diluted) at December 31	50,207,283	52,244,935

19. Commitments

(a) MPLP is responsible for the decommissioning and remediation of the power station lands at Milner and the present value of these amounts have been recorded in provisions. The Balancing Pool has agreed to reimburse MPLP for the first $15,000 in decommissioning expense.

As at December 31, 2020, on a life-to-date basis, the Corporation has billed $4,684 and collected $4,630 from the Balancing Pool for remediation of certain lands at Milner. The present value of the residual balance of $7,957 has been recorded in other assets. Should there be a material breach of environmental laws by MPLP during the period of ownership, then MPLP is required to contribute fully to the incremental costs caused by such material breach.

(b) The Corporation has entered into a contract for maintenance of equipment and construction for M2. These contracts have a minimum commitment totaling $1,116 as at December 31, 2020.

(c) 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 December 31, 2020 is $16,669.

20. Contingencies

(a) Contingent liabilities

The Corporation operates in a regulatory and commercial environment that exposes it to regulatory, contractual and litigation risks. As a result, the Corporation is involved in certain disputes and legal proceedings, including litigation, arbitration, and regulatory investigations. Such cases are subject to many uncertainties, and the outcomes are often difficult to predict, including the impact on operations or on the financial statements, particularly in the earlier stages of a case. In certain circumstances, to avoid the expense and distraction of legal proceedings, the Corporation may, based on a cost-benefit analysis, enter into a settlement even though denying any wrongdoing. The Corporation makes provisions for cases brought against it when, in the opinion of management after seeking legal advice, it is probable that a liability exists, and the amount can be reliably estimated.

The Corporation closed the sale of the France operating segment on December 2, 2016. Under the agreement, the Corporation continues to be subject to the claims received for €1,700 thousand in additional costs from suppliers in France. Costs in relation to these claims and potential claims are only recognized when they become probable and based on the information presently known, it is the view of the Corporation that these claims and potential claims are without merit. Further under the agreement, the Corporation is subject to performance criteria of certain generating units in the France operating segment until October 31, 2017. The Corporation is responsible to reimburse the buyer of the France operating segment for penalties incurred until that time up to a maximum of €1,500 thousand. Any amounts claimed by the buyer in relation to these two amounts will be reduced by any recoveries attained by the buyer from legal proceedings against third parties that were ongoing at the time of the sale and date of these Consolidated Financial Statements.

Costs in relation to these claims and potential claims are only recognized when they become probable and based on the information presently known, it is the view of the Corporation that no liability currently exists.

The actual outcome of these claims and potential claims, including the timing and amount of any cash outflow or the possibility of reimbursements, is not yet determinable.

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

20. Contingencies (continued)

(b) Contingent assets

Through its D06-Decision, the Alberta Utilities Commission ("AUC" or the "Commission") asserted its position on several matters related to remedy under Module C of MPLP's complaint relating to the Alberta Electric System Operator ("AESO") Line Loss Proceeding. The D06-Decision confirmed that the same method that was used to calculate 2017 prospective loss factor rates would be used for the historic period of January 1, 2006 to December 31, 2016. The AUC deemed that a single settlement approach will be used whereby the AESO calculates all eleven years before cash is settled. The D06-Decision further confirmed that the settlement be affected by reissuing invoices to the original party and that a rider will be applied to transmission rates across the industry to collect any shortfall from the inability to collect from an original party.

The AUC rendered its decision ("Decision 25150-D02-2020") regarding the AESO's request to review and vary the Commission's findings related to the single settlement approach as described in D06-Decision. The Commission found that the settlement findings in the D06-Decision should be varied from a single settlement process to one that is completed in three settlement periods including one for three years (2016 to 2014), and two for four years (2013 to 2010 and 2009 to 2006) for the historical period. Total overpayments of approximately $41,654 were made by MPLP to the AESO for the period January 1, 2006 to December 31, 2016. In addition, $11,277 of interest will be paid to MPLP based on calculations from the AESO's simple interest method, thereby increasing the total payment to $52,931. As at December 31, 2020, the Corporation has collected $6,418 pertaining to years 2016 to 2014, which has been recorded as other income. The remaining balance of $46,513 is anticipated to be collected, but has not been accrued as at December 31, 2020. Refer to note 28 for subsequent events.

The Corporation has closed the sale of a development project on June 20, 2018. Under the sales agreement, the Corporation is entitled to additional compensation if the purchaser executes a renewable power purchase agreement or begins construction of the project. In addition, the Corporation is entitled to further compensation upon the date of commercial operation. This additional compensation, under both conditions, shall not exceed $2,810. As at December 31, 2020, the precise amount and timing of compensation under the sales agreement cannot be determined.

21. Income taxes

(a) Tax (benefit) expense recognized in statements of income (loss)

	December 31, 2020	December 31, 2019
Current tax benefit		
Current year	-	(13)
Adjustment for prior years tax returns	-	-
	-	(13)
Deferred tax (benefit) expense		
Origination and reversal of temporary differences	713	(1,079)
Changes in tax rates	(71)	8,232
Change in recognized deductible temporary differences	(7,104)	(5,385)
Adjustment for prior years tax returns	-	(557)
	(6,462)	1,211
Total tax (benefit) expense	(6,462)	1,198

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

21. Income taxes (continued)

(b) Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at December 31, 2020 of 24% (December 31, 2019 – 26.5%) to income before income taxes. A reconciliation of this difference is presented below.

A reconciliation of the differences is as follows:

	December 31, 2020	December 31, 2019
Net income (loss) before tax	2,798	(4,652)
Statutory tax rate	24.00%	26.50%
Computed income taxes	672	(1,233)
Increase (decrease) in taxes:		
Change in recognized deductible temporary differences	(7,064)	(5,385)
Changes in tax rates	(81)	8,251
Effect of tax rates in foreign jurisdictions	(31)	(20)
Non-deductible expenses (non-taxable income), net	42	142
Adjustments for prior years	-	(557)
Total tax (benefit) expense	(6,462)	1,198

(c) Unrecognized deferred tax assets

As at December 31, 2020, there are non-capital loss carry-forwards of $203,377 (December 31, 2019 - $195,999) in Canada. As at December 31, 2020, $121,675 (December 31, 2019 - $153,220) of the tax loss carry-forwards are unrecognized.

(d) Unrecognized deferred tax liabilities

As at December 31, 2020, there are no net taxable temporary differences (December 31, 2019 - $nil) related to investments in certain subsidiaries for which no deferred tax liability has been recognized. No deferred tax liability has been recognized in the prior year because the Corporation controlled whether the liability will be incurred and it was satisfied that it will not be incurred in the foreseeable future at that time.

(e) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
December 31,	2020	2019	2020	2019	2020	2019
Non-capital loss carry forwards	18,791	9,927	-	-	18,791	9,927
Capital assets	(1,164)	2,235	-	-	(1,164)	2,235
Other	2,210	1,227	(39)	(53)	2,171	1,174
	19,837	13,389	(39)	(53)	19,798	13,336
Set off of tax	(39)	(53)	39	53	-	-
Net tax assets (liabilities)	19,798	13,336	-	-	19,798	13,336

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

21. Income taxes (continued)

As at December 31, 2020, there are deferred tax assets (net of tax liabilities) of $19,798 (December 31, 2019 - $13,336) related to a Canadian legal entity. These deferred tax assets are dependent on future taxable profits within the legal entity. These deferred tax assets primarily arise from deductible temporary differences related to non-capital losses. The taxable profits are based on estimated future taxable income for the first stage of M2. Taxable income is estimated based on forecasted prices for power and natural gas and production volumes. Additionally, the utilization of these losses is dependent on the monetization, in part, of the remaining contingent assets in connection with the Corporation’s Line Loss Proceedings as detailed in Note 20(b).

The Corporation anticipates that these recognized assets related to losses will be utilized in the years to come via taxable profits within this legal entity. The recognized and unrecognized assets related to losses start to expire in 2027. Current estimates support the assertion that the recognized assets related to losses will be fully utilized by the time they expire.

(f) Movement in deferred tax assets (liabilities) during the year:

	Net Operating	Capital Assets	Other	Total
At December 31, 2018	10,392	5,989	(1,834)	14,547
Credited (charged) to income	(465)	(3,754)	3,008	(1,211)
At December 31, 2019	9,927	2,235	1,174	13,336
Credited (charged) to income	8,864	(3,399)	997	6,462
At December 31, 2020	18,791	(1,164)	2,171	19,798

22. Related party transactions

Compensation of key management personnel:

	December 31, 2020	December 31, 2019
Short-term employee benefits, including wages and benefits	2,005	1,745
Share-based compensation	364	305
Total	2,369	2,050

Key management personnel include the Corporation’s Directors and Named Executive Officers.

Other than the Corporations subordinated conversion facility (note 10b), there were no other related party transactions during 2020 or 2019.

23. Employee benefits

Benefits are based on plan contributions under the defined contribution pension plan. During 2020, the pension expense for this plan was $156 (2019 - $178). There has been no change in the contribution rate during 2020.

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

24. Change in non-cash working capital

	December 31, 2020	December 31, 2019
Operations		
Trade and other receivables	(2,888)	2,196
Prepaid expenses and deposits	(360)	(550)
Trade and other payables	(5,693)	5,711
	(8,941)	7,357

	December 31, 2020	December 31, 2019
Investing		
Trade and other payables	(5,490)	9,146
Other long-term liabilities	(2,074)	1,638
Restricted cash	1,653	(54)
	(5,911)	10,730

25. Financial risk management

During 2020, the COVID-19 pandemic created a dynamic and challenging environment. Combined with a decline in power prices, the result has been notable financial market volatility, including fluctuations in interest rates, foreign currency rates, natural gas prices and the Corporation's share price. The key implications of these developments on the Corporation's financial risk exposures and key strategies for mitigating those risks are addressed below.

The Corporation has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- foreign currency exchange risk
- interest rate risk
- commodity price risk

This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital.

The Board of Directors have overall responsibility for the establishment and oversight of MAXIM's risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring MAXIM's compliance with risk management policies and procedures. The committee reports regularly to the Board of Directors on its activities.

MAXIM's risk management policies are established to identify and analyze the risks faced by MAXIM, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and MAXIM's activities. MAXIM, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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

25. Financial risk management (continued)

Risk management assets recognized on the Consolidated Statement of Financial Position are attributable to the following:

(a) Credit risk

Credit risk arises from the possibility that a counterparty to which the Corporation provides goods or services is unable or unwilling to fulfill their obligations. The extent of the risk depends on the credit quality of the counterparty to which the Corporation provides goods or services.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	December 31, 2020	December 31, 2019
Cash and cash equivalents	12,261	20,924
Milner decommissioning reimbursement (note 11)	7,957	7,574
Trade and other receivables	6,952	4,064
Total	27,170	32,562

Trade and other receivables are predominantly with entities formed by governments for the purpose of facilitating commerce in the power and utility sector or a banking counterparty with a Standard & Poor's rating discussed below. For trade and other receivables from third parties and deposits to vendors who are not government sponsored entities, the Corporation utilizes regular credit monitoring processes to mitigate credit risk. MAXIM does not expect any losses from trade and other receivables.

As at December 31, 2020, the Corporation had no past due receivables.

Cash and cash equivalents are held with banking counterparties, which are rated A- and A+, based on rating agency Standard & Poor’s.

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they fall due. MAXIM’s approach to managing liquidity is through regular monitoring of cash requirements by preparing balance of year and long-term cash flow analyses.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

December 31, 2020	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2 to 3 years	4 to 5 years	Thereafter
Non-derivative financial instruments							
Trade and other payables	13,426	13,652	10,871	2,781	-	-	-
Other long-term liability (1)	202	202	-	-	62	80	60
Loans and borrowings	66,775	77,757	1,500	1,500	74,757	-	-
	80,403	91,611	12,371	4,281	74,819	80	60

(1) Other long-term liability is a lease which matures in October 2027.

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

25. Financial risk management (continued)

December 31, 2019	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2 to 3 years	4 to 5 years	Thereafter
Non-derivative financial instruments							
Trade and other payables	21,659	22,020	18,448	3,572	-	-	-
Other long-term liability	1,638	1,975	-	-	1,975	-	-
Loans and borrowings	49,001	65,444	-	1,500	63,944	-	-
	72,298	89,439	18,448	5,072	65,919	-	-

(c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and commodity price risks will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures, while optimizing cash flows to the Corporation.

(i) Foreign currency exchange risk

The Corporation is exposed to foreign currency exchange risk to the extent that revenue, expenses and monetary assets and liabilities are denominated in currencies that differ from the functional currency of the respective entity within the consolidated group. The Corporation has not hedged the exposure related to capital expenditures, revenues and expenses. At December 31, 2020, the Corporation is exposed to foreign currency exchange risk relating to accounts payable denominated in United States dollars. A strengthening (weakening) of the Canadian dollar by 10% against the United States dollar for the year ended December 31, 2020 would have decreased (increased) accounts payable by $400 (2019 - $428) as a result of these exposures.

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing and investing rates of the Corporation. MAXIM partially mitigates its interest rate risk by maintaining fixed rate loans and borrowings and periodically entering into interest rate swap agreements to change floating rate debt to fixed rate debt. MAXIM's convertible loan is a fixed rate debt. The term and revolver facilities are at variable rates. An increase of interest rates of 100 basis points, of the remaining unhedged position, would have impacted MAXIM, in 2020, by $283 (2019 - $7).

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity and natural gas. The Corporation periodically reduces its exposure to commodity price risk by entering into fixed for floating swaps for the price of the electricity and natural gas in Alberta. For the year ended December 31, 2020, an appreciation in electricity prices in the Alberta power market by $1 per MWh would have increased net income by $838 (2019 - $443). A weakening of electricity prices by this amount would have the opposite effect on other comprehensive income and net income.

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

26. Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

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 following table provides the fair values of the financial assets and liabilities in the Corporation's Consolidated Statements of Financial Position and is categorized by hierarchical levels and their related classifications.

December 31, 2020	Total carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Cash and cash equivalents	12,261	12,261	-	-
Trade and other receivables	6,952	6,952	-	-
Restricted cash	6,196	6,196	-	-
Milner decommissioning reimbursement	7,957	-	7,957	-
Total assets	33,366	25,409	7,957	-
Trade and other payables	13,426	11,432	1,994	-
Other long-term liabilities	202	202	-	-
Loans and borrowings	66,775	-	69,055	-
Total liabilities	80,403	11,634	71,049	-

December 31, 2019	Total carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Cash and cash equivalents	20,924	20,924	-	-
Trade and other receivables	4,064	4,064	-	-
Restricted cash	7,849	7,849	-	-
Milner decommissioning reimbursement	7,574	-	7,574	-
Total assets	40,411	32,837	7,574	-
Trade and other payables	21,659	21,659	-	-
Other long-term liabilities	1,638	1,638	-	-
Loans and borrowings	49,001	-	50,342	-
Total liabilities	72,298	23,297	50,342	-

The fair value of cash and cash equivalents, trade and other receivables and trade and other payables approximates their carrying values due to their short-term nature.

The fair value of Milner decommissioning reimbursement is estimated at the present value of future cash flows, discounted at the risk-free rate specific to the asset.

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. MAXIM determined the fair value of the loans and borrowings using comparable debt instruments with similar maturities. The carrying value of floating rate debt approximates fair value.

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

26. Fair Value (continued)

(a) Commodity risk management swaps and options

The fair value 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.

December 31, 2020	Realized gain	Unrealized loss	Total loss (gain)
Power commodity swaps	(2,128)	259	(1,869)
Gas commodity swaps	(143)	1,736	1,593
Total loss (gain) on commodity swaps	(2,270)	1,994	(276)

December 31, 2019	Realized gain	Unrealized gain	Total gain
Power commodity swaps	(2,737)	-	(2,737)
Total gain on commodity swaps	(2,737)	-	(2,737)

(b) Foreign exchange risk management swap and options

The Corporation manages this exposure by purchasing foreign currency or entering into a foreign currency swaps and purchasing put options, for a portion of the exposure. The fair value of the foreign currency swap and put options are classified as Level II under the fair value hierarchy as the fair values are based on observable market data.

At December 31, 2020 and 2019, the Corporation had no outstanding foreign exchange risk management swaps and options.

(c) Interest rate swaps and options

The Corporation manages interest rate exposure in accordance with the provisions under the ATB Credit Facilities (note 10), by entering into interest swaps. The fair value of the interest rate swap are classified as Level II under the fair value hierarchy as the fair values are based on observable market data.

For the year ended December 31, 2020, the realized and unrealized loss on interest rate swaps and options was $33 and $54, respectively (December 31, 2019 - $nil).

27. Capital management

MAXIM manages its capital in a manner consistent with the risk characteristics of the assets it holds. All capital transactions, including equity, debt, and capital leases, are analyzed by management and approved by the Board of Directors.

The Corporation’s objectives when managing capital are:

(a) to safeguard the Corporation’s ability to continue as a going concern and provide returns for shareholders;

(b) to facilitate the acquisition or development of power projects in Canada that are accretive to providers of capital.

The Corporation is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential expenditures, preparing balance of year and long-term cash flow analyses to ensure an adequate amount of liquidity and monthly review of financial results.

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

27. Capital management (continued)

The Corporation has sought out loans and borrowings as a source of financing for capital projects.

The following table represents the net capital of the Corporation:

	December 31, 2020	December 31, 2019
Long-term debt	66,775	49,001
Less: Unrestricted cash	(12,261)	(20,924)
Net debt	54,514	28,077
Equity attributable to shareholders	147,910	139,232
Net capital	202,424	167,309

There have been no changes in the Corporation's approach to capital management from the previous years.

28. Subsequent event

On March 1, 2021, the AESO paid MAXIM $27,895 relating to years 2010, 2011, 2012 and 2013 (amount received is consistent with amount disclosed in note 20(b) and is the second of three settlements) of the Line Loss Proceeding. Of the amount received, $5,449 related to interest.

On March 5, 2021, the AESO calculated and released a preliminary settlement statement related to years 2006, 2007, 2008 and 2009 (amount anticipated to be received is consistent with the amount disclosed in note 20(b) and is the third of three settlements) of the Line Loss Proceeding payable to MPLP in the amount of $18,618, including interest. The AESO has disclosed that settlement of the $18,618 is expected to occur on May 31, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated March 18, 2021 and should be read in conjunction with the audited consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for year ended December 31, 2020. MAXIM prepares its audited consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("GAAP").

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

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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. At December 31, 2020, and as at the date of this MD&A, MAXIM has two power generating facilities, Milner 2 (“M2”) and HR Milner (“Milner”) with 204 MW and 150 MW, respectively, of electric generating capacity in Canada.

The M2 power plant is a 204 MW state-of-the-art natural gas-fired turbine generator located at the Milner generating station site near Grande Cache, Alberta. The M2 unit was commissioned in June 2020 and was the largest simple cycle natural gas-fired power plant in Alberta. MAXIM has the option to increase the capacity of M2 to approximately 300 MW and concurrently realize an improvement in the efficiency of the plant by investing in heat recovery combined cycle technology. This project would repower the existing Milner steam turbine to generate approximately 96 MW out of its total 150 MW rated capacity.

The Milner power plant is located near Grande Cache, Alberta and is a 150 MW dual fuel steam turbine generator which on a go-forward basis will predominantly use natural gas as its fuel source. Milner is currently permitted to run at a 9% capacity factor until December 31, 2029. As a result of commissioning M2, Milner has been laid up with the option to restart at a later date as a stand-alone unit or in combined cycle operation with M2.

MAXIM has received regulatory approvals to construct and operate the 190 MW natural gas-fired Deerland peaking station located near Bruderheim, Alberta ("Deerland"). MAXIM has a wind development project, Buffalo Atlee, which has the potential for up to 200 MW of wind generation capacity. All future development initiatives are at various stages of development and subject to, among other things, financing, development and permitting of necessary electrical transmission and fuel supply infrastructure, equipment procurement and various other commercial contracts. MAXIM has not made any definitive commitments to the timing or certainty of advancing development of these projects. MAXIM intends to evaluate its plans for these projects as clarity develops for the Alberta market.

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

OVERALL PERFORMANCE

Highlights

MAXIM has prudently managed its business during the Coronavirus (“COVID-19”) pandemic, focused on safe and reliable construction and operation of its assets, with strong capital discipline while maintaining positive liquidity. During the course of 2020, MAXIM was impacted by COVID-19 and adapted to the situation that was presented by following all government protocols to ensure a safe working environment and while doing so, there were no significant disruptions. Refer to the Outlook section on page 4 for further details.

As of the date of this MD&A, the Corporation has received the first and second of three Line Loss Proceeding payments in the sum of $34.3 million from the Alberta Electric System Operator (“AESO”) relating to the years 2010 to 2016, of which $6.4 million was received in December 2020. The Corporation has also received a preliminary statement from the AESO for the third payment relating to the years 2006 to 2009 in the amount of $18.6 million which is expected to be paid on May 31, 2021. The total recovery of overpayments made by Milner Power Limited Partnership (“MPLP”) will total $52.9 million, inclusive of interest.

During 2020, MAXIM recorded adjusted earnings before interest, taxes, depreciation and amortization, ("Adjusted EBITDA" (1)) of $10.3 million. A significant proportion of the increase is primarily the result of the operation of M2, which was commissioned in the second quarter of 2020. M2 generated 795,459 MWh in 2020 and realized average power prices of $49.62 per MWh.

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

MAXIM completed construction and commissioning of M2 in June despite challenging construction conditions related to both weather and COVID-19. This project represents an industry leading sixteen month construction duration and twenty one month total project horizon (from equipment procurement to project completion). M2 was the largest simple cycle natural gas-fired power plant in Alberta and is a significant milestone in the province's transition away from coal-fired generation.

The M2 project is a testament to the Government of Alberta's ("GoA") ongoing commitment to promote economic development by creating a stable and attractive investment climate. The project created more than 120 jobs during the course of its construction and now provides ongoing employment and support of local businesses in the Grande Cache area of Alberta. The government's work to ensure federal carbon policy does not inhibit investment and its introduction of the made-in-Alberta Technology Innovation and Emissions Reduction Regulation ("TIER") program are important to this project and to MAXIM's significant commitment to investing in Alberta's power infrastructure. The existing Milner facility is currently offline while MAXIM operates M2, however Milner is permitted to operate at an annual capacity factor of up to 9% (using coal as a portion of its fuel supply) until 2029, which is approximately 113,500 MWh per annum.

On May 26, 2020, MAXIM announced that it has received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid ("NCIB") for 2020/2021. Under this NCIB, the Corporation may purchase for cancellation up to 2,500,000 common shares of the Corporation. As of December 31, 2020, the Corporation has repurchased and cancelled 260,293 common shares at an average cost of $2.19 per share. Under MAXIM's previous normal course issuer bid, MAXIM completed the purchase of 2,348,162 common shares at a weighted average price of $1.63 per share.

On January 5, 2021, MAXIM announced that Kyle Mitton, formerly Vice President, Corporate Development, was appointed to Chief Financial Officer ("CFO") and Vice President, Corporate Development. On September 9, 2020, MAXIM announced that Robert Emmott, formerly Executive Vice President and Chief Operating Officer, was appointed to President and Chief Operating Officer.

Annual Key Performance Indicators ("KPI")

(000's unless otherwise noted)	2020	2019	2018
Revenue	46,726	28,335	19,744
Adjusted EBITDA (1)	10,302	(1,403)	(5,857)
Net income (loss) attributable to shareholders	9,260	(5,850)	4,377
Basic net income (loss) per share attributable to shareholders ($ per share)	0.19	(0.11)	0.08
Diluted net income (loss) per share attributable to shareholders ($ per share)	0.18	(0.11)	0.08
Total generation - Milner (MWh)	42,301	442,916	304,711
Total generation - M2 (MWh) (2)	795,459	-	-
Average Alberta market power price ($ per MWh)	46.72	55.31	50.19
Average Milner realized power price ($ per MWh) (3)	171.45	63.90	64.68
Average M2 realized power price ($ per MWh) (2) (3)	49.62	-	-
Total assets	239,310	225,274	172,188

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

(2) Generation and realized power prices for M2 relate to June to December 2020 only as the asset was commissioned on June 1.

(3) Combined realized price for M2 and Milner for the twelve months ended December 31, 2020 was $55.77.

Financial Results

During 2020, Adjusted EBITDA increased as compared to 2019 and 2018, primarily due to the operations of M2 which was commissioned in the second quarter of 2020. M2 not only increased revenues as a result of its greater generation capacity and reliability, but it also resulted in reduced Operations and Maintenance ("O&M") costs because, as a natural gas-fired unit, M2 requires fewer resources to operate and pays significantly less carbon tax compared to the coal and natural gas-fired Milner facility. These favourable variances were partially offset by lower realized power prices, higher fuel costs due to higher generation volumes and higher per unit natural gas costs in 2020 as compared to 2019 and 2018.

Net income increased in 2020, primarily due to the same factors impacting Adjusted EBITDA and the recognition of a deferred tax benefit, partially offset by the depreciation of M2 and higher financing costs incurred in relation to the M2 project.

OUTLOOK

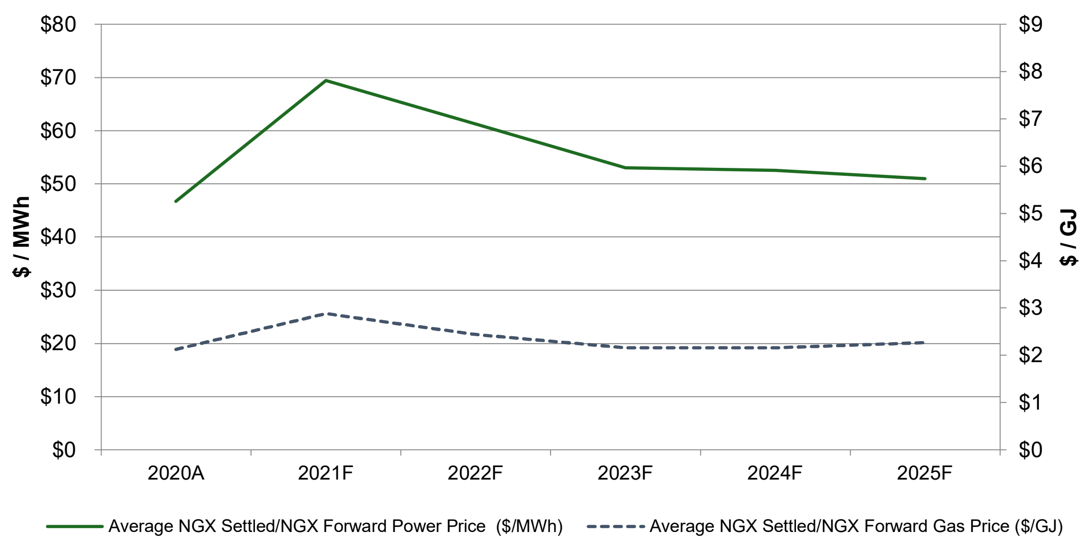
Alberta Power Price

This following commentary represents Forward Looking Information ("FLI") and users are cautioned that actual results may vary.

During 2020, the average Alberta market power price was $46.72 as compared to $55.31 for the same period in 2019. The Corporation believes that the decline in power prices was primarily due to lower demand for power in Alberta as a result of low oil prices and COVID-19. The Corporation was well positioned to partially mitigate the lower prices as a result of COVID-19 in 2020 through the operations of M2, which is an efficient, state of the art power generating facility, with low operating costs. M2 is more economical during periods of lower power prices than Milner.

In 2021, management began to observe an increase in power prices as a result of higher oil prices, reduced impact from COVID-19 and dispatch control of six coal fired units, totaling 2,380 MW of generation capacity, returning to independent power producers from the Balancing Pool. These changes are reflected in the current forward power prices for 2021 as shown in the graph below which covers the period from 2020 through to 2025. Of note, beginning in 2022 forward power prices decline as new wind generation projects from the renewable energy program are expected to come online. Prices level off in 2023 in line with the expected completion of the 900 MW gas-fired Cascade Power Project.

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



DEVELOPMENT INITIATIVES

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

Current Project Developments

During the second quarter of 2020, MAXIM successfully commissioned M2, which began generating electricity to the Alberta power grid on May 8, 2020. Total capital costs of the project, incurred to date and put into service, including borrowing costs and deposits, is $144.3 million. An additional $0.7 million is expected to be incurred in 2021 for compliance costs, increasing the total cost to $145.0 million.

Future Development Initiatives

In addition to the simple cycle phase of M2 and the existing Milner facility, MAXIM has 536 MW of permits to develop generation capacity in Alberta, of which 346 MW is at the Milner site and 190 MW at the Deerland site.

Management continues to review development options to invest in heat recovery technology to expand M2 into a combined cycle gas turbine (“CCGT”) facility. The CCGT project would increase total generation capacity and operational efficiency resulting in lower O&M costs per MWh. The costs for the CCGT construction and commissioning, and the next steps in the project are being reviewed by management. In order to proceed with the CCGT project, the Corporation would need to secure additional financing and no decisions have been made at this time.

MAXIM also has a wind development project, Buffalo Atlee, which has the potential for up to 200 MW of wind generation capacity.

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

MAXIM maintains the flexibility to manage the timing of its development initiatives. MAXIM accounts for its development projects as assets under construction included in Property, Plant and Equipment (“PP&E”). Capitalization of costs associated with these projects commences once technical and economic feasibility is established. If a project no longer meets these criteria, any capitalized costs for the project are expensed in the period.

FORWARD-LOOKING INFORMATION

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

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

Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Corporation believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements speak only to the date of this MD&A. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable securities laws. Certain information in this MD&A is FLI and is subject to important risks and uncertainties. The results or events predicted in this information may differ from actual results or events.

Factors which could cause actual results or events to differ materially from current expectations include the ability of the Corporation to implement its strategic initiatives, the availability of capital and contractors to execute its development initiatives, the availability and price of energy commodities, government and regulatory decisions including carbon pricing, power plant availability, competitive factors in the power industry, foreign exchange and tax rates, pandemics, prevailing economic conditions in the regions that the Corporation operates, operational efficiency and planned or unplanned outages, the timing and finalization of settlement amounts for the AESO Line Loss Proceeding and the other risks described herein and under the heading "Risk Factors" in the Corporation's most recently filed annual information form filled on SEDAR at www.sedar.com.

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

- MAXIM's working capital is dependent on electric power and natural gas prices and management forecasts that cash flows for operating, general and administrative expenses will be funded by its operating revenue and existing cash on hand. MAXIM estimates total capital expenditures to be incurred in 2021 of $14.0 million. These expenditures primarily relate to forecasted capital spares and finalization of compliance projects for M2, and costs to further advance the expansion of M2 into a CCGT facility. Refer to the Development Initiatives section on page 5 for further discussion on capital spending.
- MAXIM anticipates compliance with all necessary provincial and federal regulations for environmental and climate change legislation and all necessary requirements of operating permits. Changes to environmental legislation and operational issues may affect the ability of MAXIM to comply with regulations.
- MAXIM's anticipated receipt of the estimated remaining Line Loss Proceeding claim on pages 2 and 14.
- Other matters and factors described under the Outlook section on page 4.
- Refer to Risks and Risk Management on page 18 for further discussion of risks and uncertainties.

SELECTED QUARTERLY FINANCIAL INFORMATION

KPI's

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Dec 2020	30-Sep 2020	30-Jun 2020	31-Mar 2020
Revenue	17,282	17,726	4,460	7,258
Adjusted EBITDA	3,998	5,698	(1,589)	2,195
Net income (loss)	8,923	498	(1,167)	1,006
Basic and diluted net income (loss) per share ($ per share)	0.18	0.01	(0.02)	0.02
Total assets	239,310	235,915	241,896	227,392

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Dec 2019	30-Sep 2019	30-Jun 2019	31-Mar 2019
Revenue	4,972	8,488	6,676	8,199
Adjusted EBITDA	(2,185)	2,601	(785)	(1,034)
Net income (loss)	(2,173)	2,204	(4,087)	(1,794)
Basic and diluted net income (loss) per share ($ per share)	(0.04)	0.04	(0.08)	(0.03)
Total assets	225,274	189,939	168,599	171,928

Reported revenue and net income increased in the third and fourth quarters of 2020 due to the commissioning of M2 and receipt of a Line Loss Proceeding payment in the fourth quarter of 2020. Net income (loss) attributable to shareholders is affected by certain non-cash and non-recurring transactions as follows:

The fourth quarter of 2020 included a Line Loss Proceeding payment of $6.4 million, commodity swap losses of $0.3 million and $3.3 million of deferred tax benefits. The third quarter of 2020 included commodity swap gains of $0.2 million and $0.6 of deferred tax expense. The second quarter of 2020 included commodity swap losses of $0.5 million and $3.8 million of deferred tax benefits. The first quarter of 2020 included commodity swap gains of $0.9 million.

The fourth quarter of 2019 included a $1.2 million gain on sale of assets, $1.1 million in asset impairment charges and commodity swap gains of $0.9 million. The third quarter of 2019 included commodity swap gains of $1.8 million. The second quarter of 2019 included $2.2 million of deferred tax expense related to changes in provincial tax rates. The first quarter of 2019 had $nil impact to net loss attributable to shareholders from certain non-cash and non-recurring transactions.

2020 FOURTH QUARTER

Selected fourth quarter financial information:

($000's, unless otherwise noted)	2020	2019
Revenue	17,282	4,972
Adjusted EBITDA	3,998	(2,185)
Net income (loss) attributable to shareholders	8,923	(2,173)
Basic and diluted net income (loss) per share attributable to shareholders ($ per share)	0.18	(0.04)
Total generation (MWh)	338,201	74,181
Average Alberta market power price ($ per MWh)	46.13	47.16
Average Milner and M2 realized power price ($ per MWh)	51.10	66.92

Revenue earned in the fourth quarter of 2020 increased by $12.3 million when compared to the same period in 2019 due to increased generation volumes as a result of commissioning M2, partially offset by temporary output restrictions due to local transmission maintenance work in 2020. Net income attributable to shareholders in the fourth quarter of 2020 increased by $11.1 million when compared to the same period in 2019. This variance is primarily due to the receipt of the first Line Loss Proceeding payment, recognizing deferred tax assets in 2020 and the same factor impacting revenue, partially offset by higher fuel costs.

FINANCIAL RESULTS OF OPERATIONS

Revenue

($000's)	2020	2019
Revenue [1]	46,726	28,335

[1] All revenues from operations are electricity sales at spot prices, including the impact of line loss credits.

Revenue in 2020 increased $18.4 million, or 65%, to $46.7 million from $28.3 million in 2019, primarily due to increased generation volumes, as a result of increased generation capacity through the operation of M2 versus Milner. M2 and Milner generated 837,760 MWh of electricity in 2020, as compared to 442,916 MWh in 2019, partially offset by temporary output restrictions due to local transmission maintenance work in 2020. This was partially offset by lower realized prices of $55.77 per MWh in 2020 for both M2 and Milner, as compared to $63.90 in 2019.

Plant Operations

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

	2020			2019		
($000's)	Fuel	O&M	Total	Fuel	O&M	Total
Total	22,928	12,085	35,013	10,566	18,520	29,086
Percent	65%	35%	100%	36%	64%	100%

Fuel expenses in 2020 increased $12.3 million to $22.9 million from $10.6 million in 2019, primarily due to higher generation volumes and higher per unit natural gas costs in 2020 as compared to the same period in 2019. O&M expenses in 2020 decreased $6.4 million, or 35%, to $12.1 million from $18.5 million in 2019, primarily due to lower carbon taxes as a result of operating M2, lower salaries due to lower staffing requirements and lower maintenance costs for the operation of M2 versus Milner, partially offset by staff training for M2 in 2020.

General and Administrative Expense

($000's)	2020	2019
Total general and administrative expense	4,083	3,725

General and administration expense in 2020 increased by $0.4 million, or 11%, to $4.1 million from $3.7 million in 2019, primarily due to lower general and administrative capital allocations to the M2 project as the asset was commissioned in the second quarter of 2020.

Depreciation and Amortization Expense

($000's)	2020	2019
Depreciation and amortization	5,457	2,732

Depreciation and amortization expense in 2020 increased $1.8 million, or 49%, to $5.5 million from $3.7 million in 2019, due to the commissioning and commencement of depreciation of M2 which began in the second quarter of 2020.

Other Expense (Income), Net

($000's)	2020	2019
Other income, net	(5,749)	(726)

Net other income in 2020 increased to $5.7 million in 2020 as compared to $0.7 million in 2019. The increase is primarily due to the receipt of the first payment from the Line Loss Proceedings of $6.4 million, partially offset by higher costs incurred in 2020 to restructure the Corporation.

Loss (Gain) on Commodity Swaps

($000's)	2020	2019
Realized gain on power swaps	(2,128)	(2,737)
Realized gain on gas swaps	(143)	-
Total realized gain on commodity swaps	(2,270)	(2,737)

($000's)	2020	2019
Unrealized loss on power swaps	259	-
Unrealized loss on gas swaps	1,736	-
Total unrealized loss on commodity swaps	1,994	-

In 2020, MAXIM realized gains of $2.3 million on Alberta power and gas price risk management swaps, as compared to the same period in 2019 which realized gains of $2.7 million. These gains are due to Alberta spot prices settling lower than the fixed swap price.

In 2020, MAXIM has unrealized losses of $2.0 million on Alberta power and gas price risk management swaps, due to Alberta spot prices forecasted to settle higher than the fixed swap price.

Finance Expense (Income), Net

($000's)	2020	2019
Interest expense	3,526	157
Amortization of deferred financing costs	1,946	332
Loss on interest rate swaps	87	-
Accretion of provisions	76	181
Foreign exchange loss (gain)	(33)	33
Finance expense	5,602	703
Interest income	(202)	(874)
Total finance expense (income), net	5,400	(171)

Net finance expense in 2020 increased to $5.4 million from income of $0.2 million in 2019. The increase is primarily due to interest on loans and borrowings as these costs are no longer capitalized after the commissioning of M2, amortization of deferred financing costs and lower interest income on cash and cash equivalents in 2020, as a result of using funds to finance the M2 project.

Income Tax Expense (Benefit)

($000's)	2020	2019
Current tax benefit	-	(13)
Deferred tax expense (benefit)	(6,462)	1,211
Total income tax expense (benefit)	(6,462)	1,198

Income tax benefit of $6.5 million in 2020 is an increase of $7.7 million from the income tax expense of $1.2 million in 2019. In 2020, MAXIM recognized a deferred tax benefit of $6.5 million as it was probable that sufficient future taxable income will be available to utilize underlying tax losses. In 2019, MAXIM recognized $1.2 million in income tax expense as a result of a reduction in enacted provincial tax rates.

Financial Position

The following highlights the changes in the Corporation's Consolidated Statement of Financial Position at December 31, 2020, as compared to December 31, 2019.

As at ($000's)	December 31, 2020	December 31, 2019	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	12,261	20,924	(8,663)	Decreased as a result of capital additions for the first phase of the M2 project, partially offset by operating and financing cash inflows
Trade and other receivables	6,952	4,064	2,888	Increased as a result of higher revenues following commissioning of M2
Property, plant and equipment, net	183,939	170,317	13,622	Increased as a result of capital additions primarily for M2, partially offset by depreciation
Net other assets, net	36,158	29,969	6,189	Increased as a result of future income tax benefit
Liabilities & Equity		-		
Trade and other payables	13,426	21,659	(8,233)	Decreased due to lower payables with the completion of M2
Loans and borrowings	66,775	49,001	17,774	Increased as a result of debt issuances
Provision for decommissioning and other long-term liability	11,199	15,382	(4,183)	Decreased due to a change in estimate of decommissioning liabilities and lower long-term accounts payable relating to the construction of M2
Equity	147,910	139,232	8,678	Increased due to net income

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Management has determined that cash flows for operating, general and administrative expenses will be funded by MAXIM's existing cash on hand and operating revenues. The construction of the simple cycle phase of M2 was funded by the Corporation's existing cash on hand and credit facilities.

As at December 31, 2020, MAXIM has up to $49.6 million of borrowing capacity remaining under its subordinated convertible loan and the ATB Financial ("ATB") credit facility.

ATB Financial Credit Facility

The ATB credit facility matures in November 2022 and provides senior debt financing of up to $44.0 million to support financing requirements of M2, as well as facilities to issue cash collaterized letters of credit and credit support for hedging transactions. This loan is subject to financial covenants and the Corporation is compliant with these covenants (see financial covenants on page 13).

On August 18, 2020, the Corporation converted the $30.0 million construction facility, under the ATB credit facility, into a term facility. Upon conversion to a term facility, the first amortization payment of $0.8 million was paid on September 30, 2020, with the second payment of the same amount payable on March 31, 2021 and quarterly thereafter until maturity in November 2022. As at December 31, 2020, the Corporation has $39.3 million outstanding under the term and revolver facilities. As at December 31, 2020, the Corporation has issued $4.0 million of outstanding letters of credit and the cash of the same amount was deposited into a restricted bank account maintained by the bank.

Bank of Montreal Credit Facility

The Corporation has a credit agreement with the Bank of Montreal for a demand facility that requires full cash collateralization of letters of credit on a non-revolving basis. As at December 31, 2020, 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.

Convertible Loan Facility

The convertible loan provides debt financing of up to $75.0 million to fund the construction and development of M2. The convertible loan is a revolving, secured credit facility with a maximum of $75.0 million available to be drawn. It is convertible into common shares at $2.25 per share, bears interest at 12% per annum and is subordinated to the ATB credit facilities. Pursuant to an intercreditor agreement, the term of the convertible loan ends upon repayment of the ATB credit facilities. As at December 31, 2020, the Corporation has $29.4 million outstanding under the convertible loan facility.

The convertible loan facility was provided by two significant shareholders of the Corporation, one of whom is also Chief Executive Officer and Chairman of the Board and the other of whom is Vice Chairman of the Board. Cash interest payments on the convertible loan commenced monthly, after August 18, 2020, upon conversion of the ATB construction loan to a term facility under the ATB credit facility. Total interest and fees paid under this facility was $1.5 million in 2020 (2019 – nil).

Cash flow summary

At December 31, 2020, the Corporation had unrestricted cash of $12.3 million included in the net working capital surplus of $5.5 million (see working capital on page 12). Unrestricted cash balances are invested with one Canadian financial institution. The Corporation funded the simple cycle construction phase of M2 with cash on hand, operating cash flows, and existing credit facilities.

Year ended December 31 ($000's)	2020	2019
Cash on hand, unrestricted, January 1	20,924	22,246
Cash flow from operations	6,964	5,491
Cash flow from financing	10,348	43,392
Available for investments	38,236	71,129
Cash flow used in investing	(25,887)	(50,172)
Effect of foreign exchange rates on cash	(88)	(33)
	12,261	20,924
Undrawn Convertible Loan Facility	45,562	53,406
Undrawn ATB Credit Facility	4,000	12,762
Net liquidity available, December 31	61,823	87,092

Cash flow from operations in 2020 increased to $7.0 million from $5.5 million in 2019, which is an increase of $1.5 million. The increase is primarily due to higher revenues and the receipt of the first payment from the Line Loss Proceedings, partially offset by changes in non-cash working capital. Fluctuations in working capital represented a cash outflow of $8.9 million in 2020, as compared to an inflow of $7.4 million in 2019. See working capital section below for further discussion.

During 2020, MAXIM's cash flow from financing decreased $33.1 million to $10.3 million in 2020, from $43.4 million in 2019, primarily due to a lower need for funds from loans and borrowings on credit facilities to finance the construction of M2, partially offset by higher interest paid on the loans and borrowings.

MAXIM's investing activities in 2020 represented a cash outflow of $25.9 million, decreasing from $50.2 million in 2019. During 2020, MAXIM spent $20.2 million on the development of the simple cycle phase of M2 and changes in non-cash working capital of $5.9 million. This amount was partially offset by interest income of $0.2 million.

MAXIM's investing activities in 2019 represented a cash outflow of $50.2 million. MAXIM spent $104.6 million on the development of the simple cycle phase of M2. This amount was partially offset by a withdrawal of short term investments of $41.8 million, $1.2 million proceeds from the sale of asset, net interest income of $0.7 million not reinvested into short-term investment and a change in non-cash working capital of $10.7 million.

The following table represents the net capital of the Corporation:

As at ($000's)	December 31, 2020	December 31, 2019
Loans and borrowings	66,775	49,001
Less: Unrestricted cash	(12,261)	(20,924)
Net debt	54,514	28,077
Shareholders' equity	147,910	139,232
Capital	202,424	167,309
Net debt to capital	26.9%	16.8%

The Corporation uses the percent of net debt to capital to monitor leverage. The increase in net debt to capital from December 31, 2019 to December 31, 2020 is primarily due to further borrowings obtained in 2020 for the construction of M2.

Working Capital

The Corporation has a working capital surplus of $5.5 million at December 31, 2020, which represents a $3.7 million increase from the working capital surplus of $1.8 million at December 31, 2019. The total increase is comprised of a $5.4 million decrease in current assets which is more than offset by a $9.1 million decrease in current liabilities.

The decrease in current assets was due to a net decrease of $8.6 million in unrestricted cash, which was primarily used to fund the simple cycle construction phase of M2 and current operations, partially offset by an increase in accounts receivable of $2.9 million due to timing of collection of receivables and a $0.3 million increase to prepaid expenses.

The decrease in current liabilities was due to a $8.2 million decrease in accounts payable primarily due to lower outstanding payables related to the M2 project and a $0.9 million decrease in the current portion of loans and borrowings.

Financial Covenants

MAXIM's ATB Financial credit facility agreement is subject to financial covenants measured using ratios and amounts: Debt Service Coverage Ratio ("DSCR"), debt to EBITDA and the asset coverage test.

DSCR

The DSCR is calculated as the ratio of cash flow available for debt service divided by debt service costs. Cashflow for debt service is comprised of Adjusted EBITDA, Line Loss Proceeds and restricted cash availability, less committed inventory and capital purchases from phase one of M2, unfunded capital expenditures and cash taxes. Debt service costs are the sum of all cash payments of principal, interest and banking fees of the Corporation. Until September 30, 2021, at which point there will be four quarters of historical financial information following the term conversion of the ATB Financial Credit Facility (occurred on August 18, 2020), cashflow available for debt service and debt service costs will be annualized.

Debt to EBITDA Ratio

The debt to EBITDA ratio is obligations related to ATB Financial divided by Adjusted EBITDA. Until September 30, 2021, at which point there will be four quarters of historical financial information following the term conversion of the ATB Financial Credit Facility (occurred on August 18, 2020), Adjusted EBITDA will be annualized.

Asset Coverage Percent

The asset coverage percent covenant requires that at the end of each financial quarter the tangible assets of the loan parties are not less than the lesser of (a) 95% of the consolidated tangible assets and (b) consolidated tangible assets less any tangible assets attributed to Forked River II, SUMMIT and Deerland.

As at December 31, 2020, the Corporation is compliant with these financial covenants as per the credit agreement, as follows:

Ratio	Covenant	2020
DSCR	Minimum 1.50:1	4.13
Debt to EBTIDA	Maximum 3.00:1	2.45
Asset Coverage	Minimum 95%	100%

Capital Resources

The Corporation is currently anticipating capital expenditure costs of approximately $14.0 million for 2021. These expenditures primarily relate to forecasted capital spares and finalization of compliance projects for M2, and costs to further advance the expansion of M2 into a CCGT facility.

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 December 31, 2020 ($000's)	Total	2021	2022-2023	2024-2025	Thereafter
Purchase obligations	17,785	4,890	7,548	5,347	-
Total	17,785	4,890	7,548	5,347	-

Contingent assets

Through its D06-Decision, the Alberta Utilities Commission ("AUC" or the "Commission") asserted its position on several matters related to remedy under Module C of MPLP's complaint relating to the AESO Line Loss Proceeding. The D06-Decision confirmed that the same method that was used to calculate 2017 prospective loss factor rates would be used for the historic period of January 1, 2006 to December 31, 2016. The AUC deemed that a single settlement approach will be used whereby the AESO calculates all eleven years before cash is settled. The D06-Decision further confirmed that the settlement be affected by reissuing invoices to the original party and that a rider will be applied to transmission rates across the industry to collect any shortfall from the inability to collect from an original party.

On July 9, 2020, The AUC rendered its decision regarding the AESO's request to review and vary the Commission's findings related to the single settlement approach as described in D06-Decision. The Commission found that the settlement findings in the D06-Decision should be varied from a single settlement process to one that is completed in three settlement periods including one for three years (2016 to 2014), and two for four years (2013 to 2010 and 2009 to 2006) for the historical period. Total overpayments of approximately $41.6 million were made by MPLP to the AESO for the period January 1, 2006 to December 31, 2016. In addition, $11.3 million of interest will be paid to MPLP based on calculations from the AESO's simple interest method, thereby increasing the total payment to $52.9 million. As at the date of this MD&A, MAXIM has collected $34.3 million from the settlement periods of 2016 to 2010. On March 5, 2021, the AESO calculated and released a preliminary settlement statement related to years 2009 to 2006 (third of three settlements) of the Line Loss Proceeding payable to MPLP in the amount of $18.6 million, including interest. The AESO has disclosed that settlement of the $18.6 million is expected to occur on May 31, 2021.

The Corporation closed the sale of a development project on June 20, 2018. Under the sales agreement, the Corporation is entitled to additional compensation upon the date of commercial operation. This additional compensation shall not exceed $2.8 million. As at the date of this MD&A, the precise amount and timing of compensation under the sales agreement cannot be determined.

Contingent liabilities

The Corporation operates in a regulatory and commercial environment that exposes it to regulatory, contractual and litigation risks. As a result, the Corporation is involved in certain disputes and legal proceedings, including litigation, arbitration, and regulatory investigations. Such cases are subject to many uncertainties, and the outcomes are often difficult to predict, including the impact on operations or on the financial statements, particularly in the earlier stages of a case. In certain circumstances, to avoid the expense and distraction of legal proceedings, the Corporation may, based on a cost-benefit analysis, enter into a settlement even though denying any wrongdoing. The Corporation makes provisions for cases brought against it when, in the opinion of management after seeking legal advice, it is probable that a liability exists, and the amount can be reliably estimated.

The Corporation closed the sale of the France operating segment on December 2, 2016. Under the agreement, the Corporation continues to be subject to the claims received for €1.7 million in additional costs from suppliers in France. Costs in relation to these claims and potential claims are only recognized when they become probable and, based on the information presently known, it is the view of the Corporation that these claims and potential claims are without merit. Further under the agreement, the Corporation is subject to performance criteria of certain generating units in the France operating segment until October 31, 2017. The Corporation is responsible to reimburse the buyer of the France operating segment for penalties incurred until that time up to a maximum of €1.5 million. Any amounts claimed by the buyer in relation to these two amounts will be reduced by any recoveries attained by the buyer from legal proceedings against third parties that were ongoing at the time of the sale and date of these Consolidated Financial Statements.

The actual outcome of these claims and potential claims, including the timing and amount of any cash outflow or the possibility of reimbursements, is not yet determinable.

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

Risks

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

Provincial Carbon Tax

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

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

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

Additional Federal Restrictions on Carbon Dioxide Emissions

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

As at the date of this MD&A, MAXIM anticipates that it will continue to be permitted to run Milner at a 9% capacity factor until December 31, 2029 subject to utilizing coal for a portion of its fuel. Alternatively, MAXIM currently anticipates that if Milner does not include coal as a fuel source, it would not comply with the regulations for coal to gas conversions beyond 2019. Management is currently maintaining the ability to operate the existing Milner facility as a dual fuel-fired facility at a 9% capacity factor. The M2 project, as a new facility, is subject to carbon tax, but exempt until 2023, and is not otherwise adversely impacted by any of the provincial or federal legislation above.

NON-GAAP MEASURES

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

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

Adjusted EBITDA

	Three months ended December 31,		Twelve months ended December 31,	
($000's)	2020	2019	2020	2019
GAAP Measures from Consolidated Statement of Income				
Net income (loss)	8,923	(2,173)	9,260	(5,850)
Income tax expense (benefit)	(3,293)	(1,009)	(6,462)	1,198
Finance expense (income), net	1,618	307	5,400	(171)
Impairment	-	1,078	-	1,078
Depreciation and amortization	2,059	632	5,457	2,732
EBITDA	9,307	(1,165)	13,655	(1,013)
Adjustments:				
Other income	(6,419)	(1,105)	(5,749)	(726)
Unrealized loss on commodity swaps	1,024	-	1,994	-
Share-based compensation	86	85	402	336
Adjusted EBITDA	3,998	(2,185)	10,302	(1,403)

Adjusted EBITDA is calculated as described above, adjusted for specific items that are significant but not reflective of the Corporation's underlying operations. Adjustment of these specific items is subjective; however, management uses its judgment and informed decision-making when identifying items for adjustment.

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 income and expenses. Financing expense, income taxes, depreciation and amortization are excluded from the EBITDA calculation, as they do not represent cash expenditures that are directly affected by operations. Furthermore, EBITDA is used in MAXIM's bank covenant calculations, which requires these items to be omitted. Management believes that presentation of this non-GAAP measure provides useful information to investors and shareholders as it provides predictive value and assists in the evaluation of performance trends. Management uses Adjusted EBITDA to compare financial results among reporting periods and to evaluate MAXIM's operating performance and ability to generate funds from operating activities.

In calculating Adjusted EBITDA for the twelve months ended December 31, 2020 and December 31, 2019 management excluded certain non-cash and non-recurring transactions. In both 2020 and 2019, Adjusted EBITDA excluded all items of other income including: Line Loss Proceeds, restructuring of Alberta operations and net proceeds from the option to sell Forked River land, gain on sale of Gold Creek, as well as unrealized mark-to-market on commodity swaps and share-based payments.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, assumptions and judgments, based on its experience, that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The following outlines the accounting policies and practices involving the use of estimates that are critical in determining the financial results of the Corporation.

Contingencies

The Corporation operates in a regulatory and commercial environment that exposes it to regulatory, contractual and litigation risks. As a result, the Corporation is involved in certain disputes and legal proceedings including litigation, arbitration, and regulatory investigations. Such cases are subject to many uncertainties, and the outcome is often difficult to predict, particularly in the earlier stages of the case. By their nature contingencies will only be resolved when one or more uncertain future events not wholly within the control of the Corporation occur or fail to occur. The assessment of the existence of contingencies inherently involves the exercise of significant judgment by management, which includes incorporating external legal advice.

Impairment indicators

At the end of each reporting period, management makes a judgment whether there are any indications of impairment of its PP&E and intangible assets at the lowest level at which there are separately identifiable cash flows. If there are indications of impairment, MAXIM performs an impairment test on the asset or the cash-generating unit ("CGU").

The Corporation evaluates impairment losses for potential reversals when management has determined that events or circumstances warrant such consideration.

Decommissioning costs

Decommissioning costs are expected to be incurred at the end of the operating life of many of the facilities. A provision is recognized when there is a present obligation to restore the site, it is probable the expenditure will be required, and a reliable estimate of the costs can be determined. The ultimate cost to settle these obligations is uncertain due to timing and cost estimates that may vary in response to many different factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other facilities. As a result, there could be significant adjustments to the provisions established which could affect future financial results. Management bases these estimates on its best knowledge, experience in similar circumstances and in some cases reports from independent experts.

During 2020, the Corporation continued remediation of certain lands at the Milner site and commissioned M2, and as a result management updated the cost estimate to decommission Milner and M2. The updated cost estimates resulted in a decrease to the decommissioning cost estimate as it reflects current information.

Useful life and residual value of PP&E

Each major component of PP&E is depreciated over its estimated useful life net of residual value. The estimated useful lives of the assets are based upon current conditions and management's experience, which take into consideration specific contracts, agreements, condition of the asset, technology, production and use of the asset, and regular maintenance programs. The facilities are operated within manufacturers' specifications to realize the expected useful life of each asset. Notwithstanding these measures, the useful life of equipment may vary from that which is estimated by management.

Residual value is estimated by management to be the amount that MAXIM would receive from disposal of the asset after deducting the estimated costs of disposal if the asset was already of the age and in the condition expected at the end of its useful life. Actual amounts received may differ from estimated amounts.

Impairment of non-financial assets

The recoverable amount of a CGU is determined based on the higher of its fair value less costs of disposal or its value-in-use (the present value of the estimated future cash flows). Management is required to make assumptions about future cash flows including future commodity prices, expected generation, future operating and development costs, discount rates, sustaining capital programs and tax rates. It is possible that future cash flow assumptions may change. This may impact the estimated fair value of the associated asset and may require a material adjustment to the carrying value of the asset.

Income taxes

The Corporation recognizes the net deferred tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Corporation to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are dependent on generating taxable income in future periods and monetization of contingent assets. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the statements of financial position date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Corporation operates could limit the ability of the Corporation to obtain estimated tax deductions in future periods.

Changes in Accounting Estimates

The use of judgments and estimates used in the preparation of the consolidated financial statements has been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2020, with the exception of decommissioning costs above.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk is inherent in all business activities and cannot be entirely eliminated. However, shareholder value can be maintained and enhanced by identifying, mitigating, and where possible, insuring against these risks. The following section addresses some, but not all, risk factors that could affect MAXIM's future results, as well as activities used to mitigate such risks. These risks do not occur in isolation, but must be considered in conjunction with each other.

The Board of Directors have overall responsibility for the establishment and oversight of MAXIM's risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring MAXIM's compliance with risk management policies and procedures. The Audit and Risk Management Committee reports regularly to the Board of Directors on its activities.

MAXIM's risk management policies are established to identify and analyze the risks faced by MAXIM, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and MAXIM's activities. MAXIM, through its training programs and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Financial risks and financial instruments

At the date of this MD&A, the Corporation's financial instruments consist primarily of cash and cash equivalents, restricted cash, trade and other receivables, Milner decommissioning reimbursement, and trade and other payables.

The fair value of a financial instrument is a point in time estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. MAXIM faces the risk that fair values of financial instruments will fluctuate or that estimates used regarding fair values will be inaccurate.

The carrying amount of cash and cash equivalents, restricted cash, trade and other receivables, deposits, and trade and other payables included in MAXIM's statements of financial position approximate their fair values because of the short-term nature of the instruments.

MAXIM may utilize derivative financial instruments to manage market risk arising from volatile commodity prices, floating interest rates and changes in foreign currency rates. MAXIM periodically utilizes derivative financial instruments in the form of commodity swaps, interest rate swaps and foreign currency options.

The Corporation has exposure to the following financial risks arising from financial instruments:

(a) Credit risk

Credit risk arises from the possibility that a counterparty to which the Corporation provides goods or services is unable or unwilling to fulfill their obligations. The extent of the risk depends on the credit quality of the counterparty to which the Corporation provides goods or service. At December 31, 2020, MAXIM's credit exposure consisted primarily of the carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables, income taxes recoverable and deposits.

Cash and cash equivalents and restricted cash are held with one Canadian chartered bank which is rated A- and one Canadian financial institution which is rated A+, based on rating agency Standard & Poor's.

Trade and other receivables are predominantly with entities formed by governments for the purpose of facilitating commerce in the power and utility sector or a banking counterparty with a Standard & Poor's rating discussed below. For trade and other receivables from third parties and deposits to vendors who are not government sponsored entities, the Corporation utilizes regular credit monitoring processes to mitigate credit risk. MAXIM does not expect any losses from trade and other receivables.

(b) Liquidity risk

Liquidity risk is the risk that MAXIM will not be able to meet its financial obligations as they come due. MAXIM's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. MAXIM uses cash and cash equivalents to manage short-term working capital requirements as well as the timing of development capital. MAXIM does not require additional financing to manage cash flows as of the date of this MD&A. Refer to the Liquidity and Capital Resources section on page 13 and Forward Looking Information section on page 5 for further details.

(c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and commodity price risks will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures, while optimizing cash flows to the Corporation.

(i) Foreign currency exchange risk:

The Corporation is exposed to foreign currency exchange risk to the extent that revenue, expenses and monetary assets and liabilities are denominated in currencies that differ from the functional currency of the respective entity within the consolidated group. The Corporation has not hedged the exposure related to capital expenditures, revenues and expenses. At December 31, 2020, the Corporation is exposed to foreign currency exchange risk relating to accounts payable denominated in United States dollars. A strengthening (weakening) of the Canadian dollar by 10% against the United States dollar for the year ended December 31, 2020 would have decreased (increased) accounts payable by $0.4 million (2019 - $0.4 million) as a result of these exposures.

(ii) Interest rate risk

Interest rate risk is the risk of change in the borrowing and investing rates of the Corporation. MAXIM partially mitigates its interest rate risk by maintaining fixed rate loans and borrowings and periodically entering into interest rate swap agreements to change floating rate debt to fixed rate debt. MAXIM's convertible loan is a fixed rate debt. The term and revolver facility are at variable rates. An increase of interest rates of 100 basis points, of the remaining unhedged position, would have impacted MAXIM, in 2020, by $0.3 million (2019 - $nil million).

(iii) Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as electricity and natural gas. The Corporation periodically reduces its exposure to commodity price risk by entering into fixed for floating swaps for the price of the electricity and natural gas in Alberta.

For the year ended December 31, 2020, an appreciation in electricity prices in the Alberta power market by $1 per MWh would have increased net income by $0.8 million (2019 - $0.4 million). A weakening of electricity prices by this amount would have the opposite effect on other comprehensive income and net income.

Industry risks

MAXIM's continuing operations are currently subject to risks as Canada and Alberta continue to focus on phasing out coal-fired generation and moving forward on natural gas-fired generation capacity and renewable power. These risks are being mitigated with the Corporation's development projects which included developing the first phase of M2, and increasing the existing non-coal generating capacity via its development projects.

Electric energy projects involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Corporation is dependent upon the creditworthiness and delivery obligations of its counterparties. The failure of such parties to conduct their business in accordance with contract terms and conditions could have a material negative impact on MAXIM's financial results.

The Corporation's operations are subject to the risks normally incidental to a power project's operations, including equipment malfunctions, technical risks and operational upsets. These risks have been mitigated by performance, insurance and warranty conditions in place with MAXIM's current equipment suppliers for the term of the contracts. In accordance with customary industry practice, MAXIM is not, and will not be, fully insured against all of these risks, nor are all such risks insurable.

MAXIM has exposure to market fluctuations in the demand for and price of electricity and generating capacity and is exposed to the risk of operational problems with facilities and extensive government regulation relating to price, taxes, royalties, exports and many other aspects of the electric energy business. The Corporation is also subject to a variety of waste disposal, pollution control and similar environmental laws. These risks are managed by environmental monitoring, compliance reporting, and practices pertaining to tax compliance. MAXIM assumes gas and power price risk, and periodically employs hedging to manage this risk.

Power generation operations are subject to the risk normally encountered by companies engaged in activity utilizing mechanical electricity generation techniques, including unusual and unexpected power draws, mechanical difficulties and other conditions involved in the generation of energy using these methods. Although adequate precautions to minimize risk are routinely taken, power generation operations are subject to hazards such as equipment failure or failure of power distribution systems being served which may result in service interruption. Such interruption may adversely affect the ability of MAXIM to fulfill its duties under power generation contracts and regulated tariffs, and may affect its ability to attract new customers. In addition, the existing power distribution system in the areas served or to be served by MAXIM may not be capable of effectively distributing all of the electricity supplied by MAXIM.

MAXIM purchases its power generation equipment from various sources. The cost of future equipment purchases may be higher than currently envisaged due to unforeseen circumstances including fluctuations in currency exchange rates. Such unforeseen circumstances and currency fluctuations may have an adverse impact on MAXIM's future earnings potential.

Regulation of industry

MAXIM's activities are subject to complex and stringent energy, environmental and other governmental laws and regulations. The construction and operation of power generation facilities require numerous permits, approvals and certificates from appropriate federal, provincial and local governmental agencies, as well as compliance with environmental protection legislation and other regulations. While management of MAXIM believes that it has obtained the requisite approvals for MAXIM's existing operations and that MAXIM's business is operated in accordance with applicable laws, MAXIM remains subject to a varied and complex body of laws and regulations that both public officials and private individuals may seek to enforce. Existing laws and regulations may be revised or new laws and regulations may become applicable to MAXIM that may have a negative effect on MAXIM's business and results of operations. MAXIM may be unable to obtain all necessary licenses, permits, approvals and certificates for proposed projects, and completed facilities may not comply with all applicable permit conditions, statutes or regulations. In addition, regulatory compliance for the construction of new facilities is a costly and time-consuming process. Intricate and changing environmental and other regulatory requirements may necessitate substantial expenditures to obtain permits. If a project is unable to function as planned due to changing requirements or local opposition, it may create expensive delays or loss of value in a project.

Project development

MAXIM's project development activities may not be successful. The development of power generation facilities and power related projects, is subject to substantial risks. In connection with the development of a power generation facility, MAXIM must generally obtain necessary power generation equipment, governmental permits and approvals, fuel supply and transportation agreements, sufficient equity capital and debt financing, electrical interconnection agreements, site agreements and construction contracts, and access to power grids. Failure to obtain any of the foregoing may result in increased costs or termination of projects, which may lead to a write down of the carrying amount of projects. MAXIM mitigates these risks by using skilled staff, hiring consultants, contracting certain activities on a turn-key basis, and following a disciplined model of managing capital at risk on a progressive basis.

Competition

The electricity production industry is competitive in all phases. MAXIM, as an independent power producer in that industry, faces competition from other independent power producers and major companies whose electricity production and sale is collateral to their core business. MAXIM holds no proprietary interests in the technology utilized by it in the power generation business and accordingly there are no barriers impeding new competitors from entering into the same business or utilizing the same technology as MAXIM or different power generation technologies. MAXIM mitigates this risk through timely investments, strategic relations, optimizing its capital structure to lower its cost of capital and effective capital deployment and asset optimization.

Management

MAXIM strongly depends, and will continue to depend, on the business and technical expertise of its management. The unexpected loss of any of MAXIM's key management personnel may have a serious impact on MAXIM's business. At present, no employee has a key-man insurance policy in place. All members of MAXIM's management have entered into non-competition and non-disclosure agreements with MAXIM.

Future financing and project financing

MAXIM may require additional financing to proceed with its business activities; however, there is no assurance that adequate financing will be available on acceptable terms, if at all. Should MAXIM be unable to obtain financing for its development initiatives, it may be necessary to write down the carrying value of certain development initiatives.

Depending upon future capital plans, MAXIM may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither MAXIM's articles nor its by-laws limit the amount of indebtedness that MAXIM may incur. The level of MAXIM's indebtedness from time to time could impair the ability of MAXIM to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

COVID-19

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

Off-balance sheet arrangements

MAXIM does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition, including the Corporation's liquidity and capital resources, with the exception of contingent liabilities, contingent assets and purchase obligations, which are disclosed on page 13.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS Standards Issued Not Yet Effective and Amendments

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

TRANSACTIONS WITH RELATED PARTIES

Related party transactions during 2020 and 2019 were convertible loan discussed on page 11 and payments to key management personnel that includes the Corporation's Directors and Named Executive Officers as summarized in the following table.

($000's)	2020	2019
Short-term employee benefits, including wages and benefits	2,005	1,745
Share-based payments	364	305
Total	2,369	2,050

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and CFO, together with management have designed and maintained disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The CEO and the CFO are also responsible for designing and maintaining internal control over financial reporting, as defined under rules adopted by the Canadian Securities Administrators, within the Corporation that are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. MAXIM has adopted the 2013 Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission for the design of its internal control over financial reporting.

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the design and effectiveness of the Corporation's internal control over financial reporting and have found them to be effective as of December 31, 2020.

The Corporation is required to disclose herein any change in the Corporation's internal control over financial reporting that occurred during the period beginning January 1, 2020 and ended on December 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Corporation’s internal control over financial reporting. No material changes in the Corporation's internal control over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Notwithstanding the foregoing, because of its inherent limitations a control system can provide only reasonable assurance that the objectives of the control system are met and may not prevent or detect misstatements. Management’s estimates may be incorrect, or assumptions about future events may be incorrect, resulting in varying results. In addition, management is in constant engagement to minimize the likelihood of fraud. However, any control system can be circumvented through collusion and illegal acts.

OTHER INFORMATION

Outstanding share data:

Issued common shares at December 31, 2020	49,801,538
Outstanding convertible share options under the convertible loan at December 31, 2020	13,083,736
Outstanding share options at December 31, 2020	2,164,449
Total diluted common shares at December 31, 2020	**65,049,723**
Share options cancelled in January 2021	(20,000)
Share options granted in January 2021	213,334
Share options exercised in January 2021	(8,334)
Issuance of common shares in January 2021	8,334
Total diluted common shares at March 18, 2021	**65,243,057**

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

GLOSSARY OF TERMS

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

AESO	Alberta Electric System Operator
ATB	ATB Financial
AUC	Alberta Utilities Commission
Buffalo Atlee	Buffalo Atlee is a development project for up to 200 MW of wind generation situated near Brooks, Alberta
Capacity	The rated continuous load-carrying ability, expressed in megawatts, of generation equipment, with the exception of "capacity payments" and "capacity market" (throughout the MD&A references to capacity are stated in nameplate capacity)
COVID-19	Coronavirus
CCIR	Carbon Competitiveness Incentive Regulation
CCGT	Combined Cycle Gas Turbine
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLP	Climate Leadership Plan
CGU	Cash Generating Unit
D06-Decision	Decision 790-D06-2017 issued by the AUC
Deerland	Deerland is a development project for a 190 MW natural gas-fired peaking station located near Bruderheim, Alberta
DSCR	Debt Service Coverage Ratio
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
FLI	Forward-looking information
GAAP	IFRS, as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants
GoA	Government of Alberta
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicators
Milner	HR Milner**,** a 150 MW (nameplate capacity) generating facility located near the town of Grande Cache, Alberta has been in continuous operation since 1972 and was acquired by MAXIM on March 31, 2005
MPLP	Milner Power Limited Partnership
M2	Milner 2, a gas expansion initiative to develop up to 520 MW natural gas-fired generating facility, previously known as MGE
MAXIM or the Corporation	Maxim Power Corp.
MD&A	Management's Discussion and Analysis
MW	Megawatt, a measure of electrical generating capacity that is equivalent to one million watts
MWh	Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour
NCIB	Normal Course Issuer Bid
O&M	Operations and maintenance
PP&E	Property, Plant and Equipment
Summit	Summit Coal LP
TIER	Technology Innovation and Emissions Reduction Regulation
U.S. or **United States**	The United States of America

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