Consolidated Financial Statements of

MAXIM POWER CORP.

For the Years Ended December 31, 2022 and 2021

(Audited)

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INDEPENDENT AUDITOR'S 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, 2022 and December 31, 2021
- the consolidated statements of operations and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of 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, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Measurement of the loss due to fire damage

Description of the matter

We draw attention to notes 2(e)(iii)) and 6(b) to the financial statements. During 2022, certain assets of property plant and equipment were damaged as a result of the air inlet filter house non injury fire incident at the Milner 2 operating facility ("M2"), resulting in a loss on write-off of asset of $7,861. The damaged assets were a subset of a major component of property, plant and equipment and therefore estimation was required to determine the net book value of the damaged assets and associated loss. Management measured the loss related to these damaged assets with reference to the estimated replacement cost at current market rates relative to total replacement costs. The estimated replacement cost was adjusted for cost escalation over the period since construction and for related depreciation to arrive at the net book value to be derecognized.

Why the matter is a key audit matter

We identified the measurement of the loss due to fire damage as a key audit matter. This matter was a KAM because it required significant auditor attention in performing the audit

How the matter was addressed in the audit

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

We assessed the appropriateness of the Entity's approach for deriving the carrying amount of the damaged assets for consistency with IAS 16 *Property, plant and equipment*.

We compared the estimated replacement cost of the damaged assets to third party cost estimates to replace these assets.

We compared the estimated replacement cost of the M2 facility to publicly available data for similar assets.

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 auditor's 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 auditor's 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 International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), 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.

Auditor’s 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 auditor’s 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 auditor’s 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 auditor’s 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 auditor's 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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG LLP

Calgary, Canada
March 16, 2023

MAXIM POWER CORP.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

As at	Note	**December 31, 2022**	December 31, 2021
ASSETS			
Cash and cash equivalents		**51,378**	13,550
Trade and other receivables	5	**15,109**	20,766
Risk management asset	26	**-**	708
Prepaid expenses and deposits		**4,129**	842
Total current assets		**70,616**	35,866
Property, plant and equipment, net	6	**296,548**	260,590
Restricted cash	7	**12,318**	6,196
Deferred tax assets	21	**-**	179
Other assets	8	**2,627**	9,606
Total non-current assets		**311,493**	276,571
TOTAL ASSETS		**382,109**	312,437
LIABILITIES			
Trade and other payables	9	**9,991**	19,216
Current tax liabilities	21	**4,793**	-
Risk management liability	26	**-**	453
Loans and borrowings	10	**1,469**	-
Total current liabilities		**16,253**	19,669
Provisions for decommissioning	11	**10,511**	11,733
Lease obligation		**140**	203
Loans and borrowings	10	**81,204**	53,650
Deferred tax liabilities	21	**5,347**	-
Total non-current liabilities		**97,202**	65,586
TOTAL LIABILITIES		**113,455**	85,255
EQUITY			
Share capital	12	**143,473**	144,106
Contributed surplus		**12,831**	12,676
Retained earnings		**112,350**	70,400
TOTAL EQUITY		**268,654**	227,182
Commitments and Contingencies	19, 20		
Subsequent event	28		
TOTAL LIABILITIES AND EQUITY		**382,109**	312,437

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

On behalf of the Board:

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

MAXIM POWER CORP.

Consolidated Statements of Operations and Comprehensive Income

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

	Note	**2022**	2021
Revenues			
Power generation	14	**141,263**	156,014
Realized loss on power swaps	26	**(3,524)**	(18,611)
Unrealized gain (loss) on power swaps	26	**538**	(279)
Total power generation and swaps		**138,277**	137,124
Expenses (income)			
Operating	15	**79,979**	70,042
Realized gain on natural gas swaps	26	**(13,816)**	(5,742)
Unrealized loss (gain) on natural gas swaps	26	**708**	(2,444)
General and administrative	15	**5,480**	5,137
Depreciation and amortization	6	**10,551**	7,968
Asset impairment charge	6	**-**	5,347
Loss on write-off of asset	6	**7,861**	-
Other income, net	16	**(11,447)**	(46,686)
Total expenses		**79,316**	33,622
Operating income		**58,961**	103,502
Finance expense, net	17	**6,366**	5,355
Income before income taxes		**52,595**	98,147
Income tax expense			
Current income tax expense	21	**4,793**	19
Deferred income tax expense	21	**5,525**	19,619
Total income tax expense		**10,318**	19,638
Net and comprehensive income		**42,277**	78,509
Earnings per share	18		
Basic		**0.84**	1.57
Diluted		**0.72**	1.28

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, 2021	50,096	144,106	12,676	70,400	227,182
Net income	-	-	-	42,277	42,277
Repurchase of common shares for cancellation	(364)	(1,045)	-	(327)	(1,372)
Share-based compensation	-	-	536	-	536
Stock options settled in cash	-	-	(81)	-	(81)
Stock options exercised	436	412	(300)	-	112
Equity at December 31, 2022	**50,168**	**143,473**	**12,831**	**112,350**	**268,654**

	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

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	2022	2021
Cash flows from operating activities:			
Net income		**42,277**	78,509
Adjustments for items not involving cash or operations:			
Depreciation and amortization	6	**10,551**	7,968
Asset impairment charge	6	**-**	5,347
Share-based compensation	13	**536**	452
Unrealized loss (gain) on commodity swaps	26	**170**	(2,165)
Stock option settlement	13	**(81)**	(17)
Income tax expense	21	**10,318**	19,638
Income tax paid	21	**(13)**	-
Loss on write-off of asset	6	**7,861**	-
Loss on disposal of land	6	**44**	-
Finance expense, net	17	**6,366**	5,355
Funds generated from operating activities before change in non-cash working capital		**78,029**	115,087
Change in non-cash working capital	24	**(1,616)**	(9,871)
Net cash generated from operating activities		**76,413**	105,216
Cash flows from financing activities:			
Issuance of loans and borrowings	10	**37,000**	-
Repayment of loans and borrowings	10	**(9,138)**	(10,750)
Issue costs on loans and borrowings	10	**-**	(2,810)
Proceeds from exercise of stock options		**112**	363
Repurchase of common shares for cancellation	12	**(1,372)**	(31)
Interest and bank charges		**(7,326)**	(5,370)
Net cash generated from (used in) financing activities		**19,276**	(18,598)
Cash flows from investing activities:			
Property, plant and equipment additions	6	**(81,089)**	(88,577)
Proceeds from grant funding	6	**20,000**	-
Proceeds from option agreement		**-**	317
Proceeds on sale of asset, net of closing costs	6	**3,716**	-
Proceeds from return of funds held for decommissioning	8	**10,122**	-
Interest income	17	**1,265**	140
Change in non-cash working capital	24	**(11,804)**	2,806
Net cash used in investing activities		**(57,790)**	(85,314)
Foreign exchange loss on cash and cash equivalents		**(71)**	(15)
Increase in cash and cash equivalents		**37,828**	1,289
Cash and cash equivalents, beginning of year		**13,550**	12,261
Cash and cash equivalents, end of year		**51,378**	13,550

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.

On September 30, 2022, the air inlet filter house of the Milner 2 ("M2") operating facility was damaged by a non-injury fire. M2 is currently not operating, and the Corporation does not expect to generate electricity until the third quarter of 2023. MAXIM is currently monitoring the financial impact of the non-injury fire incident and does not expect a significant adverse impact to the Corporation's longer term financial performance or financial condition.

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 16, 2023.

(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 judgements 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 judgements 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 the Corporation's 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.

During 2022, the Corporation revised the useful life of certain components of property, plant and equipment as a result of the accelerated timing of a major overhauls and evaluation of components at Milner necessary for future operations which gave rise to additional depreciation of $2,266.

(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.

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

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 Incorporation	Ownership Interest % 2022	2021
Milner Power Limited Partnership ("MPLP")	Canada	100	100
Milner Power II Limited Partnership	Canada	100	100
Forked River II, LLC (1)	USA	-	100
Deerland Power Limited Partnership	Canada	100	100
Summit Coal Limited Partnership	Canada	100	100

(i) During 2022 Forked River II, LLC was dissolved.

(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 statement of income.

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

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.

3. Significant accounting policies (continued)

(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.

(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. 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.

3. Significant accounting policies (continued)

(g) Borrowing costs

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

(h) Employee benefits

(i) Defined contribution plans

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

(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 and restricted cash. 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, 2022, there is only one operating segment.

(o) Grant funding

Grants are recognized when there is a reasonable assurance that the Corporation will comply with all conditions attaching to it, and that the grant will be received. Grants relating to assets are presented in the Statements of Financial Position by deducting the grant in arriving at the carrying amount of the asset.

(p) Insurance proceeds

Insurance proceeds are recognized in other income when it is virtually certain that the Corporation will receive the funds under the terms and conditions of the insurance policy. This is achieved through confirmation of insurance coverage and amounts claimed.

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.

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

4. Determination of fair value (continued)

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

The fair value of cash and cash equivalents, restricted cash, 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, 2022, and 2021, the fair value of cash and cash equivalents, restricted cash, trade and other receivables and trade and other payables approximated their carrying value due to their short term to maturity. The fair value of the Bank Term Facility #1 approximates its carrying value as it bears a floating rate of interest and the margin charged by the lenders are indicative of current credit spreads.

The fair value of the Fixed Rate Construction Facility is based on similar loans and borrowings using comparable debt instruments. 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.

(b) 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.

(c) 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 receivables

	December 31, 2022	December 31, 2021
Trade receivables	-	18,938
Insurance recievable (a)	14,384	-
GST receivable	702	1,324
Realized risk management receivable (b)	-	473
Other receivables	23	31
Total accounts receivable	15,109	20,766

a) Insurance receivable of $14,384 reflects business interruption and property insurance receivable of $9,478 and $4,906, respectively, relating to the air inlet filter house non-injury fire.

b) Realized risk management receivable of $nil reflects unsettled realized gains on gas commodity swap transactions as at December 31, 2022 (2021 - $473).

(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, 2020	4,077	230,252	3,248	333	22,686	260,596
Additions	-	13,830	-	-	74,747	88,577
Impairment	-	-	-	-	(5,347)	(5,347)
Revisions to decommissioning provisions	-	1,706	-	-	-	1,706
Proceeds from option agreement	(317)	-	-	-	-	(317)
Assets in-service	-	1,049	-	-	(1,049)	-
Balance, December 31, 2021	3,760	246,837	3,248	333	91,037	345,215
Additions	-	6,447	11	-	74,631	81,089
Capitalized interest	-	-	-	-	1,667	1,667
Grant funding (a)	-	-	-	-	(20,000)	(20,000)
Revisions to decommissioning provisions	-	642	-	-	-	642
Return of funds held for decommissioning (note 8a)	-	(5,268)	-	-	-	(5,268)
Derecognition of fully depreciated asset	-	(1,469)	-	-	-	(1,469)
Write-off of asset (b)	-	(8,735)	-		-	(8,735)
Disposal of land (c)	(3,760)	-	-	-	-	(3,760)
Balance, December 31, 2022	-	238,454	3,259	333	147,335	389,381
Accumulated depreciation						
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
Depreciation	-	10,474	47	30	-	10,551
Derecognition of fully depreciated asset	-	(1,469)			-	(1,469)
Write-off of asset (b)	-	(874)	-	-	-	(874)
Balance, December 31, 2022	-	89,703	2,944	186	-	92,833
Property, plant and equipment, net						
December 31, 2021	3,760	165,265	351	177	91,037	260,590
December 31, 2022	-	148,751	315	147	147,335	296,548

(a) Grant funding

During the third quarter of 2022, the Corporation received grant funding in the amount of $20,000 for waste heat recovery through the construction of the Combined Cycle Gas Turbine ("CCGT") expansion of M2. The proceeds are restricted to eligible expenditures only for the CCGT expansion of M2 and are subject to customary terms and conditions.

(b) Write-off of asset

During the fourth quarter of 2022, certain assets of the M2 operating facility were damaged as a result of the air inlet filter house non-injury fire incident. These damaged assets were a subset of a major component of property plant and equipment and therefore estimation was required to determine the net book value of these assets and measure the associated loss. Management measured the loss related to these damaged assets with reference to the estimated replacement cost at current market rates relative to total replacement cost. The estimated replacement cost was adjusted for cost escalation over the period since construction and for related depreciation to arrive at the net book value to be derecognized. The estimated cost and accumulated depreciation of these assets of $8,735 and $874, respectively, and the net amount of $7,861 was recognized as a loss due to fire damage during the year ended December 31, 2022.

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

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

(c) Disposal of land

On April 5, 2022, the Corporation closed the sale of land wholly owned by Forked River II, LLC for proceeds of $3,716, net of closing costs, for a loss of $44.

(d) Indicator of impairment

During the third quarter of 2022, the Corporation identified an indicator of impairment due to damage sustained to the air inlet filter house of M2. As such, the Corporation calculated the value in use of the M2 cash generating unit, which includes all assets at the HR Milner site, and determined that the discounted projected cash flows exceeded the carrying amount of the assets and no impairment loss is required to be recognized.

7. Restricted cash

	December 31, 2022	December 31, 2021
Cash collateralized letters of credit (a)	2,196	6,196
Cash collateral (b)	10,122	-
Total restricted cash	12,318	6,196

(a) The Corporation maintains credit agreements that may fully cash collateralize up to $6,250 (December 31, 2021 - $6,250) of letters of credit on a non-revolving basis. As at December 31, 2022, the Corporation has $2,196 (December 31, 2021 - $6,196) of outstanding cash collateralized letters of credit.

(b) A cash collateral bank account designated by the senior lenders for funds previously held by the Balancing Pool for the purposes of end of life decommissioning, remediation and reclamation of the Milner site for $10,122 (December 31, 2021 - $nil).

These amounts are deposited into restricted bank accounts maintained by the banks (note 10).

8. Other Assets

	December 31, 2022	December 31, 2021
Long term prepaid expenses	2,627	2,680
Milner decommissioning reimbursement (a)	-	6,926
Total other assets	2,627	9,606

(a) Return of funds held for decommissioning

During 2022, the Corporation entered into an amended and restated bilateral agreement with the Balancing Pool.

This amendment resulted in $10,122 of cash held with the Balancing Pool for HR Milner decommissioning purposes being transferred to MAXIM in the form of cash which was concurrently restricted by MAXIM's senior lenders. As a result, the Milner decommissioning reimbursement asset was derecognized.

In addition, this amendment allowed for MAXIM to remove restrictions on $4,000 of long-term restricted cash previously held in the form of cash collateral for letters of credit returned by the Balancing Pool.

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

8. Other Assets (continued)

Collectively, the amendment and restatement to the bilateral agreement increased restricted cash by $6,122. As the amounts received relate to Milner decommissioning costs, the difference between the carrying value of the other asset and the cash proceeds received from the Balancing Pool of $5,268 was recognized as a reduction to the carrying value of property, plant and equipment.

9. Trade and other payables

	December 31, 2022	December 31, 2021
Trade payables	4,089	8,304
Accrued liabilities and other payables	5,902	10,432
Realized risk management liability (a)	-	480
Total trade and other payables	9,991	19,216

(a) Realized risk management liability of $nil are unsettled realized losses on power commodity swap transactions as at December 31, 2022 (2021 - $480 realized losses on power commodity swap transactions).

10. Loans and borrowings

	Bank Term Facility #1 (a)	Fixed Rate Constuction Facility (a)	Revolver Facility #1 (a)	Convertible Loan Facility (b)	Total
Balance, December 31, 2020[(1)]	29,250	-	10,000	29,438	68,688
Repayment of loans and borrowings	(750)	-	(10,000)	-	(10,750)
Balance, December 31, 2021	28,500	-	-	29,438	57,938
Less: deferred financing costs					(4,288)
Balance December 31, 2021, net of deferred financing costs					53,650

(1) Loans and borrowings, excluding deferred financings costs as at December 31, 2020.

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

(a) Senior Credit Facilities

The senior credit facilities consist of various facilities that provide for senior debt financing 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.

10. Loans and borrowings (continued)

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. In addition, the Corporation amended the terms of its senior credit facility to allow for an increase to its normal course issuer bid ("NCIB") limitations from $1,000 to $2,500 for the 2022 calendar year.

Amounts available under the senior credit facilities are as follows:

(i) Bank Term Facility #1

The Bank Term Facility #1 made available for the CCGT expansion of M2 is amortized over ten years based on the current anticipated completion date of the project and requires quarterly principal payments of $713. This facility is non-revolving and currently bears interest at floating rates under the bankers acceptance rate 7.49% (December 31, 2021 – 3.48%). As at December 31, 2022 the amount drawn under this facility was $26,362 (December 31, 2021 - $28,500). 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, 2022 the amount drawn under this facility was $nil (December 31, 2021 - $nil).

(iii) Revolver Facility #2

The $5,000 Revolver Facility #2 is available 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, 2022.

(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, 2022.

(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 fully drawn as at December 31, 2022 (December 31, 2021 - $nil). This facility bears interest of 6.09%. Payments to the Fixed Rate Construction Facility will commence after conversion of the debt from a construction facility to a term facility after the completion of the CCGT expansion of M2.

(vi) Letter of Credit Facility #1

The Letter of Credit Facility #1 is available to issue letters of credit of up to $4,100 by drawing on the facility or by providing cash collateral. As at December 31, 2022, the Corporation has $46 (December 31, 2021 - $4,046) in cash collateralized letters of credit. Cash of the same amount was deposited into a restricted bank account maintained by the bank.

10. Loans and borrowings (continued)

(vii) Hedging Facility

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

(viii) Debt Covenants

The Corporation is required to maintain 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.

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 is currently in a financial covenant break period while it commissions the CCGT expansion of M2. During this period compliance is not required with the debt service coverage ratio and debt to earnings before interest, taxes, depreciation and amortization. The requirement to comply with these covenants will resume during the first full financial quarter after the commissioning period ends.

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 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, 2022, 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. 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, 2022, 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, 2022, the amount drawn under this facility is $29,438 (December 31, 2021 - $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 2022, total interest and fees paid under this facility, not including the amendment fee, was $3,908 (December 31, 2021 – $3,908).

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

10. Loans and borrowings (continued)

(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, 2022, the Corporation has $2,150 (December 31, 2021 - $2,150) in cash collateralized 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).

(e) Repayments

The Corporation's anticipated principal repayment obligations as at December 31, 2022, on the above loans and borrowings over the next five calendar years are as follows:

2023	2,850
2024	8,850
2025	8,850
2026	65,250
	85,800

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 was 3.3% (December 31, 2021 –1.6%) depending on the timeframe of when the liability will be settled and inflation rates, which was 2.1% (December 31, 2021 – 0.5% to 1.8%). 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 $21,457 (December 31, 2021 - $16,586) and are expected to be incurred in one to twenty three 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.

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

11. Provisions for decommissioning (continued)

Balance, December 31, 2020	10,997
Accretion	185
Changes in estimate	722
Remediation of certain lands at the Milner site in progress	(171)
Balance, December 31, 2021	11,733
Accretion	309
Changes in estimate	(1,506)
Remediation of certain lands at the Milner site in progress	(25)
Balance, December 31, 2022	10,511

12. Share capital

During 2022, the Corporation purchased and cancelled 363,505 (2021 – 10,915) common shares under the NCIB program at a cost of $1,372 (2021 - $35). Common shares purchased were recognized as a $1,045 (2021 - $31) 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 $327 (2021 - $4) was recorded as a decrease in retained earnings.

	Number of Shares	$
Common shares of MAXIM		
Common shares, December 31, 2020	49,801,508	143,584
Common shares purchased and cancelled under NCIB	(10,915)	(31)
Share options exercised (i)	304,619	553
Common shares, December 31, 2021	50,095,212	144,106
Common shares purchased and cancelled under NCIB	(363,505)	(1,045)
Share options exercised (i)	436,143	412
Common shares, December 31, 2022	50,167,850	143,473

(i) Included in the share options exercised in 2022 were 244,460 shares (2021 – 80,183 shares) issued as a result of in the money options exercised through a cashless put right, which allows option holders to exchange the option value for common shares.

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, 2022 and 2021, there are nil preferred Shares outstanding.

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

13. Share-based compensation

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

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

			December 31, 2022			December 31, 2021
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of year	2,614,448	$	2.18	2,164,449	$	1.86
Exercised	(758,988)		1.69	(304,619)		2.01
Settled for cash (a)	(50,000)		3.78	(39,767)		2.01
Granted (b)	909,822		3.63	1,018,147		2.78
Expired	(83,333)		3.03	(223,762)		2.10
Outstanding, end of year	2,631,949	$	2.77	2,614,448	$	2.18
Exercisable	793,984	$	2.06	701,488	$	1.82

The Corporation recorded non-cash share-based expense of $536 (December 31, 2021 - $452) for the year ended December 31, 2022.

(a) During 2022, the Corporation cash-settled 50,000 options for cash of $81.

(b) During 2022 and 2021, 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:

	2022	2021
Fair value of each option ($)	0.73	0.59
Share price at grant date ($)	3.63	2.78
Exercise price ($)	3.63	2.78
Risk-free interest rate (%)	2.78	0.76
Expected life (years)	1.99	2.06
Expected volatility (%)	32.32	37.16

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, 2022, the range of exercise prices was $1.43 to $4.01 (December 31, 2021 - $1.43 to $3.76) and the weighted average remaining contractual life was 1.59 years (December 31, 2021 – 1.68 years).

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

14. Revenue

	December 31, 2022	December 31, 2021
Revenue from contracts with customers	141,263	156,014

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, 2022	December 31, 2021
Fuel costs	62,612	56,421
Operating and maintenance	14,333	11,206
Wages and employee benefits	8,514	7,552
Total operating and general and administrative expenses	85,459	75,179

16. Other income, net

	December 31, 2022	December 31, 2021
Business interruption insurance claim (a)	(9,478)	-
Property insurance claim (a)	(4,907)	-
Demolition, incidental and investigation costs (b)	2,900	-
Line Loss Proceedings payment (c)	-	(46,527)
Other expense (income), net	38	(159)
Total other income, net	(11,447)	(46,686)

(a) Insurance claims

During 2022, the business interruption and property insurance claims of $9,478 and $4,907, respectively, relate to the air inlet filter house non-injury fire insurance claim.

(b) Demolition, incidental and investigation costs

During 2022, the Corporation incurred $2,900 in relation to demolition, incidental and investigation costs related to the air inlet filter house non-injury fire incident, which is included in the property insurance claim noted above.

(c) Line loss proceedings payment

During 2021, the Corporation collected $46,527, concluding the receipt of the Line Loss Proceeding payments.

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

17. Finance expense, net

	December 31, 2022	December 31, 2021
Interest expense and bank charges	5,754	5,608
Amortization of deferred financing costs	1,689	1,700
Gain on interest rate swaps (note 26)	(101)	(5)
Gain on modification of debt (note 10)	-	(1,752)
Accretion of provisions	218	60
Foreign exchange loss (gain)	71	(116)
Finance expense	7,631	5,495
Interest income	(1,265)	(140)
Total finance expense, net	6,366	5,355

18. Earnings per share

	December 31, 2022	December 31, 2021
Weighted average number of common shares (basic)	50,099,365	50,056,116
Effect of convertible loan facility	13,083,736	13,083,736
Effect of exercisable stock options	670,154	663,549
Weighted average number of common shares (diluted)	63,853,255	63,803,401

	December 31, 2022	December 31, 2021
Net income (basic)	42,277	78,509
Finance expense on the convertible loan facility, net of tax	3,386	3,386
Net income (diluted)	45,663	81,895

	December 31, 2022	December 31, 2021
Earnings per share:		
Basic	0.84	1.57
Diluted	0.72	1.28

19. Commitments

(a) The Corporation has entered into contracts for engineering, construction, maintenance and procurement of equipment for the CCGT expansion of M2. These contracts have a remaining minimum commitment totaling $7,985 as at December 31, 2022.

(b) The Corporation has entered into a natural gas transportation service agreement from June 1, 2020 to May 31, 2025 to deliver natural gas to M2. The total remaining commitment from this five-year contract as at December 31, 2022 is $9,545 over the next four years as follows:

2023	3,948
2024	3,948
2025	1,649
	9,545

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

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. 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 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, 2022, 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.

21. Income taxes

(a) Tax expense recognized in statements of income

	December 31, 2022	December 31, 2021
Current tax expense	4,793	19
Deferred tax expense		
Origination and reversal of temporary differences	7,389	22,629
Effect of tax rates in foreign jurisdictions	12	(5)
Adjustment in respect of prior years	(2,245)	201
Change in recognized deductible temporary differences	369	(3,206)
	5,525	19,619
Total tax expense	10,318	19,638

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

21. Income taxes (continued)

(b) Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada at December 31, 2022 of 23% (December 31, 2021 – 23%) to income before income taxes. A reconciliation of this difference is presented below.

A reconciliation of the differences is as follows:

	December 31, 2022	December 31, 2021
Net income before tax	52,595	98,147
Statutory tax rate	23%	23%
Computed income taxes	12,097	22,574
Increase (decrease) in taxes:		
Change in recognized deductible temporary differences	369	(3,206)
Effect of tax rates in foreign jurisdictions	12	(5)
Non-deductible expenses (non-taxable income), net	85	74
Adjustments in respect of prior years	(2,245)	201
Total tax expense	10,318	19,638

(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, 2022, there are non-capital loss carry-forwards of $108,392 (December 31, 2021 - $137,191) in Canada.

As at December 31, 2022, $108,392 (December 31, 2021 - $108,392) 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.

(d) Unrecognized deferred tax liabilities

As at December 31, 2022, there are no net taxable temporary differences (December 31, 2021 - $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,	2022	2021	2022	2021	2022	2021
Non-capital loss carry forwards	-	6,672	-	-	-	6,672
Capital assets	-	(8,514)	(7,595)	-	(7,595)	(8,514)
Other	2,248	2,060	-	(39)	2,248	2,021
	2,248	218	(7,595)	(39)	(5,347)	179
Set off of tax	-	(39)	-	39	-	-
Net tax assets	2,248	179	(7,595)	-	(5,347)	179

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

21. Income taxes (continued)

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

	Net Operating	Capital Assets	Other	Total
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
Credited (charged) to income	(6,672)	919	227	(5,526)
At December 31, 2022	-	(7,595)	2,248	(5,347)

22. Related party transactions

Compensation of key management personnel:

	December 31, 2022	December 31, 2021
Short-term employee benefits, including wages and benefits	1,851	1,847
Share-based compensation	396	294
Total	2,247	2,141

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 2022 or 2021.

23. Employee benefits

Benefits are based on plan contributions under the defined contribution pension plan. During 2022, the pension expense for this plan was $173 (2021 - $142). There has been no change in the contribution rate during 2022.

24. Change in non-cash working capital

	December 31, 2022	December 31, 2021
Operating activities		
Trade and other receivables	5,657	(13,814)
Prepaid expenses and deposits	(3,730)	134
Trade and other payables	(3,543)	3,809
	(1,616)	(9,871)

	December 31, 2022	December 31, 2021
Investing activties		
Trade and other payables	(5,682)	3,726
Restricted cash (note 7)	(6,122)	(920)
	(11,804)	2,806

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

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

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, 2022	December 31, 2021
Cash and cash equivalents	51,378	13,550
Restricted cash (note 7)	12,318	6,196
Milner decommissioning reimbursement (note 11)	-	6,926
Trade and other receivables	15,109	20,766
Total	78,805	47,438

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

25. Financial risk management (continued)

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, 2022, the Corporation had no past due receivables.

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

(b) Liquidity risk

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

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

December 31, 2022	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	9,991	9,991	9,991	-	-	-	-
Lease obligation [1]	175	175	17	17	80	61	-
Loans and borrowings	82,673	109,615	5,117	5,117	31,143	68,238	-
	92,839	119,781	15,125	5,134	31,223	68,299	-

(1) Lease obligation matures in October 2027.

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	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

(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.

25. Financial risk management (continued)

(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, 2022, 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, 2022 would have decreased (increased) accounts payable by $193 (2021 - $633) 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 2022, by $264 (2021 - $200).

(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, 2022, an appreciation in electricity prices in the Alberta power market by $1 per MWh would have increased net income by $1,065 (2021 - $1,449). 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, 2022, an appreciation in natural gas prices in the Alberta natural gas commodity market by $0.10 per GJ would have decreased net income by $1,127 (2021 - $1,549). 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)

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

26. Fair Value (continued)

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

The fair value of the loans and borrowings are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. The fair value of loans and borrowings at December 31, 2022 is $81,775 (December 31, 2021 - $53,650).

(a) Commodity risk management swaps

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

Realized loss (gain) on commodity swaps

	December 31, 2022	December 31, 2021
Realized loss on power swaps	3,524	18,611
Realized gain on natural gas swaps	(13,816)	(5,742)
Total realized loss (gain) on commodity swaps	(10,292)	12,869

Unrealized loss (gain) on commodity swaps

	December 31, 2022	December 31, 2021
Unrealized loss (gain) on power swaps	(538)	279
Unrealized loss (gain) on natural gas swaps	708	(2,444)
Total unrealized loss (gain) on commodity swaps	170	(2,165)

Loss (gain) on commodity swaps

Total realized and unrealized loss (gain) on commodity swaps	(10,122)	10,704

(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.

Realized loss (gain) on interest rate swaps

	December 31, 2022	December 31, 2021
Total realized loss (gain) on interest rate swaps	(88)	36

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

26. Fair Value (continued)

Unrealized gain on interest rate swaps

	December 31, 2022	December 31, 2021
Total unrealized gain on interest rate swaps	(13)	(41)

Gain on interest rate swaps

Total realized and unrealized gain on interest rate swaps	(101)	(5)

(c) Carrying amount of risk management asset and liabilities

Current risk management asset

	December 31, 2022	December 31, 2021
Natural gas commodity swaps	-	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 and interest rate swaps.

Current risk management liability

	December 31, 2022	December 31, 2021
Power commodity swaps	-	440
Interest rate swaps	-	13
Total carrying amount of current risk management liability	-	453

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

At December 31, 2022, the Corporation had no outstanding commodity or 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, 2022 and 2021, the Corporation had no outstanding foreign exchange risk management swaps and options.

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

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, 2022	December 31, 2021
Loans and borrowings	82,673	53,650
Less: Unrestricted cash	(51,378)	(13,550)
Net debt	31,295	40,100
Equity attributable to shareholders	268,654	227,182
Net capital	299,949	267,282

28. Subsequent event

(a) Insurance claim

On March 7, 2023, initial insurance proceeds of $25,000 have been paid from the insurance company for property damage and business interruption amounts claimed as a result of the non-injury fire incident.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated March 16, 2023 and should be read in conjunction with the audited consolidated financial statements of Maxim Power Corp. ("MAXIM" or the "Corporation") for the year ended December 31, 2022. MAXIM prepares its audited consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as set out in Part 1 of the CPA Canada Handbook of the Chartered Professional Accountants of Canada ("GAAP"). MAXIM occasionally refers to non-GAAP and other financial measures in the MD&A which are not standardized measures and may not be comparable to other reporting issuers. See the Non-GAAP and other financial measures section for more information. The MD&A contains Forward-Looking Information ("FLI"). This information is based on certain estimates and assumptions and involve risks and uncertainties. Actual results may differ materially. See the FLI section of this MD&A for additional information.

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

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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, 2022, and as at the date of this MD&A, MAXIM has one power generating facility, Milner 2 ("M2") with 204 MW 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 HR Milner ("Milner") generating station site near Grande Cache, Alberta. In 2021, MAXIM commenced construction of the heat recovery technology required to expand M2 into a combined cycle gas turbine ("CCGT") facility. This project is expected to commission in the fourth quarter of 2023 and will repower the existing HR Milner ("Milner") steam turbine to generate approximately 96 MW out of its total 150 MW rated capacity. Upon completion and in operation, the CCGT expansion will increase total generation capacity of M2 from 204 MW to 300 MW and lower Operations and Maintenance ("O&M") costs per MWh as a result of operational efficiencies.

OVERALL PERFORMANCE

Highlights

On September 30, 2022, there was a non-injury fire incident at the M2 facility. The damage was contained to the air inlet filter house of M2. The incident has not resulted in any damage to the M2 gas turbine, generator, heat recovery steam generator, balance of plant or their associated ancillary systems. Currently, damage from the non-injury fire incident prevents performance of the hot commissioning activities related to the CCGT expansion of M2 and prevents M2 from operating as a simple cycle facility.

MAXIM has disassembled the damaged air inlet filter house of M2, procured a replacement air inlet filter house and is actively expediting the construction process to restore M2 to operational service as soon as possible. Installation of the new air inlet filter house is planned to commence at the end of March 2023, with completion expected late in July 2023. MAXIM does not expect to be generating electricity from the Milner site until July 2023, at which point MAXIM anticipates commencing hot commissioning activities for the CCGT expansion of M2. Hot commissioning activities are anticipated to occur over an approximate three-month period, during which there will be periodic outages of the facility resulting in intermittent generation of electricity.

MAXIM confirms coverage for the non-injury fire incident subject to the terms and conditions of the Corporation's property insurance policy, including business interruption provisions. MAXIM has submitted claims for $34.5 million, of which $24.2 million relates to business interruption and $10.3 million relates to property damage. To date, $25.0 million has been paid by the insurance company in relation to these claims. The Corporation continues to progress the insurance claims for damages and future lost earnings**.**

In 2022, MAXIM continued progress on the engineering and construction of the CCGT expansion of M2 and is pleased to report that construction is greater than 99% complete. Recent milestones included the completion of cold commissioning activities which included taking the M2 gas turbine offline in September 2022 to allow for the connection of the heat recovery steam generator, steam turbine and related assets. Hot commissioning activities were expected to commence in the early part of October 2022, however, are delayed as a result of the non-injury fire incident. MAXIM expects to begin hot commissioning activities upon completion of the new air inlet filter house in July 2023.

The estimated project cost is currently $155.0 million as of the date of this MD&A excluding borrowing costs and the net effect of $20.0 million of grant proceeds, subject to inclusion of incremental costs anticipated to be incurred as a result of the delay in commissioning due to the non-injury fire incident and excluding the costs related to procuring the new air inlet filter house, net of insurance proceeds. As of December 31, 2022, MAXIM has incurred $148.2 million of capital investment in relation to the CCGT expansion of M2 and has funded this spending with existing cash on hand, cash flow from operating activities, debt and grant proceeds.

Completion of the CCGT expansion of M2 will allow capture of 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 H.R. Milner facility.

During 2022, MAXIM recorded net income and adjusted earnings before interest, taxes, depreciation and amortization, ("Adjusted EBITDA"(1)) of $42.3 million and $76.1 million, respectively, as compared to $78.5 million and $68.4 million, respectively, in the same period of 2021. Net income in 2022 decreased as compared to 2021 primarily due to the recognition of the second and third (final) payment from the Line Loss Proceedings in 2021 representing refunds for overpayments and interest thereon from the Alberta Electric System Operator for the period from 2006 to 2013 and the impact of the write off of the air inlet filter house in 2022. A significant portion of the increase to Adjusted EBITDA is the result of higher realized power prices and the business interruption claim, partially offset by lower generation volumes and higher per unit natural gas costs. M2 realized an average sales price of $132.68 per MWh in 2022 resulting in $141.3 million of revenues. M2 generation decreased to 1,064,693 MWh of electricity in 2022, as compared to 1,449,915 MWh in 2021, due to a planned outage to commence the cold commissioning of the CCGT expansion of M2 at the beginning of September 2022 and the unplanned outage in the fourth quarter due to the non-injury fire incident in the air inlet filter house of M2.

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

In June 2022, MAXIM amended the terms of its senior credit facility to allow for an increase to its Normal Course Issuer Bid ("NCIB") limitations from $1.0 million to $2.5 million for the 2022 calendar year. Additionally, MAXIM recommenced payments to its $28.5 million Bank Term Facility #1, under the senior credit facility, in the amount of $0.7 million quarterly. The first quarterly payment occurred in August 2022 followed by regular quarterly payments commencing at the end of the third quarter of 2022.

MAXIM's current NCIB program is for the August 29, 2022 to August 28, 2023 period. Under this NCIB, the Corporation may purchase for cancellation up to 2,500,000 common shares of the Corporation. Collectively under this program and as of the date of this MD&A, the Corporation has repurchased and cancelled 51,736 common shares for $0.2 million at a weighted average price of $3.83 per share. MAXIM's NCIB program is limited to $1.0 million for the 2023 calendar year under the senior credit facility. Any excess is subject to approval from the lenders under the senior credit facility.

The NCIB follows the expiration of MAXIM's previous normal course issuer bid which was effective from August 25, 2021 and expired on August 24, 2022. Under MAXIM's previous NCIB, the Corporation completed the purchase of 330,050 shares for $1.2 million at a weighted average price of $3.74 per share.

On July 14, 2022, the Corporation, through a wholly-owned subsidiary, entered into an agreement to receive grant funding in the amount of $20.0 million. As of this date, all of the proceeds from the grant have been received and used as funding for the CCGT expansion of M2, which is anticipated to be operational by the fourth quarter of 2023.

Annual Financial Highlights

(000's unless otherwise noted)	2022	2021	2020
Revenue	141,263	156,014	46,726
Net income	42,277	78,509	9,260
Basic earnings per share ($ per share)	0.84	1.57	0.19
Diluted earnings per share ($ per share)	0.72	1.28	0.18
Adjusted EBITDA (1)	76,110	68,418	10,302
Total generation (MWh) (2)	1,064,693	1,449,915	837,760
Total fuel consumption (GJ) (2)	11,264,897	15,491,739	9,840,790
Average Alberta market power price ($ per MWh)	162.46	101.93	46.72
Average realized power price ($ per MWh) (2)	132.68	107.60	55.77
Non-current liabilities	97,202	65,586	76,306
Total assets	382,109	312,437	239,310

(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 in 2022/2021 relate to M2 and 2020 relate to both Milner and M2

Financial Results

Revenue in 2022 and 2021 increased as compared to 2020 primarily due to the commencement of operations of M2 in June 2020 and higher realized power prices. Revenue in 2022 decreased slightly as compared to 2021 primarily due to lower generation volumes as a result of the non-injury fire incident at M2, partially offset by higher realized power prices.

Adjusted EBITDA(1) in 2022 increased as compared to 2021 and 2020 due to the same factors impacting revenue, the recognition of the business interruption claim in 2022 and higher net realized gains on power and natural gas commodity swaps in 2022 as compared to 2021 and 2020. These favourable variances were partially offset by higher fuel costs due to higher per unit natural gas costs in 2022 as compared to 2021 and 2020.

Net income decreased in 2022 as compared to 2021, with a significant portion due to the recognition of the second and third payment of $46.5 million from the Line Loss Proceedings in 2021, the write off of the air inlet filter house in 2022 and higher depreciation in 2022. These unfavorable variances were partially offset by the same factors impacting Adjusted EBITDA(1), lower current and deferred income tax expenses and impairment of Deerland in 2021.

Net income increased in 2022 as compared to 2020 primarily due to the same factors impacting Adjusted EBITDA(1), partially offset by the write off of the air inlet filter house in 2022, the first payment of $6.4 million from Line Loss Proceedings in 2020 and higher depreciation in 2022.

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

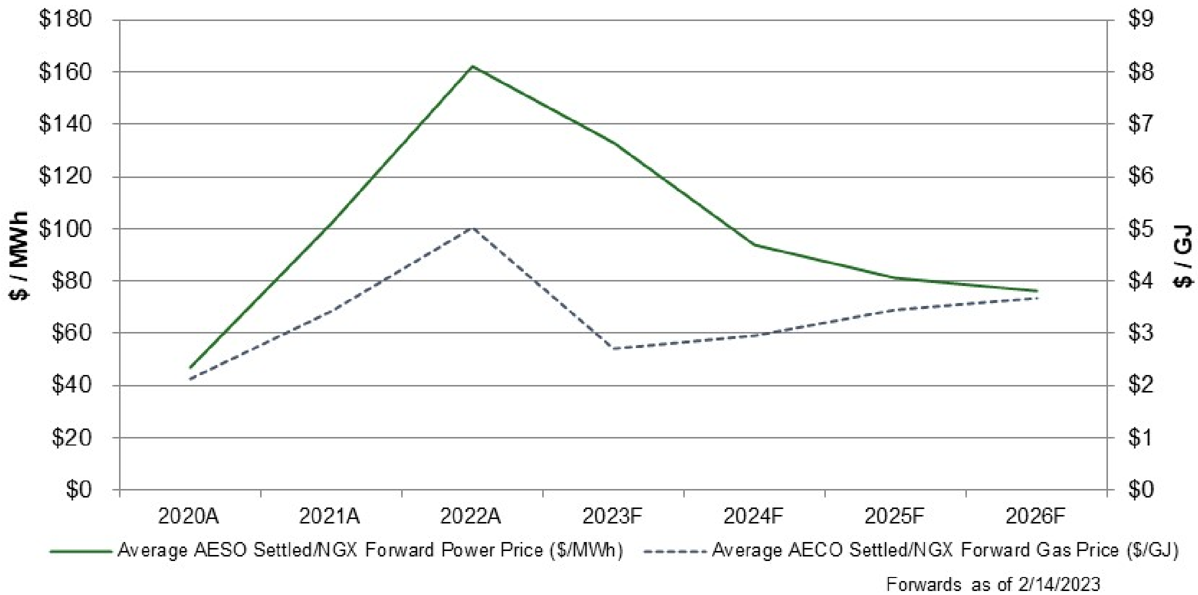
OUTLOOK

Alberta Power Price

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

In 2021, management observed increased power prices as a result of higher demand for electricity due to increased economic activity in Alberta in reaction to higher oil prices, reduced impact from COVID-19 and the return of dispatch control of six coal-fired units, totaling 2,380 MW of generation capacity, from the Balancing Pool to independent power producers. This increase is reflected in actual power prices for 2021 as shown in the graph below. Power prices have continued to increase in 2022 for the same reasons as 2021 and have been further elevated due to higher carbon tax and natural gas prices compared to 2021 and certain unit outages affecting generation supply. The graph also shows forward power prices declining starting in 2023 as a result of expectations that new wind and solar generation projects will come online along with new gas-fired projects. Forward power prices are expected to stabilize in 2025 after the last of the large gas-fired generation projects, which are currently under construction, reach commercial operation.

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



DEVELOPMENT AND BUSINESS INITIATIVES

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

Current Project Developments

Management commenced construction of the heat recovery technology required to expand M2 into a CCGT facility in 2021. The CCGT expansion of M2 will increase total generation capacity and operational efficiency designed to result 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 is expected to reduce the intensity of carbon emissions by more than 60% compared to the legacy coal-fired Milner facility. Commissioning of the CCGT expansion of M2 has been delayed as a result of the non-injury fire incident. Commissioning of the CCGT expansion of M2 is now expected to commence upon completion of the repairs to the air inlet filter house in July 2023.

The total anticipated costs of the CCGT construction and commissioning, subject to inclusion of incremental costs anticipated to be incurred as a result of the delay in commissioning, is currently $155.0 million, excluding borrowing costs and $20.0 million of grant proceeds. In 2022, MAXIM has spent $71.8 million on capital investment related to the CCGT expansion of M2. The current estimated M2 CCGT total project costs of $155.0 million includes all costs estimated to be spent on the CCGT expansion project from 2020 to present. Financing costs and historical development costs of $4.9 million incurred prior to 2020 are not included in this estimate. As at December 31, 2022, the Corporation has spent $148.2 million towards the estimated $155.0 million project costs, excluding borrowing costs and grant proceeds.

Future Business Initiatives

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

In addition to M2 and the existing Milner facility, MAXIM has permits to develop an incremental 346 MW of gas-fired power generation at the Milner site. MAXIM also has a wind development project, Buffalo Atlee, which has the potential for up to 200 MW of 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. The Corporation continues to monitor changes to provincial and federal government regulations as they relate to opportunities to develop and construct wind power projects.

Other Business Initiatives

On April 5, 2022, the Corporation closed the sale of the 31 acre Forked River land parcel ("FR Land") for $3.7 million net of customary closing costs.

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 contract has been amended and expires in February 2024. 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 business initiatives. MAXIM accounts for its development projects as assets under construction included in property, plant and equipment ("PP&E") once technical and economic feasibility is established. If a project has not yet met, or no longer meets these criteria, any capitalized costs for the project are expensed in the period.

FORWARD-LOOKING INFORMATION

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

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

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

Factors which could cause actual results or events to differ materially from current expectations include the ability of the Corporation to implement its strategic initiatives, the amount and timing of receipt of funds from insurers in relation to the non-injury fire incident at M2, the inability to repair the damage caused by the fire incident in a timely manner or at all, 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 2023 of approximately $25.0 million to $35.0 million, of which $7.0 million relates to the CCGT expansion of M2. These expenditures will be funded with existing cash on hand, debt, operating cash flows and insurance proceeds, and primarily relate to the estimated replacement of the air inlet filter house, completion of the CCGT expansion of M2 and sustaining capital spending. Refer to the Development and Business Initiatives section on page 5 for further discussion on capital spending.
- The Corporation will continue to have access to its credit facilities and not be in default.
- MAXIM will be able to repair the damage caused by the non-injury fire incident in a timely manner.
- MAXIM will receive funds from its insurers to cover the estimated replacement of the air inlet filter house and, in respect of the business interruption coverage under the property policy, be in an amount up to the maximum amount of funds available under such policy.
- MAXIM will not be generating electricity from the Milner site until July 2023.
- MAXIM’s continued compliance with all necessary provincial and federal regulations for environmental and climate change legislation and all necessary requirements of operating permits. Further changes to environmental legislation and operational issues may affect the ability of MAXIM to comply with regulations and may result in unplanned costs and plant outages.
- Other matters and factors described under the Outlook section on page 4.

SELECTED QUARTERLY FINANCIAL INFORMATION

Financial Highlights

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Dec 2022	30-Sep 2022	30-Jun 2022	31-Mar 2022
Revenue	-	57,091	48,380	35,792
Net income (loss)	(7,156)	23,970	8,565	16,898
Basic net income (loss) per share ($ per share)	(0.14)	0.48	0.17	0.34
Diluted net income (loss) per share ($ per share)	(0.14)	0.39	0.15	0.28
Adjusted EBITDA[(1)]	1,697	39,739	18,781	15,893
Average realized power price ($ per MWh)	-	203.68	123.79	90.94
Total fuel consumption (GJ)	17,878	2,943,544	4,119,567	4,183,908
Total generation (MW)	-	280,289	390,813	393,591

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

The fourth quarter of 2022 included other income of $11.4 million in relation to the net insurance claims, a $7.9 million loss on write-off of the air inlet filter house and $2.1 million of income tax benefit. The third quarter of 2022 included $3.4 million of commodity swap losses and $7.1 million of income tax expense. The second quarter of 2022 included $1.5 million of commodity swap losses and $0.2 million of deferred tax expense. The first quarter of 2022 included $15.9 million of commodity swap gains and $5.1 million of deferred tax expense.

The fourth quarter of 2021 included $5.1 million of commodity swap losses and $1.4 million of deferred tax expense. 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.

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

2022 FOURTH QUARTER

Selected fourth quarter financial information:

($000's, unless otherwise noted)	2022	2021
Revenue	-	37,418
Net income (loss)	(7,156)	4,402
Basic earnings (loss) per share ($ per share)	(0.14)	0.09
Diluted earnings (loss) per share ($ per share)	(0.14)	0.08
Adjusted EBITDA (1)	1,697	16,915
Total fuel consumption (GJ)	17,878	3,366,505
Total generation (MWh)	-	317,813
Average Alberta market power price ($ per MWh)	213.92	107.31
Average Milner and M2 realized power price ($ per MWh)	-	117.74

Revenue, net income and Adjusted EBITDA(1) in the fourth quarter of 2022 decreased by $37.4 million, $11.6 million and $15.2 million respectively, when compared to the same period in 2021 due to M2 being offline as a result of the non-injury fire incident.

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

FINANCIAL RESULTS OF OPERATIONS

Revenue

($000's)	2022	2021
Revenue	141,263	156,014

Revenue in 2022 decreased by $14.7 million, or 9%, to $141.3 million from $156.0 million in 2021, primarily due to lower generation volumes, partially offset by higher realized prices in 2022. M2 generation decreased to 1,064,693 MWh of electricity in 2022, as compared to 1,449,915 MWh in 2021 due to M2 being offline as a result of the non-injury fire incident and a planned outage to commence the cold commissioning of the CCGT expansion of M2 at the beginning of September 2022. M2 realized power prices of $132.68 per MWh in 2022, as compared to $107.60 per MWh in 2021.

Plant Operations

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

	2022			2021		
($000's)	Fuel	O&M	Total	Fuel	O&M	Total
Total	62,612	17,367	79,979	56,421	13,621	70,042
Percent (1)	78%	22%	100%	81%	19%	100%
$ per MWh of electricity produced(1)	58.81	16.31	75.12	38.91	9.39	48.30
$ per GJ of natural gas consumed (1)	5.56	1.54	7.10	3.64	0.88	4.52

The changes in $ per MWh(1) and percentage of plant operation expenses incurred under fuel and O&M are primarily due to higher $ per gigajoule ("GJ")(1) and higher fixed costs relative to MWh as M2 was not operational in the fourth quarter of 2022.

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

Fuel expenses in 2022 increased by $6.2 million or 11%, to $62.6 million from $56.4 million in 2021, primarily due to higher natural gas prices in 2022, partially offset by lower generation volumes of M2 as compared to the same period in 2021.

O&M expenses in 2022 increased by $3.8 million, or 28%, to $17.4 million from $13.6 million in 2021, primarily due to costs incurred to repair certain assets at Milner, higher general repairs and maintenance at M2, insurance premiums and compensation expenditures.

General and Administrative Expense

($000's)	2022	2021
Total general and administrative expense	5,480	5,137

General and administration expense in 2022 increased by $0.4 million, or 8%, to $5.5 million from $5.1 million in 2021, primarily due to increased employee compensation as a result of increased headcount.

Depreciation and Amortization Expense

($000's)	2022	2021
Total depreciation and amortization	10,551	7,968

Depreciation and amortization expense in 2022 increased by $2.6 million, or 33%, to $10.6 million from $8.0 million in 2021, due to the advancement of depreciation of certain components of M2 and Milner PP&E.

Loss on Write-off of Asset

In 2022, the Corporation wrote off certain assets of PP&E due to the non-injury fire incident at M2, which resulted in a loss on write-off of the air inlet filter house of $7.9 million.

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 was denied. As a result, the Corporation terminated the project and has written off the full value of the assets under construction totaling $5.3 million recognized as asset impairment charge.

Other Income, Net

($000's)	2022	2021
Other income, net	(11,447)	(46,686)

In 2022, other income was $11.4 million as compared to $46.7 million in 2021. The decrease is primarily due to the recognition of the second and third (final) payment from the Line Loss Proceedings in 2021, partially offset by net insurance income in 2022 as a result of the non-injury fire incident at M2.

Loss (Gain) on Commodity Swaps

($000's)	2022	2021
Realized loss on power swaps	3,524	18,611
Realized gain on gas swaps	(13,816)	(5,742)
Total realized loss (gain) on commodity swaps	(10,292)	12,869
($000's)	2022	2021
Unrealized loss (gain) on power swaps	(538)	279
Unrealized loss (gain) on gas swaps	708	(2,444)
Total unrealized loss (gain) on commodity swaps	170	(2,165)
Total realized and unrealized loss (gain) on commodity swaps	(10,122)	10,704

In 2022, MAXIM realized gains of $10.3 million on Alberta power and natural gas price risk management swaps, as compared to the same period in 2021 which realized losses of $12.9 million. These gains and losses are due to settled Alberta power and natural gas prices deviating from the fixed swap price.

In 2022, MAXIM has unrealized losses of $0.2 million on Alberta power and natural gas price risk management swaps, as compared to the same period in 2021 which had unrealized gains of $2.2 million. These gains and losses are due to Alberta power and natural gas forward prices deviating from the fixed swap price.

As of December 31, 2022 and the date of this MD&A, MAXIM has no outstanding Alberta power or natural gas price risk management swaps.

Finance Expense, Net

($000's)	2022	2021
Interest expense and bank charges	5,754	5,608
Amortization of deferred financing costs	1,689	1,700
Loss (gain) on interest rate swaps	(101)	(5)
Gain on modification of debt	-	(1,752)
Accretion of provisions	218	60
Foreign exchange gain	71	(116)
Finance expense	7,631	5,495
Interest income	(1,265)	(140)
Total finance expense, net	6,366	5,355

Net finance expense increased $1.0 million, or 19%, to $6.4 million from $5.4 million in 2021, primarily due to a gain recognized on the modification of the senior and subordinated credit facilities in the second quarter of 2021, partially offset by higher interest income in 2022 due to favourable interest rates.

Income Tax Expense

($000's)	2022	2021
Current tax expense	4,793	19
Deferred tax expense	5,525	19,619
Total income tax expense	10,318	19,638

Income tax expense decreased $9.3 million, or 47%, to $10.3 million from $19.6 million in 2021 due to MAXIM having higher income before taxes in 2021 and the release of deferred tax liabilities in 2022.

Financial Position

The following highlights the changes in the Corporation's Consolidated Statement of Financial Position at December 31, 2022, as compared to December 31, 2021.

As at ($000's)	December 31, 2022	December 31, 2021	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	51,378	13,550	37,828	Increased as a result of operating and financing activities, partially offset by investing activities
Trade and other receivables	15,109	20,766	(5,657)	Decreased as a result of no revenue in the month of December 2022 as compared to December 2021, partially offset by insurance recovery receivables
Property, plant and equipment, net and asset held for sale	296,548	260,590	35,958	Increased as a result of capital additions for M2, partially offset by grant proceeds, depreciation and disposal of the M2 air inlet filterhouse
Other assets	19,074	17,531	1,543	Increased primarily due to higher prepaid expenses and deposits, partially offset by the net impact of the return of funds held for decommissioning
Liabilities & Equity				
Trade and other payables	14,784	19,669	(4,885)	Decreased due to lower amounts owing for construction of the CCGT expansion of M2 and capital spares, partially offset by current tax liabilities
Loans and borrowings	82,673	53,650	29,023	Increased primarily due to debt issuance on the senior credit facility to fund the CCGT expansion of M2
Other liabilities	15,998	11,936	4,062	Increased due to the deferred tax liability reflecting deferred tax expense for the period
Equity	268,654	227,182	41,472	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 and repairs to the simple cycle assets of M2 will be funded by the Corporation's existing cash on hand, insurance proceeds and debt. The non-injury fire incident at M2 unfavourably impacts cashflows as the facility will not be operational until July 2023, however the Corporation has ample liquidity from cash on hand, remaining capacity under its credit facilities and the anticipated future receipt of insurance proceeds to fund the expenditures noted above. As at December 31, 2022, MAXIM has up to $92.1 million, including the $4.1 million letter of credit facility available only for issuing letters of credit, of borrowing capacity remaining under its senior credit facilities and subordinated convertible loan and $51.4 million of unrestricted cash.

On September 30, 2022, the air inlet filter house of the M2 operating facility was damaged by a non-injury fire. M2 is currently not operating, and the Corporation does not expect to generate electricity until July 2023. MAXIM is currently monitoring the financial impact of the non-injury fire incident at M2 but does not expect a significant adverse impact to the Corporation's longer term financial performance or financial condition. MAXIM is working with its lenders under the Senior Credit Facility and Convertible Loan Facility to make amendments that will be required as a result of the air inlet filter house non-injury fire.

Senior Credit Facility

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

- Bank Term Facility #1 is the remaining original term facility with $26.4 million outstanding. This facility is fully drawn and no additional amounts are available. During 2022, the Corporation amended the senior credit facilities to permit an increase to the annual normal course issuer bid program from $1.0 million to $2.5 million for the 2022 calendar year. In addition, the Corporation agreed to recommence quarterly principal payments on the Bank Term Facility #1 in the amount of $0.7 million. The first quarterly payment occurred on August 2, 2022, followed by regular quarterly payments commencing at the end of the third quarter and the loan amount will amortize over ten years.
- 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 and 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 with amortization required over five years commencing on completion of the CCGT expansion of M2. This facility is fully drawn and no additional amounts are available.
- Letter of Credit Facility #1 is a $4.1 million facility and is available to be drawn to issue letters of credit. This facility can be cash collateralized or used to be drawn on to issue or replace letters of credit. As at December 31, 2022 the Corporation has $0.1 million in cash collateralized 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.

This amended debt financing is subject to financial and other covenants and the Corporation is compliant with these covenants as at December 31, 2022. 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(1) 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. See financial covenants below for additional information.

MAXIM is currently in a financial covenant break period while it commissions the CCGT expansion of M2. During this period compliance is not required with the debt service coverage ratio and debt to earnings before interest, taxes, depreciation and amortization. The requirement to comply with these covenants will resume during the first full financial quarter after the commissioning period ends.

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

Convertible Loan Facility

On June 30, 2021, the Corporation amended the $75.0 million convertible loan to make it available for the construction of the CCGT expansion of M2 and any wind power projects agreed with the lenders, and to extend the maturity date to September 25, 2026. The convertible loan continues to be subordinated to the senior credit facility, convertible into common shares at $2.25 per share, at the option of the lenders, bears interest at 12% per annum and is secured by the assets of the Corporation. As at December 31, 2022, 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, 2022, the Corporation has $29.4 million (December 31, 2021 - $29.4 million) outstanding.

The convertible loan was provided by two significant shareholders of the Corporation, one of whom is the Chief Executive Officer and Chair of the Board and the other is Vice Chair of the Board. Total interest and fees paid under this facility in 2022 was $3.9 million (2021 - $3.9 million).

Letter of Credit Facility #2

The Corporation has a demand credit facility, separate from the Senior Credit Facility and Convertible Loan Facility, that requires full cash collateralization of letters of credit on a non-revolving basis. As at December 31, 2022, 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, 2022, the Corporation had unrestricted cash of $51.4 million included in the net working capital surplus(1) of $54.4 million (see working capital on page 15). Unrestricted cash balances are on deposit with two Canadian financial institutions.

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

Year ended December 31 ($000's)	2022	2021
Cash on hand, unrestricted, January 1	13,550	12,261
Cash flow generated from operating activities	76,413	105,216
Cash flow generated from (used in) financing activities	19,276	(18,598)
Available for investments	109,239	98,879
Cash flow used in investing activities	(57,790)	(85,314)
Effect of foreign exchange rates on cash	(71)	(15)
Unrestricted cash	51,378	13,550
Undrawn Convertible Loan Facility	45,562	45,562
Undrawn ATB Credit Facility	46,500	76,500
Net liquidity available, December 31(1)	143,440	135,612

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

Cash flow generated from operating activities in 2022 decreased to $76.4 million from $105.2 million in 2021, which is a decrease of $28.8 million. The decrease is primarily due to lower earnings from the operations of M2 in 2022 and the receipt of the second and third payment from the Line Loss Proceedings in 2021, partially offset by changes in non-capital working capital in 2022. See working capital section below for further discussion.

During 2022, MAXIM's cash flow generated from financing activities increased $37.9 million to $19.3 million in 2022, from an outflow of $18.6 million in 2021, primarily due to a debt issuance in 2022.

MAXIM's investing activities in 2022 represented a cash outflow of $57.8 million, decreasing from $85.3 million in 2021. During 2022, MAXIM spent $81.1 million primarily on advancing engineering and construction of the CCGT expansion of M2, on capital spares relating to M2 and a new air inlet filter house, and changes in non-cash working capital of $11.8 million, partially offset by proceeds from grant funding of $20.0 million, the return of funds held for decommissioning of $10.1 million, the sale of asset of $3.7 million and interest income of $1.3 million.

MAXIM's investing activities in 2021 represented a cash outflow of $85.3 million. 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.

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

As at ($000's)	December 31, 2022	December 31, 2021
Loans and borrowings	82,673	53,650
Less: Unrestricted cash	(51,378)	(13,550)
Net debt	31,295	40,100
Shareholders' equity	268,654	227,182
Net capital	299,949	267,282
Net debt to capital	10.4%	15.0%

The Corporation uses the percent of net debt to capital to monitor leverage. The decrease in net debt to capital from December 31, 2021 to December 31, 2022 is primarily due to increased cashflows from operations and is partially offset by the issuance of debt.

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

Working Capital(1)

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

As at ($000's)	December 31, 2022	December 31, 2021	Difference
Total current assets	70,616	35,866	34,750
Total current liabilities	16,253	19,669	(3,416)
Working capital surplus (1)	54,363	16,197	38,166

The Corporation has a working capital surplus of $54.4 million at December 31, 2022, which represents a $38.2 million increase from the working capital surplus of $16.2 million at December 31, 2021. The total increase is comprised of a $34.8 million increase in current assets and a $3.4 million decrease in current liabilities.

The increase in current assets was due to a net increase of $37.8 million in unrestricted cash, which was primarily due to operating income, financing activities and grant funding, partially offset by capital spending, and increased prepaid expenses and deposits of $3.3 million. These favourable variances were partially offset by a decrease in accounts receivable of $5.6 million due to decreased revenues and a decrease in risk management assets of $0.7 million.

The decrease in current liabilities was due to a $9.2 million decrease in accounts payable primarily due to lower amounts owing for the construction of the CCGT expansion of M2 and capital spares relating to M2 and a decrease in risk management liabilities of $0.5 million, partially offset by current tax liabilities of $4.8 million and the current portion of loans and borrowings 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(1) 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(1), 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 Earnings Before Interest, Taxes, Depreciation and Amortization Ratio

The debt to earnings before interest, taxes, depreciation and amortization ratio reflects the Corporation's obligations under the senior credit facility divided by Adjusted EBITDA(1).

MAXIM is currently in a financial covenant break period while it commissions the CCGT expansion of M2. During this period compliance is not required with the debt service coverage ratio and debt to earnings before interest, taxes, depreciation and amortization. The requirement to comply with these covenants will resume during the first full financial quarter after the commissioning period ends.

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 SUMMIT and Deerland.

As at December 31, 2022, the Corporation is compliant with these financial covenants as per the credit agreement.

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

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 \$25.0 million to \$35.0 million, of which \$7.0 million relates to the CCGT expansion of M2, for the full year of 2023. These expenditures primarily relate to the estimated replacement of the air inlet filter house, completion of the CCGT expansion of M2 and sustaining capital spending.

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, 2022	Total	2023	2024-2025	2026-2027	Thereafter
Long-term debt(1)	109,615	10,234	31,143	68,238	-
Long-term contracts(2)	9,545	3,948	3,948	1,649	-
Purchase obligations(3)	7,985	7,985	-	-	-
Total	127,145	22,167	35,091	69,887	-

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

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

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

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 electricity 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.

On December 11, 2020, the Government of Canada announced *Canada's Strengthened Plan for a Healthy Environment and a Healthy Economy* which indicated the government would: "Work with provinces, territories, utilities, industry and interested Canadians to ensure that Canada's electricity generation achieves net-zero emissions before 2035." The cornerstone of this effort will be the clean electricity standard complemented by other policies and programs.

On March 15, 2022, the Government of Canada released a discussion paper *A Clean Electricity Standard in support of a net-zero electricity sector*, signaling its intent to move forward with regulations to achieve a net-zero electricity system by 2035, and is undergoing consultation to develop a draft regulation. This draft legislation was expected by the end of 2022, but has not been released. Management will continue to monitor the progress on this initiative and regularly assess the potential impact to MAXIM.

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).

On June 20, 2022, the GoA released a Discusson Document titled Review of Alberta's Technology Innovation and Emission Reduction Regulation, kicking off a review of TIER which expired on December 31, 2022. On December 15, 2022 the GoA posted the final TIER regulations for the 2023-2030 time period. The most significant change as it relates to MAXIM is a tightening of the "good as best gas" intensity limit by 2% per year with the intensity limit dropping from 0.37 tonnes of CO2e/MWh to 0.311 tonnes of CO2e/MWh at 2030.

In 2018, the Government of Canada enacted regulations to create a federal carbon pricing plan. The Greenhouse Gas Pollution Pricing Act ("GGPPA") became effective on January 1, 2019 and acts as a backstop to any province that has not implemented a compliant carbon pricing regime. On October 11, 2022 the Government of Canada amended the GGPPA to establish the carbon price for the 2023-2030 period. The carbon price is set at $65 per tonne in 2023 and will increase by $15 per year to reach $170 per tonne of CO2e in 2030. This rate is the same as the national minimum price for carbon pollution confirmed by the Government of Canada in the summer of 2021. As expected, the TIER carbon price was confirmed to rise with the pricing stated in the GGPPA and as of December 15, 2022, the TIER program has been approved by the Government of Canada through 2030.

Additional Restrictions on Carbon Dioxide Emissions

The M2 project is subject to the TIER carbon tax, but as a new facility was exempt until January 1, 2023. M2 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 0.3626 tonnes of CO2e/MWh. The CCGT expansion of M2 greatly reduces the Corporations exposure to TIER carbon tax through improved efficiency compared to M2 simple cycle operations.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

Adjusted EBITDA

($000's)	Three months ended December 31 2022	2021	Twelve months ended December 31 2022	2021
GAAP Measures from Consolidated Statement of Income				
Net income	(7,156)	4,402	42,277	78,509
Income tax expense (benefit)	(2,109)	1,467	10,318	19,638
Finance expense, net	1,147	1,801	6,366	5,355
Loss on write-off of asset	7,861	-	7,861	-
Asset impairment charge	-	-	-	5,347
Depreciation and amortization	2,806	2,002	10,551	7,968
	2,549	9,672	77,373	116,817
Adjustments:				
Other expense (income)	(11,486)	260	(11,447)	(46,686)
Business interruption insurance claim	9,478	-	9,478	-
Unrealized loss (gain) on commodity swaps	1,011	6,860	170	(2,165)
Share-based compensation	145	123	536	452
Adjusted EBITDA	1,697	16,915	76,110	68,418

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

In calculating Adjusted EBITDA for the year ended December 31, 2022 and December 31, 2021 management included the business interruption insurance claim as it reflects a portion of earnings that would have been earned if M2 was operational and excluded certain non-cash and non-recurring transactions. In both 2022 and 2021, Adjusted EBITDA excluded all items of other income and expense including: Line Loss Proceeds as well as unrealized gains on commodity swaps and share-based compensation.

Working Capital Surplus

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

Net Liquidity Available

MAXIM defines net liquidity available as its cash and cash equivalents plus undrawn amounts on the Convertible Loan Facility and the Senior Credit Facilities. Net liquidity is used to assist management and investors in measuring the Corporation's access to available capital. The calculation of net liquidity availability is included on page 14.

Net Debt, Net Capital and Net Debt to Capital

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

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

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

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

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 Corporation; (b) is not presented in the financial statements of the Corporation, (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 of electricity generated during the period.

Fuel expense and O&M expense, as part of operating expenses ($ per GJ) is fuel expense or O&M divided by GJ of fuel/natural gas consumed during the period.

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, 2022.

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 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.

During 2022, the Corporation revised the useful life of certain components of property, plant and equipment as a result of accelerated timing of major overhauls and evaluation of components at Milner necessary for future operations.

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.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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 the Bank Term Facility #1 approximates its carrying value as it bears a floating rate of interest and the margin charged by the lenders are indicative of current credit spreads. The fair value of the Fixed Rate Construction Facility is based on similar loans and borrowings using comparable debt instruments. 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, 2022, 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 banking counterparties which are rated A- and 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. 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, 2022, 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, 2022 would have decreased (increased) accounts payable by $0.2 million (2021 - $0.6 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 2022, by $0.3 million (2021 - $0.2 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, 2022, an appreciation in electricity prices in the Alberta power market by $1 per MWh would have increased net income by $1.1 million (2021 - $1.4 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, 2022, an appreciation in natural gas prices in the Alberta natural gas commodity market by $0.10 per GJ would have decreased net income by $1.1 million (2021 - $1.6 million). A weakening of natural gas prices by this amount would have the opposite effect on other comprehensive income and net income.

Risk Factors

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.

General

Marketability of MAXIM's services may be affected by numerous factors, some of which are beyond the control of MAXIM. These factors include competition, demand fluctuations, price levels, the proximity, capacity, and physical properties of processing equipment and supplies and government regulation. Electricity operations (production, pricing and transportation) are, or may in the future be, subject to extensive controls and regulations imposed by various levels of government which may be amended from time to time.

Power Prices

A substantial portion of MAXIM's revenues are directly tied to the market price for electricity in the market in which MAXIM operates. Market electricity prices are impacted by a number of factors, including: the price of fuel, the strength of the economy which impacts the supply of and demand for electricity, the management of generation and the amount of excess installed generating capacity relative to load in the market. Additionally, demand for power in the market can be materially impacted by weather conditions. As a result, future electricity prices and price volatility can have a material adverse effect on MAXIM.

Natural Gas Prices

A substantial portion of MAXIM's fuel costs are directly tied to the market price for natural gas in the market in which MAXIM operates. Market natural gas prices are impacted by a number of factors, including: supply and demand, storage volumes and volumes of natural gas imports and exports. Additionally, demand for natural gas in the market can be materially impacted by weather conditions. As a result, future gas prices and price volatility can have a material adverse effect on MAXIM.

Natural Gas Supply

M2 and Milner currently procures a portion of its natural gas transportation service on a firm basis and the balance on an interruptible basis. There is a risk of curtailment from gas delivery system constraints that could interrupt supply.

Concentration of Revenues and Risks of Interruption and Losses

MAXIM's business operations comprise of the Corporation's operating asset, M2, a natural gas power generation facility. M2 is currently offline while the air inlet filter house is repaired and expects to resume operations and commissioning of the CCGT expansion of M2 in the third quarter of 2023. MAXIM’s operations face many hazards inherent in the power producing business, including fires, explosions, loss of or damages to equipment. In the event of a disruption or other event that prevents the operation of M2 or Milner, all of MAXIM’s revenue generating operations will cease which could have a significant adverse effect on MAXIM. Additionally, any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, environmental damage, and damage to the property of others, which could result in claim against MAXIM or have a significant adverse effect on MAXIM. MAXIM partially mitigates this risk by entering into appropriate insurance for disruptions or other events. MAXIM's business may be subject to increased risks related to its limited asset base, geographic concentration and revenue generating capability. For the year ended December 31, 2022, M2 accounted for 100% (December 31, 2021 – 100%) of MAXIM's consolidated revenues.

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, supply chain disruptions and inflation. Such unforeseen circumstances 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. MAXIM is subject to a varied and complex body of laws and regulations that both government agencies and private corporations and individuals may seek to enforce and, although the Corporation makes efforts to comply with all applicable legislation, it could be subject to fines, penalties or other liabilities arising from non-compliance with such applicable laws and regulations. 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.

Environmental Regulations

MAXIM's operations must comply with a complex and evolving body of environmental, health, and safety laws and regulations ("EHS Laws"). The EHS Laws concern, among other things, air emissions, climate change, discharges to soil, surface water, and ground water, noise control, the generation, handling, storage, transportation, and disposal of hazardous substances and wastes, the investigation and remediation of contamination, indoor air quality, and worker health and safety. Although the Corporation makes efforts to do so, it may not be able to meet all EHS Laws and could be subject to fines, penalties or other liabilities arising from actions imposed under EHS Laws. In addition, the Corporation's costs associated with staying in compliance with EHS Laws could increase in the future.

EHS Laws vary by location and can fall within federal, provincial or municipal jurisdictions. There is a risk that MAXIM has not been in compliance or, in the future, will not comply with such requirements. Violations could result in penalties or the curtailment or cessation of operations, any of which could have a material adverse effect on MAXIM's operations, cash flows and financial condition.

For example, the Corporation is required to comply with EHS Laws that restrict emissions of air pollutants. Accordingly, the Corporation must invest in pollution control equipment to comply with EHS Laws and report excess emissions to applicable government authorities. The government authorities monitor compliance with these emission limits and use a variety of tools to enforce them, including, but not limited to, administrative orders to control, prevent or stop a certain activity; administrative penalties for violating certain EHS Laws; and regulatory prosecutions.

EHS Laws also apply to the Corporation's wastewater. EHS Laws restrict the type and amount of pollutants that the Corporation's facility can discharge into receiving bodies of water, such as rivers, lakes and oceans, and into municipal sanitary and storm sewers. Government authorities can enforce these restrictions through administrative orders and penalties and regulatory proceedings. The Corporation has installed all necessary pollution equipment at its power plant to address emissions and discharge limits.

EHS Laws also relate to health and safety. The Corporation's operations involve the use of machinery and equipment, which may result in the exposure to various potentially hazardous substances. Notwithstanding the Corporation's commitment to adhere to EHS Laws, workplace illnesses and accidents, including serious injury and fatalities, may occur. Any serious occurrences of this nature could have a material adverse effect on the Corporation's operations, cash flows and financial condition.

Other EHS Laws regulate the generation, storage, transport, and disposal of hazardous waste. These laws require the transportation of hazardous wastes by an approved hauler to an approved waste disposal site. The Corporation has a system for properly handling, storing, and arranging for the disposal of the waste it produces in place, but non-compliance remains an inherent risk, and could have a material adverse effect on the Corporation's operations, cash flows and financial condition.

Certain EHS Laws impose joint and several liabilities on certain classes of persons for the costs of investigation and remediation of contaminated properties. Liability may attach regardless of fault or the legality of the original disposal. Although it is the Corporation's view that other parties are responsible for the investigation and remediation of these sites under applicable law and contractual arrangements, it could nevertheless be liable for the costs of future remediation if other responsible parties do not satisfy their obligations. Remediation costs for any contamination, whether known or not yet discovered, could be substantial and thus have a material adverse effect on the Corporation's operations, cash flows, and financial condition.

EHS Laws require the Corporation to obtain governmental permits, licenses, and approvals. These permits, licenses, and approvals may be subject to denial, revocation or modification at various times, including, but not limited to, when the Corporation applies for renewal of existing permits. Failure to obtain or comply with the conditions of permits, licenses and approvals may adversely affect the Corporation's operations, cash flows and financial condition and may subject the Corporation to penalties. In addition, the Corporation may be required to obtain additional operating permits or governmental approvals and licenses, and incur additional costs.

Litigation

In the normal course of the Corporation's operations, MAXIM may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Potential litigation may develop in relation to personal injuries (including resulting from exposure to hazardous substances, property damage, property taxes, land and access rights, environmental issues, including claims relating to contamination or natural resource damages and contract disputes). The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations. Even if the Corporation prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse affect on the Corporation's financial condition.

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.

MAXIM’s CCGT expansion of M2 may be subject to unforeseen delays as a result of the non-injury fire incident. There can be no assurance the CCGT expansion of M2 will be completed on the expected timeline, which may have a material adverse effect on MAXIM. Additionally, inflation and supply chain disruptions may have result in delays or increased costs to the project.

MAXIM may not realize benefits from investments into the CCGT expansion of M2, or other projects, for several years or may not realize benefits from such investments at all. Failure to realize the intended benefits from such investments could adversely affect our results from operations.

Competition

The electricity production industry is competitive in all phases. Deregulation in the power industry has eliminated the traditional barriers to entry and is allowing independent power producers to enter the market. 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.

Leverage and Borrowing Risk

The Corporation's leverage has increased as a result of the senior credit facility and convertible loan facility. The Corporation's indebtedness could adversely affect its financial condition and results of operations, which may prevent the Corporation from fulfilling its obligations under its indebtedness. The Corporation's maintenance of increased levels of debt could adversely affect its financial condition and results of operations and could adversely affect its flexibility to take advantage of corporate opportunities. The Corporation's degree of leverage could have adverse consequences for the Corporation, including:

- limiting the Corporation's ability to obtain additional financing for working capital, capital expenditures, development, debt service requirements, acquisitions and general corporate or other purposes;
- restricting the Corporation's flexibility and discretion to operate its business;
- requiring a substantial portion of the Corporation's cash flows from operating activities to be dedicated to debt;
- service payments, including the payment of interest on its indebtedness and fees, thereby reducing the amount of cash flow available for working capital, capital expenditures, acquisitions, future business opportunities and other general corporate purposes;
- limiting the Corporation's ability to adjust to changing market conditions and limiting the Corporation's flexibility in planning for and reacting to changes in the industry in which it competes;
- increasing the Corporation's vulnerability to general adverse economic and industry conditions; and
- increasing the Corporation's cost of borrowing.

The Corporation's ability to service its increased debt will depend upon, among other things, the Corporation's future financial and operating performance, which will be affected by prevailing economic conditions, commodity prices, receipt of insurances proceeds, interest rate fluctuations and financial, business, regulatory and other factors, including the operations at Milner and M2, some of which are beyond the Corporation's control. If the Corporation's operating results are not sufficient to service its current or future indebtedness, the Corporation may be forced to take actions such as reducing or delaying business activities, investments or capital expenditures, selling assets, restructuring or refinancing the Corporation's debt, or seeking additional equity capital.

Insurance

MAXIM's involvement in the power industry may result in MAXIM becoming subject to liability for pollution, property damage, personal injury or other hazards. Although MAXIM maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities, including for business interruption losses resulting from the non-injury fire event. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, MAXIM may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to MAXIM. The occurrence of a significant event that MAXIM is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on MAXIM's business, financial condition, results of operations and prospects.

Disease Outbreaks and COVID-19

MAXIM's operations with respect to Milner and M2 are located in areas relatively remote from local towns and villages and represent a concentration of personnel working and residing in close proximity to one another. Should an employee or visitor become infected with a serious illness that has the potential to spread rapidly, this could place MAXIM's workforce at risk. The 2020 outbreak of the novel coronavirus (COVID-19) in China and other countries around the world is one example of such an illness. MAXIM takes every precaution to strictly follow industrial hygiene and occupational health guidelines. There can be no assurance that this virus or another infectious illness will not impact MAXIM's personnel and ultimately its operations.

The demand for electricity is generally linked to broad-based economic activities in the jurisdictions MAXIM operates (or intends to operate). If there was a slowdown in economic growth, an economic downturn or recession or other adverse economic or political development in the jurisdictions where MAXIM operates (or intends to operate), there could be a significant adverse effect on global financial markets and market prices. Global or national health concerns, including the outbreak of pandemic or contagious diseases, such as the recent COVID-19 pandemic and any future related outbreaks, may adversely affect MAXIM by (i) reducing economic activity thereby resulting in lower demand for electricity consumption (with related effects of power pricing), (ii) impairing its supply chain (for example, by limiting the manufacturing of materials or the supply of services used in MAXIM's operations), and (iii) affecting the health of its workforce, rendering employees unable to work or travel.

Pandemics, epidemics or outbreaks of an infectious disease in Canada or worldwide, including COVID-19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illnesses could have an adverse impact on MAXIM's results, business, financial condition or liquidity.

The Corporation's business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, and/or business plans may, in particular, and without limitation, be adversely impacted as a result of pandemics, epidemics or outbreaks of an infectious disease in Canada or worldwide and/or decline in power prices as a result of:

- the shut-down of facilities or the delay or suspension of work on major capital projects due to workforce disruption or labour shortages caused by workers becoming infected, or government or health authority mandated restrictions on travel by workers or closure of facilities or worksites;

- suppliers and third-party vendors experiencing similar workforce disruption or being ordered to cease operations;
- reduced cash flows resulting in less funds from operations being available to fund capital expenditure budgets;
- reduced power prices resulting in a reduction in cash flows;
- counterparties being unable to fulfill their contractual obligations on a timely basis or at all; and
- the ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, commodity prices and/or a change in market fundamentals.

The COVID-19 pandemic has also created additional operational risks for MAXIM, including the need to provide enhanced safety measures for its employees and customers; address the risk of, attempted fraudulent activity and cybersecurity threat behaviour; and protect the integrity and functionality of MAXIM's systems, networks, and data as employees work remotely.

Significant Shareholders

M. Bruce Chernoff currently owns or controls approximately 35.4% of the outstanding Common Shares and W. Brett Wilson currently owns or controls approximately 35.2% of the outstanding Common Shares. If the convertible loan is converted in full by each lender thereunder, then each such person's direct or indirect ownership percentage in the Corporation will increase and this increase may be significant. For instance, Mr. Chernoff would own or control approximately 41.3% of the outstanding Common Shares and Mr. Wilson would own or control approximately 41.2% of the outstanding Common Shares assuming the convertible loan is fully drawn and converted into Common Shares (based on the number of outstanding Common Shares as of the date of this MD&A after giving account to the conversion). If such person's ownership percentage increases significantly as a result of the conversion of the convertible loan, such persons may have, subject to applicable law, the ability to determine the outcome of certain matters submitted to the shareholders for approval in the future, including the election and removal of directors, amendments to the Corporation's corporate governing documents and certain business combinations. The Corporation's interests and those of its controlling shareholders may at times conflict, and this conflict might be resolved against the Corporation's interests. The concentration of control in the hands of a significant shareholders may impact the potential for the initiation, or the success, of an unsolicited bid for the Corporation's securities.

Dividend Record

MAXIM has no dividend record and is limited to the amount it could distribute. In the future, any decision to pay dividends on the Corporation's shares will be made by the Board of Directors on the basis of the Corporation's earnings, financial requirements and other conditions existing at such time.

Sale of Additional Shares

MAXIM may issue additional shares in the future. It is not possible to predict the size of future issuances of shares or the effect, if any, that future issuances of shares will have on the market price of its shares.

Sale of Electricity on a Merchant Basis

MAXIM depends largely on its electricity energy customers. M2 operates on a merchant basis, selling its energy into the spot market and is exposed to fluctuating Alberta power prices, which at times can exhibit extreme price volatility. The profitability of this merchant power plant is largely impacted by the price of electricity, the cost of fuel, and the efficiency with which the plant converts fuel into electricity, which is commonly referred to as plant heat rate.

Carbon Pricing Risk

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement ("Paris Agreement"). In Canada, the federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The taxes placed on carbon emissions may have the effect of increasing the Corporation's operating expenses, which may have a material adverse effect on the Corporation's profitability and financial condition.

Climate Change

The Corporation's facilities and other operations and activities emit greenhouse gases, which includes Greenhouse Gas ("GHG") which may require the Corporation to comply with greenhouse gas emissions legislation at the provincial or federal level. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As a signatory to the United Nations Framework Convention on Climate Change and a signatory to the Paris Agreement, which was ratified in Canada on October 3, 2016, the Government of Canada pledged to cut its GHG emissions by thirty percent from 2005 levels by 2030. One of the pertinent policies announced to date by the Government of Canada to reduce GHG emission is the implementation of a nation-wide price on carbon emissions. The federal carbon program began on April 1, 2019 and affects provinces which have not implemented their own carbon taxes, cap-and-trade systems or other plans for carbon pricing, namely Ontario, Manitoba, Saskatchewan, Prince Edward Island, Yukon, Nunuvut, and New Brunswick. The federal carbon levy will be at an initial rate of $20 per tonne in 2019, rising by $10 per tonne each year until reaching $50 per tonne in 2022. Provincially, the Government of Alberta has implemented a carbon levy on almost all sources of GHG emissions, at a rate of $30 per tonne for 2020, $40 per tonne for 2021 and $50 per tonne for 2022. Further, the Government of Alberta has announced that the carbon levy will increase by $15 per tonne beginning in 2023 until 2030.

Concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Historically, political and legal opposition to the fossil fuel industry focused on public opinion and the regulatory process. More recently, however, there has been a movement to more directly hold governments and oil and natural gas companies responsible for climate change through climate litigation. Given the evolving nature of the debate related to climate change and the control of GHG and resulting requirements, it is expected that current and future climate change regulations will have the effect of increasing the Corporation's operating expenses.

In addition, there has been public discussion that climate change may be associated with extreme weather conditions and increased volatility in seasonal temperatures. Extreme weather could interfere with the Corporation's production and increase the Corporation's costs.

Extreme hot and cold weather, heavy snowfall, heavy rainfall and wildfires may restrict MAXIM's ability to access its properties, cause operational difficulties including damage to machinery and facilities. Extreme weather also increases the risk of personnel injury as a result of dangerous working conditions. MAXIM's assets are located in locations that are proximate to forests and rivers and a wildfire and/or flood may lead to significant downtime and/or damage to such assets. Given the cleared setbacks surrounding MAXIM's assets, there is minimal risk to such assets in the event of a wildfire.

In addition to the physical and regulatory effects of climate change on our business, an increasing focus on the reduction of GHG emissions and potential shift to other alternative energy sources may result in lower demand for the power we generate from Milner and could impact our access to capital.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Income Taxes

The Corporation files all required income tax returns and believes that it is in full compliance with the provisions of applicable tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a reassessment of the Corporation, such reassessment may have an impact on current and future taxes payable.

Income tax laws may in the future be changed or interpreted in a manner that adversely affects the Corporation. Furthermore, tax authorities having jurisdiction over the Corporation may disagree with how the Corporation calculates its income for tax purposes or could change administrative practices to the Corporation's detriment.

Information Technology Systems and Cyber-Security

The Corporation has become increasingly dependent upon the availability, capacity, reliability and security of its information technology infrastructure and its ability to expand and continually update this infrastructure to conduct daily operations. The Corporation depends on various information technology systems to process and record financial data, manage financial resources, administer its contracts and communicate with employees and third-party partners.

Further, the Corporation is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Corporation’s information technology systems by third parties or employees. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our business activities or our competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If the Corporation becomes a victim to a cyber phishing attack it could result in a loss or theft of the Corporation's financial resources or critical data and information, or could result in a loss of control of the Corporation's technological infrastructure or financial resources. The Corporation's employees are often the targets of such cyber phishing attacks, as they are and will continue to be targeted by parties using fraudulent "spoof" emails to misappropriate information or to introduce viruses or other malware through "Trojan horse" programs to the Corporation's computers. These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or to download malware.

Forward-Looking Information

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumption and uncertainties are found under the heading "Forward-Looking Information" on page 6.

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 2022 and 2021 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)	2022	2021
Short-term employee benefits, including wages and benefits	1,851	1,847
Share-based payments	396	294
Total	2,247	2,141

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, 2022.

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, 2022 and ended on December 31, 2022 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, 2022	50,167,850
Issuable shares on conversion of the convertible loan at December 31, 2022	13,083,736
Outstanding share options at December 31, 2022	2,631,949
Total diluted common shares at December 31, 2022	**65,883,535**
Share options exercised in January 2023	(70,421)
Share options cancelled in January 2023	(101,014)
Share options granted in January 2023	90,000
Shares purchased and cancelled under NCIB in January and February 2023	(6,966)
Issuance of common shares in January 2023	70,421
Total diluted common shares at March 16, 2023	**65,865,555**

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:

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)
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
CPA	Charted Professional Accountants
DSCR	Debt Service Coverage Ratio
Adjusted EBITDA	Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization
FLI	Forward-looking information
FR Land	The 31 acre Forked River land parcel
GAAP	IFRS, as set out in Part 1 of the CPA Canada Handbook of the CPAs of Canada
GGPPA	Greenhouse Gas Pollution Pricing Act
GHG	Greenhouse Gas
GJ	Gigajoule
GoA	Government of Alberta
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
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
Paris Agreement	A legally binding international treaty on climate change
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.