Consolidated Financial Statements of

MAXIM POWER CORP.

For the Years Ended December 31, 2021 and 2020

(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, 2021 and December 31, 2020, the consolidated statements of operations and comprehensive income, 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, 2021 and December 31, 2020, 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 ethical 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

Assessment of the recoverability of deferred tax assets

Description of the matter

We draw attention to notes 2(e)(v) and 21(e) to the financial statements. As at December 31, 2021, there are deferred tax assets (net of tax liabilities) of $179 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 These deferred tax assets are dependent on future taxable income within the legal entity. The future taxable income is based on estimated forecasted prices for power and natural gas production volumes.

Why the matter is a key audit matter

We identified the assessment of the recognition of deferred tax assets as a key audit matter. Significant auditor judgment was required to evaluate the results of our procedures regarding the estimate of future taxable income.

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 estimate from the prior year to current year actual results 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.

Other Information

Management is responsible for the other information. Other information comprises: the information included in 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 information included in 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.

Chartered Professional Accountants

KPMG LLP

Calgary, Canada
March 15, 2022

MAXIM POWER CORP.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

As at	Note	**December 31, 2021**	December 31, 2020
ASSETS			
Cash and cash equivalents		**13,550**	12,261
Trade and other receivables	5	**20,766**	6,952
Risk management asset	26	**708**	-
Prepaid expenses and deposits		**1,256**	1,390
Total current assets		**36,280**	20,603
Property, plant and equipment, net	6	**260,590**	183,939
Restricted cash	7	**6,196**	6,196
Deferred tax assets	21	**179**	19,798
Other assets	8	**9,192**	8,774
Total non-current assets		**276,157**	218,707
TOTAL ASSETS		**312,437**	239,310
LIABILITIES			
Trade and other payables	9	**19,216**	11,377
Risk management liability	26	**453**	2,049
Loans and borrowings	10	**-**	1,668
Total current liabilities		**19,669**	15,094
Provisions for decommissioning	11	**11,733**	10,997
Lease obligation		**203**	202
Loans and borrowings	10	**53,650**	65,107
Total non-current liabilities		**65,586**	76,306
TOTAL LIABILITIES		**85,255**	91,400
EQUITY			
Share capital	12	**144,106**	143,584
Contributed surplus		**12,676**	12,431
Retained earnings (deficit)		**70,400**	(8,105)
TOTAL EQUITY		**227,182**	147,910
Commitments and Contingencies	19, 20		
TOTAL LIABILITIES AND EQUITY		**312,437**	239,310

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 Operations and Comprehensive Income

For the years ended December 31
(in thousands of Canadian dollars, except per share amounts)

	Note	**2021**	2020
Revenue	14	**156,014**	46,726
Expenses (income)			
Operating	15	**70,042**	35,013
General and administrative	15	**5,137**	4,083
Depreciation and amortization	6	**7,968**	5,457
Loss (gain) on commodity swaps	26	**10,704**	(276)
Asset impairment charge	6	**5,347**	-
Other income, net	16	**(46,686)**	(5,749)
Total expenses		**52,512**	38,528
Operating income		**103,502**	8,198
Finance expense, net	17	**5,355**	5,400
Income before income taxes		**98,147**	2,798
Current income tax expense	21	**19**	-
Deferred income tax expense (recovery)	21	**19,619**	(6,462)
Total income tax expense (recovery)		**19,638**	(6,462)
Net and comprehensive income		**78,509**	9,260
Earnings per share	18		
Basic		**1.57**	0.19
Diluted		**1.28**	0.18

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	Retained earnings (deficit)	Total
Equity at December 31, 2020	49,802	143,584	12,431	(8,105)	147,910
Net income	-	-	-	78,509	78,509
Repurchase of common shares for cancellation	(11)	(31)	-	(4)	(35)
Share-based compensation	-	-	452	-	452
Stock options settled in cash	-	-	(17)	-	(17)
Stock options exercised	305	553	(190)	-	363
Equity at December 31, 2021	**50,096**	**144,106**	**12,676**	**70,400**	**227,182**
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

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

MAXIM POWER CORP.

Consolidated Statements of Changes in Cash Flows

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

	Note	**2021**	2020
Cash flows from operating activities:			
Net income		**78,509**	9,260
Adjustments for items not involving cash or operations:			
Depreciation and amortization	6	**7,968**	5,457
Asset impairment charge	6	**5,347**	-
Share-based compensation	13	**452**	402
Unrealized (gain) loss on commodity swaps	26	**(2,165)**	1,994
Stock option settlement	13	**(17)**	(146)
Deferred income tax expense (recovery)	21	**19,619**	(6,462)
Current income tax expense	21	**19**	-
Finance expense, net	17	**5,355**	5,400
Funds generated from operating activities before change in non-cash working capital		**115,087**	15,905
Change in non-cash working capital	24	**(9,871)**	(8,941)
Net cash generated from operating activities		**105,216**	6,964
Cash flows from financing activities:			
Issuance of loans and borrowings		**-**	14,762
Repayment of loans and borrowings	10	**(10,750)**	(750)
Issue costs on loans and borrowings	10	**(2,810)**	-
Proceeds from exercise of stock options		**363**	-
Repurchase of common shares for cancellation	12	**(31)**	(838)
Interest and bank charges		**(5,370)**	(2,826)
Net cash generated from (used in) financing activities		**(18,598)**	10,348
Cash flows from investing activities:			
Property, plant and equipment additions	6	**(88,577)**	(20,178)
Proceeds from option agreement	6	**317**	-
Interest income	17	**140**	202
Change in non-cash working capital	24	**2,806**	(5,911)
Net cash used in investing activities		**(85,314)**	(25,887)
Foreign exchange loss on cash and cash equivalents		**(15)**	(88)
Increase (decrease) in cash and cash equivalents		**1,289**	(8,663)
Cash and cash equivalents, beginning of period		**12,261**	20,924
Cash and cash equivalents, end of period		**13,550**	12,261

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

2. Basis of preparation and statement of compliance

(a) Statement of compliance

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 15, 2022.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for risk management activities, 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) 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.

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

(ii) 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.

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

Useful lives over which costs should be depreciated may be impacted by changes in our strategy, process or operations as a result of climate change initiatives. 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 equipment 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.

(iv) 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.

(v) 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. 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.

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

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

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.

The Consolidated Financial Statements of MAXIM include the following entities:

	Country of	Ownership Interest %	
	Incorporation	2021	2020
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.

3. Significant accounting policies (continued)

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.

(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 the statement of income or loss. Any gain or loss on derecognition is recognized in the statement of income 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 the statement of income or loss.

(v) Financial liabilities at amortized cost

Financial liabilities include trade payables, lease obligation 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.

3. Significant accounting policies (continued)

(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.

(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 2 to 23 years
Equipment	20 - 30% declining balance or straight-line from 2 to 23 years

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.

3. Significant accounting policies (continued)

(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.

(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 the provision for decommissioning liabilities with the associated expense recognized in the statements of income 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.

3. Significant accounting policies (continued)

(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 profit or 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 losses.

(j) Revenue recognition

Revenue from the sale of electricity is measured based on the consideration specified in the 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, gain on modification of debt 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 income 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.

3. Significant accounting policies (continued)

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 earnings 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.

Diluted earnings per share is calculated in the same manner as basic earnings per share, except that the weighted average number of common shares outstanding is adjusted for dilutive instruments and the after tax impact of the finance expense relating to the convertible loan facility.

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 and the impact of the convertible loan facility.

(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, 2021, 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) Cash and cash equivalents, trade and other receivables, trade and other payables, lease obligation, and loans and borrowings

The fair value of cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. As at December 31, 2021, and 2020, the fair value of cash and cash equivalents, trade and other receivables and trade and other payables approximated their carrying value due to their short term to maturity. The fair value of loans and borrowings approximated their carrying value as they bear a floating rate of interest and the margin charged by the lenders are indicative of current credit spreads. The subordinated convertible loan facility includes monthly interest at a fixed rate that the Corporation would expect to pay for similar financing transactions and accordingly the fair value approximates the carrying value.

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

4. Determination of fair value (continued)

(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 considered in determining fair value.

5. Trade and other receivable

	December 31, 2021	December 31, 2020
Trade receivables	18,938	5,769
GST receivable	1,324	42
Realized risk management receivable (a)	473	952
Other receivables	31	189
Total accounts receivable	20,766	6,952

(a) Realized risk management receivable of $473 reflects unsettled realized gains on gas commodity swap transactions as at December 31, 2021 (2020 - $952).

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

6. Property, plant and equipment, net

	Land	Generating Facilities	Equipment	Right-of-use Asset	Assets under Construction	Total
Cost						
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	-	143,624	-	-	(143,624)	-
Balance, December 31, 2020	4,077	230,252	3,248	333	22,686	260,596
Additions	-	13,830	-	-	74,747	88,577
Revisions to decommissioning provisions	-	1,706	-	-	-	1,706
Impairment (a)	-	-	-	-	(5,347)	(5,347)
Proceeds from option agreement (b)	(317)	-	-	-	-	(317)
Assets in-service	-	1,049	-	-	(1,049)	-
Balance, December 31, 2021	3,760	246,837	3,248	333	91,037	345,215
Accumulated depreciation						
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
Depreciation	-	7,931	12	25	-	7,968
Balance, December 31, 2021	-	81,572	2,897	156	-	84,625
Property, plant and equipment, net						
December 31, 2020	4,077	156,611	363	202	22,686	183,939
December 31, 2021	3,760	165,265	351	177	91,037	260,590

(a) Asset impairment charge

During the third quarter of 2021, the Corporation was notified by the Alberta Utilities Commission that the appeal for a time extension of the Deerland peaking station permit (190MW) was denied. As a result, the Corporation has terminated the project and written off the full value of the assets under construction totaling $5,347 and recognized as asset impairment charge.

(b) Proceeds from option agreement

During 2021, the Corporation has collected a $250 USD option extension payment which was included as proceeds against land in PP&E. Subsequent to year end, the Corporation received notice of the exercise of an option to purchase land wholly owned by Forked River II, LLC in the amount of $3,000 USD.

7. Restricted cash

The Corporation maintains credit agreements for a demand facility that will fully cash collaterize up to $6,250 (December 31, 2020 - $10,150) of letters of credit on a non-revolving basis. As at December 31, 2021, the Corporation has $6,196 (December 31, 2020 - $6,196) of outstanding letters of credit and this amount was deposited into restricted bank accounts maintained by the bank (note 10).

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

8. Other Assets

	December 31, 2021	December 31, 2020
Long term prepaid expenses	2,266	817
Milner decommissioning reimbursement (note 11)	6,926	7,957
Total other assets	9,192	8,774

9. Trade and other payables

	December 31, 2021	December 31, 2020
Trade payables	8,304	2,693
Accrued liabilities and other payables	10,432	4,724
Deferred vendor payments	-	3,828
Realized risk management liability (a)	480	132
Total trade and other payables	19,216	11,377

a) Realized risk management liability of $480 are unsettled realized losses on power commodity swap transactions as at December 31, 2021 (2020 - $132 realized losses on natural gas commodity swap transactions).

10. Loans and borrowings

	December 31, 2021	December 31, 2020
Bank Term Facility #1 (a)	28,500	29,250
Revolver Facility #1 (a)	-	10,000
Convertible Loan Facility (b)	29,438	29,438
	57,938	68,688
Less: deferred financing costs	(4,288)	(1,913)
Net loans and borrowings, net of deferred financing costs	53,650	66,775
Less: current portion, net of deferred financing costs	-	(1,668)
Total long-term loans and borrowings, net of deferred financing costs	53,650	65,107

(a) Senior Credit Facilities

On June 30, 2021, the Corporation entered into an amended and restated credit agreement that increases the senior credit facilities from $42,500 to $105,000 to support financing requirements of the CCGT expansion of M2, existing operations, letters of credit and hedging. The senior credit facilities are secured by the assets of the Corporation. The Bank Term Facility #1, Revolver Facility #1, Revolver Facility #2 and the Bank Construction Facility bear interest at Canadian prime rate, bankers acceptance or Canadian dollar offered rate, plus applicable margins. The Fixed Rate Construction Facility bears interest at a fixed rate. The senior credit facilities mature on June 30, 2026.

10. Loans and borrowings (continued)

Financing provided as follows:

(i) Bank Term Facility #1

The remaining original $28,500 term facility was amended into a Bank Term Facility #1, which continues without being repaid, terminated or replaced until construction of the CCGT expansion of M2 is completed, at which point it will require amortization over seven years based on the current anticipated completion date of the project. This facility is non-revolving and currently bears interest at floating rates under the bankers acceptance rate of 3.48% (December 31, 2020 - 3.47%) and as at December 31, 2021 the amount drawn under this facility was $28,500 (December 31, 2020 - $29,250). This facility is fully drawn and no additional amounts are available.

(ii) Revolver Facility #1

The $10,000 Revolver Facility #1 remains available for general corporate purposes. As at December 31, 2021 the amount drawn under this facility was $nil (December 31, 2020 - $10,000).

(iii) Revolver Facility #2

Upon amendment and restatement of the credit agreement, the $4,000 Revolver Facility #2 was increased to $5,000. This facility is now available only for the CCGT expansion of M2 and operating purposes until M2 is completed, and then for general corporate purposes thereafter. This facility is undrawn as at December 31, 2021.

(iv) Bank Construction Facility

The $27,400 Bank Construction Facility is non-revolving, available only for the construction of the CCGT expansion of M2, with amortization required over ten years commencing on completion of the CCGT expansion of M2. This facility is undrawn as at December 31, 2021.

(v) Fixed Rate Construction Facility

The $30,000 Fixed Rate Construction Facility is non-revolving, available only for the construction of the CCGT expansion of M2, with amortization required over five years commencing on completion of the CCGT expansion of M2. This facility is undrawn as at December 31, 2021 and was only available to be drawn on up to January 31, 2022. On January 31, 2022, this facility was fully drawn.

(vi) Letter of Credit Facility

The Letter of Credit Facility was amended from a cash collaterized facility to a facility which can either be cash collaterized or be drawn on of up to $4,100. As at December 31, 2021, the Corporation has $4,046 in cash collaterized letters of credit. Cash of the same amount was deposited into a restricted bank account maintained by the bank.

(vii) Hedging Facility

A risk management facility is available for interest rate, power and gas commodity price and foreign exchange hedging.

10. Loans and borrowings (continued)

(viii) Debt Covenants

Commencing on June 30, 2021, the Corporation is required to maintain a debt service coverage ratio of not less than 1.25:1.00, previously 1.50:1.00, determined as at the last day of each financial quarter on a rolling four quarter basis.

The Corporation is required to maintain debt (Senior Credit Facilities) to earnings before interest, taxes, depreciation and amortization below 3.00:1.00, determined as at the last day of each financial quarter on a rolling four quarter basis.

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 non-financial covenants. As at December 31, 2021, MAXIM is in compliance with all debt covenants.

(b) Convertible Loan Facility

On June 30, 2021, the Corporation amended the $75,000 convertible loan to make it available for the construction of the CCGT expansion of M2 and any wind power projects agreed with the lender, and to extend the maturity date to September 25, 2026 at a fee of $750 which was paid on June 30, 2021. The convertible loan continues to be subordinated to the Senior Credit Facilities, convertible into common shares at $2.25 per share, at the option of the lenders, bears interest at 12% per annum and is secured by the assets of the Corporation. As at December 31, 2021, MAXIM is in compliance with all covenants related to this facility. The convertible feature of the loan was valued at $nil at the date of issuance and therefore no amount has been reflected as equity on the statements of financial position. As at December 31, 2021, the amount drawn under this facility is $29,438 (December 31, 2020 - $29,438).

The convertible loan was provided by two significant shareholders of the Corporation, one of whom is the Chief Executive Officer and Chairman of the Board and the other who is Vice Chairman of the Board. During 2021, total interest and fees paid under this facility, not including the amendment fee, was $3,908 (December 31, 2020 – $1,494).

(c) Letter of Credit Facility #2

The Letter of Credit Facility #2 is a facility that requires full cash collateralization of letters of credit on a non-revolving basis. As at December 31, 2021, the Corporation has $2,150 (December 31, 2020 - $2,150) in cash collaterized letters of credit. 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) Issue costs on loans and borrowings

During 2021, a total of $2,810 of transaction costs were incurred in relation to the amendment and restatement of the senior credit facilities and amendment of the convertible loan facility. Upon amendment, the Corporation determined that the modifications of the two facilities resulted in a remeasurement. As a result, during 2021, upon fair valuing the loans, the Corporation recognized a gain of $1,752 (note 17).

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

10. Loans and borrowings (continued)

(e) Repayments

The Corporation's anticipated principal repayment obligations as at December 31, 2021, on the above loans and borrowings over the next five calendar years are as follows:

2023	3,150
2024	4,200
2025	4,200
2026	46,388
	57,938

11. Provisions for decommissioning

The Corporation's provisions are comprised of decommissioning liabilities that relate to the retirement of its electrical generating facilities. The decommissioning liabilities have been discounted at the risk-free rate, which were 0.4% to 1.6% (December 31, 2020 – 0.2% to 1.1%) depending on the timeframe of when the liability will be settled and inflation rates, which were 0.5% to 1.8% (December 31, 2020 – 0.2% to 1.1%). 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 $16,020 (December 31, 2020 - $14,183) 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, 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
Accretion	185
Changes in estimate (a)	722
Remediation of certain lands at the Milner site in progress	(171)
Balance, December 31, 2021	11,733

(a) During 2021, the Corporation recognized the decommissioning liability for the CCGT expansion of M2. As at December 31, 2021, the estimated decommissioning costs are $400. The life expectancy of this asset is June 30, 2045 and estimated costs have been valued using the discounted risk-free rate of 1.64%.

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

11. Provisions for decommissioning (continued)

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 2021 and as at December 31, 2021, on a life to date basis the Corporation has billed the Balancing Pool $4,855 (December 31, 2020 - $4,685). At December 31, 2021, the Corporation remains responsible for $10,145 of remediation costs and the fair value of this remaining reimbursement from the Balancing Pool of $6,926 (December 31, 2020 - $7,957) is included in other assets (note 8), the accretion of the asset is included as a credit to finance expense.

12. Share capital

During 2021, the Corporation purchased and cancelled 10,915 (2020 – 412,568) common shares under the normal course issuer bid (“NCIB”) program at a cost of $35 (2020 - $838). Common shares purchased were recognized as a $31 (2020 - $1,187) 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 $4 (2020 - $349) was recorded as an increase in retained earnings.

	Number of Shares	$
Common Shares of MAXIM		
Common Shares, December 31, 2019	50,214,106	144,771
Common Shares purchased and cancelled under NCIB	(412,598)	(1,187)
Common Shares, December 31, 2020	49,801,508	143,584
Common Shares purchased and cancelled under NCIB	(10,915)	(31)
Share options exercised	304,619	553
Common Shares, December 31, 2021	50,095,212	144,106

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, 2021 and 2020, there are nil Preferred Shares outstanding.

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:

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

13. Share-based compensation (continued)

	December 31, 2021			December 31, 2020		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of period	2,164,449	$	1.86	2,148,202	$	2.05
Exercised	(304,619)		2.01	-		-
Cancelled	-		-	(250,000)		2.20
Settled for cash (a)	(39,767)		2.01	(391,852)		1.81
Granted (b)	1,018,147		2.78	1,244,168		1.80
Expired	(223,762)		2.10	(586,069)		2.32
Outstanding, end of period	2,614,448	$	2.18	2,164,449	$	1.86
Exercisable	701,488	$	1.82	534,814	$	2.03

The Corporation recorded non-cash share-based expense of $452 (December 31, 2020 - $402) for the year ended December 31, 2021.

(a) During 2021, the Corporation cash-settled 39,767 options for cash for $17.

(b) During 2021 and 2020, 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:

	2021	2020
Fair value of each option ($)	0.59	0.42
Share price at grant date ($)	2.78	1.80
Exercise price ($)	2.78	1.80
Risk-free interest rate (%)	0.76	0.46
Expected life (years)	3.54	1.92
Expected volatility (%)	37.16	40.26
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, 2021, the range of exercise prices was $1.43 to $3.76 (December 31, 2020 - $1.40 to $2.20) and the weighted average remaining contractual life was 1.68 years (December 31, 2020 – 1.8 years).

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

14. Revenue

	December 31, 2021	December 31, 2020
Revenue from contracts with customers	156,014	46,720
Other revenue	-	6
Total revenue	156,014	46,726

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, 2021	December 31, 2020
Fuel costs	56,421	22,928
Operating and maintenance	11,206	8,792
Wages and employee benefits	7,552	7,376
Total operating and general and administrative expenses	75,179	39,096

16. Other income

	December 31, 2021	December 31, 2020
Line Loss Proceedings payment (a)	(46,527)	(6,418)
Other expense (income), net	(159)	669
Total other income, net	(46,686)	(5,749)

(a) During 2021, the Corporation collected $46,527, concluding the receipt of Line Loss Proceeding payments, which has been recognized as other income and increased the total amount collected under the claim to $52,945.

17. Finance expense, net

	December 31, 2021	December 31, 2020
Interest expense and bank charges	5,608	3,526
Amortization of deferred financing costs	1,700	1,946
Loss (gain) on interest rate swap (note 26)	(5)	87
Gain on modification of debt (note 10)	(1,752)	-
Accretion of provisions	60	76
Foreign exchange gain	(116)	(33)
Finance expense	5,495	5,602
Interest income	(140)	(202)
Total finance expense, net	5,355	5,400

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

18. Earnings per share

	December 31, 2021	December 31, 2020
Weighted average number of common shares (basic)	50,056,116	49,989,731
Effect of convertible loan facility (a)	13,083,736	-
Effect of exercisable stock options	663,549	217,552
Weighted average number of common shares (diluted)	63,803,401	50,207,283

(a) The effect of the convertible loan facility was antidilutive for the year ended December 31, 2020.

	December 31, 2021	December 31, 2020
Net income (basic)	78,509	9,260
Finance expense on the convertible loan facility, net of tax	3,386	-
Net income (diluted)	81,895	9,260

	December 31, 2021	December 31, 2020
Earnings per share:		
Basic	1.57	0.19
Diluted	1.28	0.18

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, 2021, on a life-to-date basis, the Corporation has billed and collected $4,855 from the Balancing Pool for remediation of certain lands at Milner. The present value of the residual balance of $6,926 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 contracts for engineering, construction, maintenance and procurement of equipment for the CCGT expansion of M2. These contracts have a minimum commitment totaling $18,885 as at December 31, 2021.

(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, 2021 is $13,620 over the next four years as follows:

2022	3,984
2023	3,984
2024	3,984
2025	1,668
	13,620

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. 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.

(b) Contingent assets

The Corporation closed the sale of a development project on June 20, 2018. Under the sales agreement the Corporation is entitled to further compensation upon the date of commercial operation. This additional compensation shall not exceed $2,810. As at December 31, 2021, the precise amount and timing of compensation under the sales agreement, if any, cannot be determined, and therefore no amount has been reflected in these consolidated financial statements.

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

21. Income taxes

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

	December 31, 2021	December 31, 2020
Current tax expense	19	-
Deferred tax (recovery) expense		
Origination and reversal of temporary differences	22,629	713
Changes in tax rates	-	(71)
Effect of tax rates in foreign jurisdictions	(5)	-
Adjustment to prior years tax returns	201	-
Change in recognized deductible temporary differences	(3,206)	(7,104)
	19,619	(6,462)
Total tax (recovery) expense	19,638	(6,462)

(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, 2021 of 23% (December 31, 2020 – 24%) to income before income taxes. A reconciliation of this difference is presented below.

A reconciliation of the differences is as follows:

	December 31, 2021	December 31, 2020
Net income before tax	98,147	2,798
Statutory tax rate	23%	24%
Computed income taxes	22,574	672
Increase (decrease) in taxes:		
Change in recognized deductible temporary differences	(3,206)	(7,064)
Changes in tax rates	-	(81)
Effect of tax rates in foreign jurisdictions	(5)	(31)
Non-deductible expenses (non-taxable income), net	74	42
Adjustments for prior years tax returns	201	-
Total tax (recovery) expense	19,638	(6,462)

(c) Unrecognized deferred tax assets

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax recovery through future taxable profits is probable. As at December 31, 2021, there are non-capital loss carry-forwards of $137,191 (December 31, 2020 - $203,377).

As at December 31, 2021, $108,392 (December 31, 2020 - $121,675) of the tax loss carry-forwards are unrecognized. The assets related to these non-capital loss carry-forwards are unrecognized primarily due to uncertainty in the Corporation's ability to utilize the asset.

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

21. Income taxes (continued)

(d) Unrecognized deferred tax liabilities

As at December 31, 2021, there are no net taxable temporary differences (December 31, 2020 - $nil) related to investments in certain subsidiaries 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,	2021	2020	2021	2020	2021	2020
Non-capital loss carry forwards	6,672	18,791	-	-	6,672	18,791
Capital assets	(8,514)	(1,164)	-	-	(8,514)	(1,164)
Other	2,060	2,210	(39)	(39)	2,021	2,171
	218	19,837	(39)	(39)	179	19,798
Set off of tax	(39)	(39)	39	39	-	-
Net tax assets	179	19,798	-	-	179	19,798

As at December 31, 2021, there is a deferred tax asset (net of tax liabilities) of $179 (December 31, 2020 - $19,798) related to a Canadian legal entity. These deferred tax assets are dependent on future taxable income within the legal entity. The future taxable income is based on estimated forecasted prices for power and natural gas production volumes. These deferred tax assets primarily arises from deductible temporary differences related to non-capital losses.

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 these 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, 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
Credited (charged) to income	(12,119)	(7,350)	(150)	(19,619)
At December 31, 2021	6,672	(8,514)	2,021	179

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

22. Related party transactions

Compensation of key management personnel:

	December 31, 2021	December 31, 2020
Short-term employee benefits, including wages and benefits	1,847	2,005
Share-based compensation	294	364
Total	2,141	2,369

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

Other than the Corporation's subordinated convertible loan facility (note 10b), there were no other related party transactions during 2021 or 2020.

23. Employee benefits

Benefits are based on plan contributions under the defined contribution pension plan. During 2021, the pension expense for this plan was $142 (2020 - $156). There has been no change in the contribution rate during 2021.

24. Change in non-cash working capital

	December 31, 2021	December 31, 2020
Operating activities		
Trade and other receivables	(13,814)	(2,888)
Prepaid expenses and deposits	134	(360)
Trade and other payables	3,809	(5,693)
	(9,871)	(8,941)

	December 31, 2021	December 31, 2020
Investing activties		
Trade and other payables	3,726	(5,490)
Non-current deposits	(920)	-
Other long-term liabilities	-	(2,074)
Restricted cash	-	1,653
	2,806	(5,911)

25. Financial risk management

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

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

25. Financial risk management (continued)

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.

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, 2021	December 31, 2020
Cash and cash equivalents	13,550	12,261
Milner decommissioning reimbursement (note 11)	6,926	7,957
Trade and other receivables	20,766	6,952
Total	41,242	27,170

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, 2021, 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.

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

25. Financial risk management (continued)

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

December 31, 2021	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	19,216	19,216	19,216	-	-	-	-
Lease obligation (1)	203	203	14	14	74	80	21
Loans and borrowings	53,650	78,146	2,337	2,336	16,475	56,998	-
	73,069	97,565	21,567	2,350	16,549	57,078	21

(1) Lease obligation matures in October 2027.

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	-	-	-
Lease obligation	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

(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, 2021, 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, 2021 would have decreased (increased) accounts payable by $633 (2020 - $400) 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 2021, by $300 (2020 - $283).

25. Financial risk management (continued)

(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. Based on the achieved generation volumes for the year ended December 31, 2021, an appreciation in electricity prices in the Alberta power market by $1 per MWh would have increased net income by $1,446 (2020 - $838). A weakening of electricity prices by this amount would have the opposite effect on other comprehensive income and net income. Based on the natural gas volumes consumed for the year ended December 31, 2021, an appreciation in natural gas prices in the Alberta natural gas commodity market by $0.10 per GJ would have decreased net income by $1,594 (2020 - $984). A weakening of natural gas prices by this amount would have the opposite effect on other comprehensive income and net income.

26. Fair Value

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

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

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

The fair value of the loans and borrowings are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. The fair value of amounts outstanding under the senior credit facilities approximates the carrying value as it bears a floating rate of interest and the margin charged by the lenders is indicative of current credit spreads. The subordinated convertible loan facility includes monthly interest at a fixed rate that the Corporation would expect to pay for similar financing transactions and accordingly the fair value approximates the carrying value.

(a) Commodity risk management swaps

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

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

26. Fair Value (continued)

Realized loss (gain) on commodity swaps

	December 31, 2021	December 31, 2020
Realized loss (gain) on power swaps	18,611	(2,127)
Realized gain on natural gas swaps	(5,742)	(143)
Total realized loss (gain) on commodity swaps	12,869	(2,270)

Unrealized loss (gain) on commodity swaps

	December 31, 2021	December 31, 2020
Unrealized loss on power swaps	279	259
Unrealized loss (gain) on natural gas swaps	(2,444)	1,735
Total unrealized loss (gain) on commodity swaps	(2,165)	1,994

Loss (gain) on commodity swaps

Total realized and unrealized loss (gain) on commodity swaps	10,704	(276)

(b) Interest rate swaps

The Corporation manages interest rate exposure in accordance with the provisions under the Senior Credit Facilities, by entering into interest rate swaps. The fair values of the interest rate swaps are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. As at December 31, 2021, the Corporation has $8,500 of interest rate swaps until November 2022 at 3.82%.

Realized loss (gain) on interest rate swaps

	December 31, 2021	December 31, 2020
Total realized loss on interest rate swaps	36	31

Unrealized loss (gain) on interest rate swaps

	December 31, 2021	December 31, 2020
Total unrealized loss (gain) on interest rate swaps	(41)	56

Loss (gain) on interest rate swaps

Total realized and unrealized loss (gain) on interest rate swaps	(5)	87

(c) Carrying amount of risk management asset and liabilities

Current risk management asset

	December 31, 2021	December 31, 2020
Natural gas commodity swap	708	-
Total carrying amount of current risk management asset	708	-

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

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

26. Fair Value (continued)

Current risk management liability

	December 31, 2021	December 31, 2020
Power commodity swap	440	259
Natural gas commodity swap	-	1,736
Interest rate swap	13	54
Total carrying amount of current risk management liability	453	2,049

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

(d) 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, 2021 and 2020, the Corporation had no outstanding foreign exchange risk management swaps and options.

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.

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, 2021	December 31, 2020
Loans and borrowings	53,650	66,775
Less: Unrestricted cash	(13,550)	(12,261)
Net debt	40,100	54,514
Equity attributable to shareholders	227,182	147,910
Net capital	267,282	202,424

28. Comparative figures

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated March 15, 2022 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, 2021. 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"). MAXIM occasionally refers to non-GAAP and other financial measures in the MD&A which are not standardized measures and may not be comparable to other reporting issuers. See the Non-GAAP and other financial measures section for more information. The MD&A contains Forward-Looking Information ("FLI"). This information is based on certain estimates and assumptions and involve risks and uncertainties. Actual results may differ materially. See the FLI section of this MD&A for additional information.

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

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BUSINESS OF MAXIM

MAXIM is an independent power producer engaged in the development, ownership and operation of power generation facilities and the resultant sale of generating capacity and electricity. At December 31, 2021, 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. During 2021, MAXIM commenced construction of the heat recovery technology required to expand M2 into a combined cycle gas turbine ("CCGT") facility. This project repowers the existing Milner steam turbine to generate approximately 96 MW out of its total 150 MW rated capacity. This results in the CCGT expansion increasing total generation capacity of M2 from 204 MW to 300 MW and also results in lower Operations and Maintenance ("O&M") costs per MWh as a result of operational efficiencies.

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. Milner and M2 share an electrical interconnection which limits the combined export of electricity to 300 MW.

OVERALL PERFORMANCE

Highlights

During the fourth quarter of 2021, MAXIM continued progress on the engineering and construction of the CCGT expansion of M2 and is pleased to report that the project remains on schedule to commission in December 2022. Recent milestones include over 90,000 construction hours expended and the completion of major foundations for the Heat Recovery Steam Generator ("HRSG") and associated balance of plant. Additional milestones during the fourth quarter of 2021 included the erection of the HRSG heat transfer surfaces and HRSG casings. The estimated project costs is currently $136.0 million. As at December 31, 2021, MAXIM has incurred $76.5 million of capital investment in relation to the CCGT expansion of M2 and has funded this spending with existing cash on hand and cash flow from operating activities.

During 2021, MAXIM recorded net income of $78.5 million as compared to $9.3 million in 2020. A significant portion of the increase is the result of the operations of M2, which was commissioned in the second quarter of 2020 and the recognition of the second and third line loss payments from the Alberta Electric System Operator ("AESO") in 2021.

During 2021, MAXIM recorded adjusted earnings before interest, taxes, depreciation and amortization, ("Adjusted EBITDA" (1)) of $68.4 million as compared to Adjusted EBITDA of $10.3 million in 2020. A significant portion of the increase is the result of the operation of M2, which was commissioned in the second quarter of 2020. M2 generated 1,449,915 MWh and realized average power prices of $107.60 per MWh in 2021, resulting in revenues of $156.0 million, as compared to M2 and Milner in 2020 which generated 837,760 MWh and realized average power prices of $55.77 per MWh, resulting in $46.7 million in revenues.

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

During M2's planned maintenance outage in the fourth quarter of 2021 MAXIM increased the maximum capacity of M2's interconnection to the Alberta power grid to 300 MWs to facilitate the CCGT expansion of M2. The CCGT expansion of M2 is not anticipated to be in commercial operation until December 2022. In the meantime, MAXIM is authorized to operate the legacy Milner facility in tandem with the M2 facility, up to a combined total output of 300 MW. MAXIM notes that Milner as a stand-alone power plant is subject to federal greenhouse gas regulations which limit the annual hours of operation from the unit. Due to required maintenance and tie-in work related to the CCGT expansion of M2, MAXIM does not anticipate operating Milner during 2022 until initiating the commissioning phase of the CCGT expansion of M2, which is currently anticipated to commence in September 2022 and finish in December 2022.

On August 20, 2021, MAXIM announced that it received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid ("NCIB") for 2021/2022. Under this NCIB, the Corporation may purchase for cancellation up to 2,400,000 common shares of the Corporation. In 2021, and under the current, and previous, NCIB program, the Corporation has repurchased and cancelled 10,915 common shares for $0.1 million. MAXIM's NCIB program is limited to $1.0 million per calendar year under the senior credit facility. Any excess is subject to approval from the lenders under the senior credit facility.

During the third quarter of 2021, MAXIM's appeal to extend the 190 MW Deerland peaking station ("Deerland") permit was denied by the Alberta Utilities Commission ("AUC"). As a result, MAXIM has chosen to terminate the project and has written off the full value of the assets under construction totaling $5.3 million which was recognized in the third quarter of 2021.

On June 30, 2021, MAXIM announced that it was proceeding with the Corporation's project to expand M2 into a CCGT facility through the installation of heat recovery technology. MAXIM, through a wholly owned subsidiary, has entered into an Engineering, Procurement, and Construction ("EPC") contract for the CCGT expansion of M2. The EPC contractor is the same party that constructed the existing M2 simple cycle plant. The EPC contractor has agreed to complete and deliver the expanded plant as a fixed-price, turnkey project. M2 will continue to operate in simple cycle mode during construction. Commissioning of the expanded facility is expected to occur over a three month period during which there will be periodic outages of the existing M2 plant while work is carried out to connect this plant to the heat recovery equipment.

On June 30, 2021, MAXIM amended its senior credit facility. The amended senior credit facility has been increased from $42.5 to $105.0 million to provide for construction financing, of which $28.5 million was previously drawn for the construction of M2, $62.4 million is available for construction and the remainder for general corporate use and letters of credit. The construction facilities of up to $62.4 million consist of two non-revolving construction loans and a $5.0 million revolving credit facility. The construction loans have amortization requirements ranging from five to ten years commencing on completion of the CCGT expansion of M2. All loans under the senior credit facility mature on June 30, 2026. MAXIM has also extended the maturity date of its current subordinated convertible credit facility, with two related parties, to provide additional construction financing, if needed. Total capacity under this credit facility is unchanged at $75.0 million of which $29.4 million is currently drawn. The maturity date of this facility was extended to September 25, 2026 and the facility was broadened to make it available for the construction of the CCGT expansion of M2 and any wind power projects.

During the first six months of 2021, the Corporation received the final Line Loss Proceeding payments of $18.6 million and $27.9 from the AESO, increasing the total amount collected in 2020 and 2021 to $52.9 million.

Annual Financial Highlights

(000's unless otherwise noted)	2021	2020	2019
Revenue	156,014	46,726	28,335
Net income	78,509	9,260	(5,850)
Basic earnings per share ($ per share)	1.57	0.19	(0.11)
Diluted earnings per share ($ per share)	1.28	0.18	(0.11)
Adjusted EBITDA (1)	68,418	10,302	(1,403)
Total generation (MWh) (2)	1,449,915	837,760	442,916
Total fuel consumption (GJ) (2)	15,491,739	9,840,790	6,218,724
Average Alberta market power price ($ per MWh)	101.93	46.72	55.31
Average realized power price ($ per MWh) (2)	107.60	55.77	63.90
Total assets	312,437	239,310	225,274

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

(2) Total generation, fuel consumption and average realized power prices for 2021 relate to M2 and 2020 relate to both Milner and M2.

Financial Results

During 2021, revenues and Adjusted EBITDA (1) increased as compared to 2020 and 2019 primarily due to the commencement of operations of M2 in June 2020, higher realized power prices, higher generation and increased reliability of M2. 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 higher fuel costs due to higher generation volumes, higher per unit natural gas costs in 2021 and net realized losses on power and natural gas commodity swaps as compared to the same period in 2020 and 2019.

Net income increased 2021 as compared to 2020 and 2019, with a significant portion due to the same factors impacting Adjusted EBITDA (1) and the recognition of the second and third payment of $46.5 million from the Line Loss Proceedings, partially offset by the recognition of a deferred tax expense, impairment of Deerland and depreciation of M2.

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

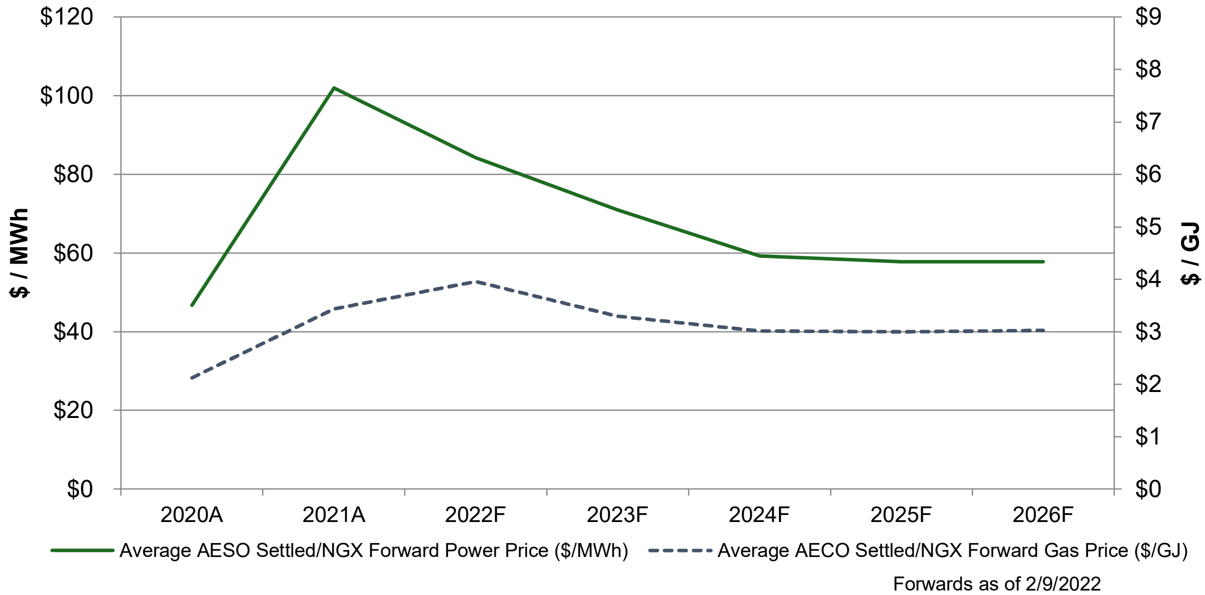
OUTLOOK

Alberta Power Price

This following commentary represents FLI and users are cautioned that actual results may vary. Refer to the discussion of FLI on page 6 for further details.

In 2021, management began to observe an increase in power prices as a result of higher demand for electricity due to higher oil prices, reduced impact from coronavirus (“COVID-19”) and return of dispatch control of six coal-fired units, totaling 2,380 MW of generation capacity, from the Balancing Pool to independent power producers. This increase is reflected in actual power prices for 2021 as shown in the graph below. The graph also shows forward power prices declining starting in 2022 as a result of expectations that new wind generation projects from the Alberta government renewable energy program will come online along with certain new gas-fired projects. Forward power prices begin to stabilize in 2024.

Current natural gas forward prices for the years 2022 through 2026 are consistent with the range of historical prices and in line with management's expectations.



DEVELOPMENT INITIATIVES

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

Current Project Developments

Management has commenced construction of the heat recovery technology required to expand M2 into a CCGT facility. The CCGT expansion of M2 will increase total generation capacity and operational efficiency resulting in lower O&M costs per MWh. Upon completion, the CCGT expansion of M2 will capture waste heat that would otherwise exhaust into the atmosphere and turn it into useful low carbon electricity for the Alberta power grid. The CCGT expansion of M2 will reduce the intensity of carbon emissions by more than 60% compared to the legacy coal-fired Milner facility. The total anticipated costs for the CCGT construction and commissioning is currently $136.0 million excluding borrowing costs and is expected to be in service by December 2022. In 2021, MAXIM has spent $74.8 million on capital investment and deposits related to the CCGT expansion of M2.

The current estimated M2 CCGT project costs of $136.0 million includes all costs spent on the CCGT expansion project from 2020 to present. Financing costs and historical costs of $4.9 million incurred prior to 2020 are not included in this estimate. As at December 31, 2021, the Corporation has spent $76.5 million towards the estimated $136.0 million project costs, excluding financing costs.

Future Development Initiatives

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

In addition to M2 and the existing Milner facility, MAXIM has permits to develop an incremental 346 MW of gas-fired power generation at the Milner site. During the second quarter of 2021, MAXIM's application for an extension of the 190 MW Deerland permit was denied by the AUC. In the third quarter of 2021, MAXIM appealed the decision and the AUC denied the appeal. As a result, MAXIM has chosen to terminate the project and has written off the full value of the assets under construction totaling $5.3 million. MAXIM also has a wind development project, Buffalo Atlee, which has the potential for up to 200 MW of wind generation capacity. In the third quarter of 2021, MAXIM installed a new meteorological tower on the site lands to further expand and improve the quality of the project's wind resource data.

Other Development Initiatives

In March 2020, MAXIM entered into a twelve month option agreement allowing the counterparty to purchase the 31 acre Forked River land parcel ("FR Land") for a fee of US$0.3 million. In March 2021, the counterparty exercised its right to extend the option agreement by an additional twelve months for an incremental fee of US$0.3 million. On March 1, 2022, the counterparty exercised its right to purchase the FR Land and the Corporation anticipates closing during the second quarter of 2022. There is no guarantee the transaction will close however if the transaction successfully closes, the Corporation will receive US$3.0 million for the asset sale. The counterparty plans to utilize the FR Land to construct a substation to gather electricity from an off-shore wind development project along the New Jersey coastline, which is in line with MAXIM's anticipated use for the land as a power development project.

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

In February 2022, MAXIM entered into a contract with an undisclosed counterparty who will be paying for and advancing the remaining required approvals for construction and operation of the Mine 14 project, in exchange for the option to purchase SUMMIT under pre-agreed terms and conditions. The initial term of the contract is twelve months with a potential extension of an additional twelve months if both parties agree the remaining Mine 14 permits and approvals can not be obtained within the initial term. At this time, there is no certainty that the counterparty will elect to purchase SUMMIT.

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

FORWARD-LOOKING INFORMATION

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

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

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

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

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

- MAXIM’s operating cashflow is largely dependent on electric power and natural gas prices. Management forecasts that cash flows for operating, general and administrative expenses will be funded by its operating activities and existing cash on hand. MAXIM estimates total capital expenditures to be incurred in 2022 of approximately $60.0 million to $70.0 million. These expenditures will be funded with existing cash on hand, debt and operating cash flows, and primarily relate to expansion of M2 into a CCGT facility and forecasted purchase of capital spares. 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. Further changes to environmental legislation and operational issues may affect the ability of MAXIM to comply with regulations and may result in unplanned costs and plant outages.
- Other matters and factors described under the Outlook section on page 4.
- Refer to Risk Management section on page 21 for further discussions of risks and uncertainties.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Highlights

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Dec 2021	30-Sep 2021	30-Jun 2021	31-Mar 2021
Revenue	37,418	44,224	44,342	30,030
Net income	4,402	18,092	29,589	26,426
Basic net income per share ($ per share)	0.09	0.36	0.59	0.53
Diluted net income per share ($ per share)	0.08	0.30	0.48	0.43
Adjusted EBITDA (1)	16,915	20,639	21,441	9,423
Average realized power price ($ per MWh)	117.74	105.67	113.96	92.54
Total fuel consumption (GJ)	3,366,505	4,390,800	4,137,093	3,597,341
Total generation (MW)	317,813	418,511	389,101	324,490

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Dec 2020	30-Sep 2020	30-Jun 2020	31-Mar 2020
Revenue	17,282	17,726	4,460	7,258
Net income (loss)	8,923	498	(1,167)	1,006
Basic and diluted net income (loss) per share ($ per share)	0.18	0.01	(0.02)	0.02
Adjusted EBITDA (1)	3,998	5,698	(1,589)	2,195
Average realized power price ($ per MWh)	51.10	50.68	41.48	171.45
Total fuel consumption (GJ)	3,713,241	3,694,579	1,677,148	755,822
Total generation (MW)	338,201	349,756	107,501	42,301

Quarter over quarter revenue, Adjusted EBITDA (1) and net income (loss) are affected by planned and unplanned outages, market demand, power and natural gas prices, weather conditions and seasonal nature of Alberta power prices. Alberta power prices tend to be higher during winter and summer peak load months and are further affected by supply constraints such as outages at other Alberta generation facilities. Reported revenue, Adjusted EBITDA(1) and net income began to increase in the third quarter of 2020 due to the commencement of operations of M2 in June 2020. Reported revenue and net income increased in the first twelve months of 2021 due to the higher generation volumes of M2 and higher realized power prices. In addition to the factors noted above, net income (loss) is affected by certain non-cash and non-recurring transactions as follows:

The fourth quarter of 2021 included $5.1 million of commodity swap losses and $1.4 million of deferred tax expense. The third quarter of 2021 included asset impairment charges of $5.3 million, $1.6 million of deferred tax expense and $4.7 million of commodity swap gains. The second quarter of 2021 included the Line Loss Proceeding payments of $18.6 million, $8.3 million of deferred tax expense and commodity swap losses of $6.3 million. The first quarter of 2021 included the Line Loss Proceeding payments of $27.9 million, $8.3 million of deferred tax expense and commodity swap losses of $4.0 million.

The fourth quarter of 2020 included a Line Loss Proceeding payment of $6.4 million, commodity swap losses of $0.3 million and $3.3 million of deferred tax benefits. 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.

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

2021 FOURTH QUARTER

Selected fourth quarter financial information:

($000's, unless otherwise noted)	2021	2020
Revenue	37,418	17,282
Net income	4,402	8,923
Basic earnings per share ($ per share)	0.09	0.18
Diluted earnings per share ($ per share)	0.08	0.18
Adjusted EBITDA (1)	16,915	3,998
Total fuel consumption (GJ)	3,366,505	3,713,241
Total generation (MWh)	317,813	338,201
Average Alberta market power price ($ per MWh)	107.31	46.13
Average Milner and M2 realized power price ($ per MWh)	117.74	51.10

Revenue and Adjusted EBITDA (1) in the fourth quarter of 2021 increased by $20.1 million and $12.9 million respectively, when compared to the same period in 2020 due to higher realized power prices, partially offset by lower generation volumes. Net income in the fourth quarter of 2021 decreased by $4.5 million when compared to the same period in 2020. This variance is primarily due to the same factors impacting Adjusted EBITDA and the receipt of the first Line Loss Proceeding payment in the fourth quarter of 2020, recognizing deferred tax expense in 2021 versus a recovery in 2020, higher fuel costs and a unrealized loss on commodity prices hedges.

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

FINANCIAL RESULTS OF OPERATIONS

Revenue

($000's)	2021	2020
Revenue	156,014	46,726

Revenue in 2021 increased by $109.3 million to $156.0 million from $46.7 million in 2020, primarily due to increased generation volumes, as a result of increased generation capacity through the operation of M2 as compared to Milner, commissioning of M2 in the second quarter of 2020 and higher realized power prices in 2021. M2 generated 1,449,915 MWh of electricity in 2021, as compared to the combined generation from Milner and M2 of 837,760 MWh in 2020. M2 realized prices of $107.60 per MWh in 2021, as compared to Milner and M2 of $55.77 per MWh in 2020.

Plant Operations

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

	2021			2020		
($000's)	Fuel	O&M	Total	Fuel	O&M	Total
Total	56,421	13,621	70,042	22,928	12,085	35,013
Percent (1)	81%	19%	100%	65%	35%	100%
$ Per MWh (1)	38.91	9.39	48.31	27.37	14.43	41.79
$ Per GJ (1)	3.64	0.88	4.52	2.33	1.23	3.56

Fuel expenses in 2021 increased by $33.5 million to $56.4 million from $22.9 million in 2020, primarily due to higher generation volumes of M2, as compared to both M2 and Milner in 2020 and higher fuel costs due to higher $ per GJ (1) in 2021 as compared to the same period in 2020.

O&M expenses in 2021 increased by $1.5 million or 12% to $13.6 million from $12.1 million in 2020, primarily due to costs incurred to operate Milner in the fourth quarter of 2021 in order to finalize the site electrical interconnection capacity of 300 MW and planned outage expenses of M2.

The percentage of plant operation expenses incurred under fuel and O&M changed significantly upon commissioning M2 in the second quarter of 2020. M2 is considerably more efficient than Milner, however M2 consumes significantly more fuel through higher generation volumes, while incurring lower O&M expenses per MWh (1). This is observed in the percentage allocation above and in the $ per MWh (1) as fuel costs increased significantly due to higher per unit fuel costs and from the operations of M2, while maintaining lower O&M costs on a per MWh basis in 2021 as compared to Milner and M2 in the same period in 2020.

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

General and Administrative Expense

($000's)	2021	2020
Total general and administrative expense	5,137	4,083

General and administration expense in 2021 increased by $1.0 million, or 24%, to $5.1 million from $4.1 million in 2020 primarily due to lower general and administrative capital allocations to the M2 project and increased legal fees.

Depreciation and Amortization Expense

($000's)	2021	2020
Total depreciation and amortization	7,968	5,457

Depreciation and amortization expense in 2021 increased by $2.5 million or 45% to $8.0 million from $5.5 million in 2020, due to the depreciation of M2 which began in the second quarter of 2020.

Asset Impairment Charge

During the third quarter of 2021, the Corporation was notified by the AUC that the appeal for a time extension of the Deerland peaking station permit was denied. As a result, the Corporation has terminated the project and written off the full value of the assets under construction totaling $5.3 million recognized as asset impairment charge.

Other Income, Net

($000's)	2021	2020
Other income, net	(46,686)	(5,749)

In 2021, other income increased to $46.7 million as compared to $5.7 million in 2020. The increase is primarily due to the recognition of the second and third payment of $46.5 million from the Line Loss Proceedings, as compared to the recognition of the first payment of $6.4 million from the Line Loss Proceedings in 2020 and the non-recurrence of restructuring costs incurred in 2020.

Loss (Gain) on Commodity Swaps

($000's)	2021	2020
Realized loss (gain) on power swaps	18,611	(2,127)
Realized gain on gas swaps	(5,742)	(143)
Total realized loss (gain) on commodity swaps	12,869	(2,270)
($000's)	2021	2020
Unrealized loss on power swaps	279	259
Unrealized loss (gain) on gas swaps	(2,444)	1,735
Total unrealized loss (gain) on commodity swaps	(2,165)	1,994
Total realized and unrealized loss (gain) on commodity swaps	10,704	(276)

In 2021, MAXIM realized losses of $12.9 million on Alberta power and natural gas price risk management swaps, as compared to the same period in 2020 which realized gains of $2.3 million. These gains and losses are due to settled Alberta power and natural gas prices deviating from the fixed swap price.

In 2021, MAXIM has an unrealized gain of $2.2 million on Alberta power and natural gas price risk management swaps, as compared to the same period in 2020 which has unrealized losses of $2.0 million. These gains and losses are due to Alberta power and natural gas forward prices deviating from the fixed swap price.

Finance Expense, Net

($000's)	2021	2020
Interest expense and bank charges	5,608	3,526
Amortization of deferred financing costs	1,700	1,946
Loss (gain) on interest rate swaps	(5)	87
Gain on modification of debt	(1,752)	-
Accretion of provisions	60	76
Foreign exchange gain	(116)	(33)
Finance expense	5,495	5,602
Interest income	(140)	(202)
Total finance expense, net	5,355	5,400

In 2021, net finance expense was $5.4 million as compared to $5.4 million in 2020 due to higher interest on debt related to M2, offset by a gain on the debt modification recognized in 2021.

Deferred Income Tax Expense (Benefit)

($000's)	2021	2020
Current tax expense	19	-
Deferred tax expense (benefit)	19,619	(6,462)
Total income tax expense (benefit)	19,638	(6,462)

In 2021, MAXIM has an income tax expense of $19.6 million as compared to a benefit of $6.5 million in 2020 due to MAXIM generating higher income before taxes in 2021.

Financial Position

The following highlights the changes in the Corporation's Consolidated Statement of Financial Position at December 31, 2021, as compared to December 31, 2020.

As at ($000's)	December 31, 2021	December 31, 2020	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	13,550	12,261	1,289	Increased as a result of the collection of line loss proceeds and operating activities, partially offset by loan repayments and capital expenditures
Trade and other receivables and risk management asset	20,766	6,952	13,814	Increased as a result of higher revenues
Property, plant and equipment, net	260,590	183,939	76,651	Increased as a result of capital additions for M2, partially offset by depreciation
Net other assets, net	17,531	36,158	(18,627)	Decrease in deferred tax asset reflecting deferred tax expense
Liabilities & Equity				
Trade and other payables and risk management liability	19,669	13,426	6,243	Increased due to the construction of the CCGT expansion of M2 and payables from the purchase of capital spares
Loans and borrowings	53,650	66,775	(13,125)	Decreased as a result of repayment of debt and additional financing costs
Provision for decommissioning and other long-term liability	11,936	11,199	737	Increased due to decrease in discount rates
Equity	227,182	147,910	79,272	Increased primarily due to net income for the period

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Management is anticipating that cash flows for operating and general and administrative expenses will be funded by MAXIM's existing cash on hand and operating activities. Cash flows for construction of the CCGT expansion of M2 will be funded by the Corporation's existing cash on hand, operating activities and debt. As at December 31, 2021, MAXIM has up to $122.1 million of borrowing capacity remaining under its senior credit facilities and subordinated convertible loan and $13.6 million of unrestricted cash.

Senior Credit Facility

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

- Bank Term Facility #1 is the remaining original term facility with $28.5 million outstanding and will continue without being repaid until the CCGT expansion of M2 is complete, at which point it will amortize over seven years based on the current anticipated completion date of the project. This facility is fully drawn and no additional amounts are available.
- Revolver Facility #1 is the original $10.0 million revolver which is unchanged and continues to be available for general corporate purposes. This facility is undrawn.
- Revolver Facility #2 increased from $4.0 million to $5.0 million, however is available for the CCGT expansion of M2 and operating purposes on a revolving basis, until the CCGT expansion of M2 is completed, and for general corporate purposes on a revolving basis thereafter. This facility is undrawn.
- Bank Construction Facility is a $27.4 million facility and is available only for the CCGT expansion of M2 on a non-revolving basis, with amortization required over ten years commencing on completion of the CCGT expansion of M2. This facility is undrawn.
- Fixed Rate Construction Facility is a $30.0 million facility and is available only for the CCGT expansion of M2 on a non-revolving basis up to January 31, 2022, with amortization required over five years commencing on completion of the CCGT expansion of M2. This facility is undrawn as at December 31, 2021, however the $30.0 million was fully drawn as of the date of this MD&A.
- Letter of Credit Facility is a $4.1 million facility and is available to be drawn to issue letters of credit. This facility can be cash collaterized or used to be drawn on to issue or replace letters of credit. As at December 31, 2021, the Corporation has $4.0 million in cash collaterized letters of credit. Cash of the same amount was deposited into a restricted bank account maintained by the bank.

The senior credit facility is secured by the assets of the Corporation, bears interest at fixed rates and Canadian prime rate, bankers acceptance or Canadian dollar offered rate, plus applicable margins. MAXIM was responsible for funding the first $32.6 million of the CCGT expansion of M2, after which financing from the revolver facility #2, the bank construction facility and the fixed rate construction facility become available to finance the project. As of the date of this MD&A, MAXIM surpassed this threshold and fully drew the fixed rate construction facility.

This amended debt financing is subject to financial covenants and the Corporation is compliant with these covenants as at December 31, 2021. These financial covenants include: a debt service coverage ratio of not less than 1.25:1:00 determined as at the last day of each financial quarter on a rolling four quarter basis, a debt to Adjusted EBITDA ratio of not more than 3.00:1.00 determined as at the last day of each financial quarter on a rolling four quarter basis and a minimum tangible assets of 95% of the consolidated tangible assets held within select entities named under the agreement.

Convertible Loan Facility

On June 30, 2021, the Corporation amended the $75.0 million convertible loan to make it available for the construction of the CCGT expansion of M2 and any wind power projects agreed with the lenders, and to extend the maturity date to September 25, 2026 at a fee of $0.8 million which was paid on June 30, 2021. The convertible loan continues to be subordinated to the Senior Credit Facilities, convertible into common shares at $2.25 per share, at the option of the lenders, bears interest at 12% per annum and is secured by the assets of the Corporation. As at December 31, 2021, MAXIM is in compliance with all covenants related to this facility. The convertible feature of the loan was valued at $nil at the date of issuance and therefore no amount has been reflected as equity on the statements of financial position. As at December 31, 2021, the Corporation has $29.4 million (December 31, 2020 - $29.4 million) outstanding.

The convertible loan was provided by two significant shareholders of the Corporation, one of whom is the Chief Executive Officer and Chairman of the Board and the other is Vice Chairman of the Board. Total interest and fees paid under this facility, not including the amendment fee, in 2021 was $3.9 million (2020 - $1.5 million).

Letter of Credit Facility

The Corporation has a demand credit facility that requires full cash collateralization of letters of credit on a non-revolving basis. As at December 31, 2021, the Corporation has $2.2 million of outstanding letters of credit and cash of the same amount was deposited into a restricted bank account maintained by the bank. There are no financial covenants under this credit agreement.

Cash flow summary:

At December 31, 2021, the Corporation had unrestricted cash of $13.6 million included in the net working capital surplus [(1)] of $16.6 million (see working capital on page 15). Unrestricted cash balances are on deposit with one Canadian financial institution.

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

Year ended December 31 ($000's)	2021	2020
Cash on hand, unrestricted, January 1	12,261	20,924
Cash flow generated from operating activities	105,216	6,964
Cash flow generated from (used in) financing activities	(18,598)	10,348
Available for investments	98,879	38,236
Cash flow used in investing activities	(85,314)	(25,887)
Effect of foreign exchange rates on cash	(15)	(88)
Uncrestricted cash	13,550	12,261
Undrawn Convertible Loan Facility	45,562	45,562
Undrawn ATB Credit Facility	76,500	4,000
Net liquidity available, December 31	135,612	61,823

Cash flow generated from operating activities in 2021 increased to $105.2 million from $7.0 million in 2020, which is an increase of $98.2 million. The increase is primarily due to higher revenues and the receipt of the second and third payment from the Line Loss Proceedings, partially offset by higher O&M costs, realized losses on commodity swaps and changes in non-cash working capital. See working capital section below for further discussion.

During 2021, MAXIM's cash flow used in financing activities increased $28.9 million to $18.6 million in 2021, from an inflow of $10.3 million in 2020, primarily due to using cashflows from operations, after capital spending, to repay loans and borrowings, issuance costs and interest paid on the loans and borrowings in 2021.

MAXIM's investing activities in 2021 represented a cash outflow of $85.3 million, increasing from $25.9 million in 2020. During 2021, MAXIM spent $88.6 million primarily on advancing engineering and construction of the CCGT expansion of M2 and on capital spares relating to M2, partially offset by changes in non-cash working capital of $2.8 million, proceeds from the option to purchase Forked River land of $0.3 million and interest income of $0.2 million.

MAXIM's investing activities in 2020 represented a cash outflow of $25.9 million. 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.

The following table represents the net capital of the Corporation:

As at ($000's)	December 31, 2021	December 31, 2020
Loans and borrowings	53,650	66,775
Less: Unrestricted cash	(13,550)	(12,261)
Net debt	40,100	54,514
Shareholders' equity	227,182	147,910
Net capital	267,282	202,424
Net debt to capital	15.0%	26.9%

The Corporation uses the percent of net debt to capital to monitor leverage. The decrease in net debt to capital from December 31, 2020 to December 31, 2021 is primarily due to increased cashflows from operations, receipt of the second and third Line Loss Proceeding payments and repayment of loans and borrowings.

Working Capital (1)

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

As at ($000's)	December 31, 2021	December 31, 2020	Difference
Total current assets	36,280	20,603	15,677
Total current liabilities	19,669	15,094	4,575
Working capital surplus (1)	16,611	5,509	11,102

The Corporation has a working capital surplus of $16.6 million at December 31, 2021, which represents a $11.1 million increase from the working capital surplus of $5.5 million at December 31, 2020. The total increase is comprised of a $15.7 million increase in current assets which was partially offset by a $4.6 million increased in current liabilities.

The increase in current assets was due to a net increase of $1.3 million in unrestricted cash, which was primarily due to the receipt of the second and third Line Loss Proceeding payments and an increase in operating income, partially offset by capital spending, an increase in accounts receivable of $13.8 million due to increased revenues, $0.7 million of risk management assets, partially offset by a decrease in prepaid expenses of $0.1 million

The increase in current liabilities was due to a $7.8 million increase in accounts payable primarily due to payables relating to the CCGT expansion of M2 and capital spares, partially offset by the payment of payables relating to deferred vendor payments, a $1.7 million decrease in the current portion of loans and borrowings decrease and a decrease in risk management liabilities of $1.5 million,

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

Financial Covenants

MAXIM's senior credit facility agreement is subject to financial covenants measured using ratios and amounts: Debt Service Coverage Ratio ("DSCR"), debt to Adjusted 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 the simple cycle phase of M2, unfunded capital expenditures, excluding the CCGT expansion of M2, and cash taxes. Debt service costs are the sum of all cash payments of principal, interest and banking fees of the Corporation.

Debt to EBITDA Ratio

The debt to EBITDA ratio reflects the Corporation's obligations under the senior credit facility divided by Adjusted EBITDA.

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, 2021, the Corporation is compliant with these financial covenants as per the credit agreement, as follows:

Ratio	Covenant	2021
DSCR	Minimum 1.25:1	14.06:1
Debt to EBTIDA	Maximum 3.00:1	0.42:1
Asset Coverage	Minimum 95%	100%

Capital Resources

This following commentary represents FLI and users are cautioned that actual results may vary. The Corporation is currently anticipating capital expenditure costs of approximately $60.0 million to $70.0 million for the full year of 2022. These expenditures primarily relate to advancing engineering and construction for expanding M2 into a CCGT facility and capital spares.

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, 2021	Total	2022	2023-2024	2025-2026	Thereafter
Long-term debt(1)	78,146	4,673	16,476	56,997	-
Long-term contracts(2)	13,620	3,984	7,968	1,668	-
Purchase obligations(3)	18,885	18,885	-	-	-
Total	110,651	27,542	24,444	58,665	-

(1) Long-term debt obligations are comprised of the principal and interest payments

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

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

Contingent assets

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

MAXIM continues to monitor regulatory initiatives that may impact its existing business. As a result, MAXIM continues to assess its impact on climate change and as a result is exploring low emission power generation projects, including its Buffalo Atlee wind development project and other wind opportunities. In addition, MAXIM is constructing the CCGT expansion of M2 to capture waste heat and turn it into electricity. The impact of this expansion decreases the level of emissions relative to the MWh’s produced.

Risks

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

Provincial Carbon Tax

In 2015, the Government of Alberta (“GoA”) announced its Climate Leadership Plan ("CLP"). The CLP recommended that Alberta move forward on phasing out coal-fired electricity generation by 2030 and encourages more renewable energy. Under the CLP, the GoA replaced the existing Specified Gas Emitters Regulation with the Carbon Competitiveness Incentive Regulation ("CCIR") which came into effect on January 1, 2018. The CCIR required electricity generators to pay $30 per tonne of carbon dioxide equivalents (“CO2e”) on emissions above what Alberta's cleanest natural gas-fired plant would emit to generate the same amount of electricity.

On October 30, 2019, the GoA released the Technology Innovation and Emissions Reduction Regulation (“TIER”) which replaced CCIR on January 1, 2020. The impacts to the electricity industry are largely similar under TIER and CCIR including a carbon price of $30/tonne for 2020, $40/tonne for 2021 and $50/tonne for 2022 and based on a “good as best gas” intensity limit of 0.37 tonnes of CO2e/MWh above which generators are taxed for carbon emissions, notwithstanding exemptions for new units (until 2023).

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 its *A Healthy Environment and a Healthy Economy plan*, with 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. 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 the TIER carbon tax, but exempt until January 1, 2023, and is not otherwise adversely impacted by any of the provincial or federal legislation above. Starting January 1, 2023, the M2 project will be exposed to carbon tax on emissions greater than 0.37 tonnes of CO2e/MWh. The CCGT expansion of M2 greatly reduces the Corporations exposure to TIER carbon tax through improved efficiency compared to M2.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

Adjusted EBITDA

($000's)	Three months ended December 31 2021	Three months ended December 31 2020	Twelve months ended December 31 2021	Twelve months ended December 31 2020
GAAP Measures from Condensed Consolidated Statement of Income				
Net income	4,402	8,923	78,509	9,260
Income tax expense (benefit)	1,467	(3,293)	19,638	(6,462)
Finance expense, net	1,801	1,618	5,355	5,400
Asset impairment charge	-	-	5,347	-
Depreciation and amortization	2,002	2,059	7,968	5,457
	9,672	9,307	116,817	13,655
Adjustments:				
Other expense (income)	260	(6,419)	(46,686)	(5,749)
Unrealized loss (gain) on commodity swaps	6,860	1,024	(2,165)	1,994
Share-based compensation	123	86	452	402
Adjusted EBITDA	16,915	3,998	68,418	10,302

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

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

In calculating Adjusted EBITDA for the year ended December 31, 2021 and December 31, 2020 management excluded certain non-cash and non-recurring transactions. In both 2021 and 2020, Adjusted EBITDA excluded all items of other income and expense including: Line Loss Proceeds, Deerland impairment, restructuring of Alberta operations, net proceeds from the FR Land option agreement and exclusivity payments regarding Summit LP, as well as unrealized gains and losses on commodity swaps and share-based compensation.

Working Capital Surplus

MAXIM defines working capital surplus or deficit as the current assets subtracted by current liabilities. Working capital surplus is used to assist management and investors in measuring liquidity. The calculation of working capital surplus is provided on page 15.

Supplementary Financial Measures

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

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

Fuel expense and O&M expense, as part of operating expenses ($ per GJ) is fuel expense or O&M divided by GJ.

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

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The judgements and estimates used in the preparation of the consolidated financial statements have been applied consistently for all periods presented and are unchanged from the judgements and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2021.

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, assumptions and judgements, 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.

Impairment indicators

At the end of each reporting period, management makes a judgement 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.

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 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.

Useful life and residual value of PP&E

Useful lives over which costs should be depreciated may be impacted by changes in our strategy, process or operations as a result of climate change initiatives. 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 equipment 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 cash generating unit 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.

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. 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 judgements and estimates used in the preparation of the consolidated financial statements has been applied consistently for all periods presented and are unchanged from the judgements and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2021.

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, prepaid expenses and deposits, trade and other receivables, risk management assets and liabilities, trade and other payables and loans and borrowings.

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, prepaid expenses and 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.

The fair value of amounts outstanding under the senior credit facilities approximates the carrying value as it bears a floating rate of interest and the margin charged by the lenders is indicative of current credit spreads. The subordinated convertible loan facility includes monthly interest at a fixed rate that the Corporation would expect to pay for similar financing transactions and accordingly the fair value approximates the carrying value.

The fair values of the power and natural gas commodity swaps are determined 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.

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, 2021, MAXIM's credit exposure consisted primarily of the carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and risk management asset.

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 6 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, 2021, 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, 2021 would have decreased (increased) accounts payable by $0.6 million (2020 - $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 facilities are at variable rates. An increase of interest rates of 100 basis points, of the remaining unhedged position, would have impacted MAXIM, in 2021, by $0.3 million (2020 - $0.3 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, 2021, an appreciation in electricity prices in the Alberta power market by $1 per MWh would have increased net income by $1.4 million (2020 - $0.8 million). A weakening of electricity prices by this amount would have the opposite effect on other comprehensive income and net income. For the year ended December 31, 2021, an appreciation in natural gas prices in the Alberta natural gas commodity market by $0.10 per GJ would have decreased net income by $1.6 million (2020 - $1.0 million). A weakening of natural gas 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 by the Corporation through its natural gas and wind development projects, including the CCGT expansion of M2 which captures waste heat and turns it into useful electricity for the Alberta power grid.

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 and Cybercrime

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 16.

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 2021 and 2020 included the convertible loan discussed on page 14 and payments to key management personnel that includes the Corporation’s Directors and Named Executive Officers as summarized in the following table.

($000's)	2021	2020
Short-term employee benefits, including wages and benefits	1,847	2,005
Share-based payments	294	364
Total	2,141	2,369

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and Chief Financial Officer (“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, 2021.

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, 2021 and ended on December 31, 2021 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, 2021	50,095,212
Issuable shares on conversion of the convertible loan at December 31, 2021	13,083,736
Outstanding share options at December 31, 2021	2,614,448
Total diluted common shares at December 31, 2021	**65,793,396**
Share options exercised in January 2022	(22,342)
Share options cancelled in January 2022	(24,325)
Share options granted in January 2022	83,333
Shares purchased and cancelled under NCIB in January and February 2022	(111,040)
Issuance of common shares in January 2022	22,342
Total diluted common shares at March 15, 2022	**65,741,364**

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
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
CO2e	Carbon Dioxide Equivalent
Deerland	Deerland is a development project for a 190 MW natural gas-fired peaking station located near Bruderheim, Alberta
DSCR	Debt service coverage ratio
Adjusted EBITDA	Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization
EPC	Engineering, Procurement and Construction
FLI	Forward-looking information
FR Land	The 31 acre Forked River land parcel
GAAP	IFRS, as set out in Part 1 of the Handbook of the Chartered Professional Accountants of Canada
GoA	Government of Alberta
HRSG	Heat Recovery Steam Generator
IFRS	International Financial Reporting Standards
Milner	HR Milner**,** a 150 MW (nameplate capacity) generating facility located near the town of Grande Cache, Alberta since 1972 and was acquired by MAXIM on March 31, 2005
M2	M2 is a 204 MW simple cycle gas turbine generating facility located at the Milner site near the town of Grande Cache, Alberta and has been in continuous operation since 2020
MAXIM or the Corporation	Maxim Power Corp.
MD&A	Management's Discussion and Analysis
MW	Megawatt, a measure of electrical generating capacity that is equivalent to one million watts
MWh	Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour
NCIB	Normal course issuer bid
O&M	Operations and maintenance
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.