Consolidated Financial Statements of

MAXIM POWER CORP.

For the Years Ended December 31, 2020 and 2019

(Audited)

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

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
CEO and Chairman of the Board

Wiley Auch
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.