Consolidated Financial Statements of

MAXIM POWER CORP.

For the Years Ended December 31, 2023 and 2022

(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, 2023 and December 31, 2022
- 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 material accounting policy information

(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, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 auditor's 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, 2023. 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 matter described below to be the key audit matter to be communicated in our auditor's report.

Assessment of indicators of impairment for property, plant and equipment – generating facilities and equipment

Description of the matter

We draw attention to notes 2(e)(i), 3(e) and 6(d) to the financial statements. The Entity records property, plant and equipment at cost less accumulated depreciation and impairment losses. At the end of each reporting period, the Entity makes an assessment whether there are any indicators of impairment of its property, plant and equipment. If there are indicators of impairment, the Entity performs an impairment test of the asset or the cash-generating unit ("CGU"). The assessment of impairment indicators is based on management's significant judgment of whether there are internal or external factors that would indicate that the CGU and specifically the assets within that CGU are impaired. The assessment of external indicators considers future commodity prices. The assessment of internal indicators considers forecasted cash flows. Property, plant and equipment – generating facilities and equipment were recorded at a carrying amount of $304,534 thousand. No indicators of impairment were identified for property, plant and equipment – generating facilities and equipment as at December 31, 2023.

Why the matter is a key audit matter

We identified the assessment of indicators of impairment for property, plant and equipment – generating facilities and equipment as a key audit matter. Significant auditor judgment was required in evaluating the assessment of internal and external indicators.

How the matter was addressed in the audit

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

We evaluated the Entity's identification and assessment of indicators of impairment for property, plant and equipment – generating facilities and equipment by comparing actual financial results in the current year against historical financial results and to forecasted cash flows. We considered changes in conditions and events affecting the forecasted cash flows.

We evaluated the Entity's assessment of future commodity prices by comparing them to future commodity prices published by a third party energy service provider.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 statement.

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 auditor's report is Stephanie Regier Pankratz.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 14, 2024

MAXIM POWER CORP.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

As at	Note	**December 31, 2023**	December 31, 2022
ASSETS			
Cash and cash equivalents		**32,258**	51,378
Trade and other receivables	5	**47,877**	15,109
Current tax asset		**4,685**	-
Risk management asset	24	**1,584**	-
Prepaid expenses and deposits		**5,919**	4,129
Total current assets		**92,323**	70,616
Property, plant and equipment, net	6	**313,461**	296,548
Restricted cash	7	**16,518**	12,318
Prepaid expenses and deposits		**3,538**	2,627
Total non-current assets		**333,517**	311,493
TOTAL ASSETS		**425,840**	382,109
LIABILITIES			
Trade and other payables	8	**13,287**	9,991
Current tax liabilities		**-**	4,793
Risk management liability	24	**8,405**	-
Loans and borrowings	9	**4,828**	1,469
Total current liabilities		**26,520**	16,253
Provisions for decommissioning	10	**10,760**	10,511
Lease obligation		**111**	140
Loans and borrowings	9	**76,375**	81,204
Deferred tax liabilities	20	**14,329**	5,347
Total non-current liabilities		**101,575**	97,202
TOTAL LIABILITIES		**128,095**	113,455
EQUITY			
Share capital	11	**143,963**	143,473
Contributed surplus		**13,194**	12,831
Retained earnings		**140,588**	112,350
TOTAL EQUITY		**297,745**	268,654
Commitments and Contingencies	18, 19		
TOTAL LIABILITIES AND EQUITY		**425,840**	382,109

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

On behalf of the Board:

M. Bruce Chernoff	Michael Mayder
Chairman of the Board	Director

MAXIM POWER CORP.

Consolidated Statements of Operations and Comprehensive Income

(in thousands of Canadian dollars, except for per share amounts)

	Note	2023	2022
Revenues			
Power generation	13	**41,458**	141,263
Realized gain (loss) on power swaps	24	**1,444**	(3,524)
Unrealized gain on power swaps	24	**1,548**	538
Total power generation and swaps		**44,450**	138,277
Expenses			
Operating	14	**38,381**	79,979
Realized loss (gain) on natural gas swaps	24	**1,002**	(13,816)
Unrealized loss on natural gas swaps	24	**8,369**	708
General and administrative	14	**6,706**	5,480
Depreciation and amortization	6	**9,695**	10,551
Total expenses		**64,153**	82,902
Operating income (loss)		**(19,703)**	55,375
Other income, net	15	**64,528**	11,447
Asset impairment charge	6	**(2,002)**	-
Loss on write-off of asset	6	**-**	(7,861)
Finance expense, net	16	**(5,421)**	(6,366)
Income before income taxes		**37,402**	52,595
Income tax expense			
Current income tax expense	20	**125**	4,793
Deferred income tax expense	20	**8,982**	5,525
Total income tax expense		**9,107**	10,318
Net and comprehensive income		**28,295**	42,277
Earnings per share	17		
Basic		**0.56**	0.84
Diluted		**0.49**	0.72

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	Total
Equity at December 31, 2022	50,168	143,473	12,831	112,350	268,654
Net income	-	-	-	28,295	28,295
Repurchase of common shares for cancellation	(33)	(88)	-	(57)	(145)
Share-based compensation	-	-	692	-	692
Stock options exercised	458	578	(329)	-	249
Equity at December 31, 2023	**50,593**	**143,963**	**13,194**	**140,588**	**297,745**
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

MAXIM POWER CORP.

Consolidated Statements of Changes in Cash Flows

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

	Note	2023	2022
Cash flows from operating activities:			
Net income		**28,295**	42,277
Adjustments for items not involving cash or operations:			
Depreciation and amortization	6	**9,695**	10,551
Share-based compensation	12	**692**	536
Unrealized loss on commodity swaps	24	**6,821**	170
Stock option settlement		**-**	(81)
Income tax expense	20	**9,107**	10,318
Income tax paid	20	**(9,603)**	(13)
Loss on disposal of equipment	6	**100**	-
Asset impairment charge	6	**2,002**	-
Loss on write-off of asset	6	**-**	7,861
Loss on disposal of land		**-**	44
Finance expense, net	16	**5,421**	6,366
Funds generated from operating activities before change in non-cash working capital		**52,530**	78,029
Change in non-cash working capital	22	**(28,694)**	(1,616)
Net cash generated from operating activities		**23,836**	76,413
Cash flows from financing activities:			
Issuance of loans and borrowings		**-**	37,000
Repayment of loans and borrowings	9	**(2,850)**	(9,138)
Proceeds from exercise of stock options		**249**	112
Repurchase of common shares for cancellation	11	**(145)**	(1,372)
Interest and bank charges		**(8,114)**	(7,326)
Net cash generated from (used in) financing activities		**(10,860)**	19,276
Cash flows from investing activities:			
Property, plant and equipment additions	6	**(27,421)**	(81,089)
Proceeds from grant funding		**-**	20,000
Proceeds on sale of asset, net of closing costs	6	**95**	3,716
Proceeds from return of funds held for decommissioning		**-**	10,122
Interest income	16	**2,932**	1,265
Change in non-cash working capital	22	**(7,701)**	(11,804)
Net cash used in investing activities		**(32,095)**	(57,790)
Foreign exchange loss on cash and cash equivalents		**(1)**	(71)
Increase (decrease) in cash and cash equivalents		**(19,120)**	37,828
Cash and cash equivalents, beginning of year		**51,378**	13,550
Cash and cash equivalents, end of year		**32,258**	51,378

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. Repairs commenced shortly after and completed in August of 2023 to allow for the recommencement of commissioning activities. M2 began generating intermittent electricity to the grid on August 14, 2023, and achieved Combined Cycle Gas Turbine ("CCGT") commercial operations on October 24, 2023.

2. Basis of preparation and statement of compliance

(a) Statement of compliance

MAXIM prepares its consolidated financial statements in accordance with IFRS Accounting Standards 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 14, 2024.

(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 Accounting Standards 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, the Corporation makes an assessment whether there are any indicators 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 indicators of impairment, MAXIM performs an impairment test on the asset or the cash-generating unit ("CGU").

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

The assessment of impairment indicators is based on management's significant judgement of whether there are internal or external factors that would indicate that the CGU and specifically the assets within that CGU are impaired. The assessment of the external indicators considers future commodity prices. The assessment of internal indicators considers forecasted cashflows.

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

(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.

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.

(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.

(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. Material accounting policies

The material 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 % 2023	2022
Milner Power Limited Partnership ("MPLP")	Canada	100	100
Milner Power II Limited Partnership	Canada	100	100
Prairie Lights Power Limited Partnership	Canada	100	-
Deerland Power Limited Partnership	Canada	100	100
Summit Coal Limited Partnership	Canada	100	100

(b) Impairment of non-financial assets

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

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

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

(c) Financial instruments

(i) Recognition

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

3. Material accounting policies (continued)

(ii) Measurement and classification

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

(iii) Financial assets at amortized cost

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

(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 the recognition of loss allowances at an amount equal to the lifetime expected credit losses at each reporting date.

3. Material accounting policies (continued)

(d) 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.

(e) 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 22 years
Equipment	20 - 30% declining balance or straight-line from 2 to 22 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.

(f) 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.

(g) Employee benefits

(i) Restricted share units

The Corporation records a compensation cost for all restricted share units (“RSU”) granted to employees over the vesting period of the RSU based on the fair value of the RSU at grant date. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair values of the amounts payable, which are settled in cash, are recognized as expenses with corresponding increases in the liabilities over the period that the employees unconditionally become entitled to payments. The fair value of each grant is measured at the closing share price of MAXIM’s shares. The liability is remeasured to fair value at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized in income or loss.

3. Material accounting policies (continued)

(ii) 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.

(h) 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.

(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.

(i) 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.

3. Material accounting policies (continued)

(j) 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, and unwinding of the discount on provisions.

(k) 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.

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.

(l) 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.

3. Material accounting policies (continued)

(m) Grant funding

Grants are recognized when there is a reasonable assurance that the Corporation will comply with all conditions attached 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.

(n) 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 for 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.

(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, 2023, and 2022, 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.

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

5. Trade and other receivables

	December 31, 2023	December 31, 2022
Trade receivables (a)	28,371	-
Insurance receivable (b)	18,031	14,384
GST receivable	45	702
Realized risk management receivable (c)	1,430	-
Other receivables	-	23
Total accounts receivable	47,877	15,109

(a) Trade receivables of $28,371 reflect November and December power generation revenues in the amounts of $19,488 and $8,883, respectively.

(b) Insurance receivable of $18,031 (2022 - $14,384) reflects business interruption and property insurance receivable, relating to the air inlet filter house non-injury fire. Subsequent to year end, the Corporation collected the total insurance receivable of $18,031.

(c) Realized risk management receivable of $1,430 reflects unsettled realized gains on power commodity swap transactions as at December 31, 2023 (2022 - $nil).

6. Property, plant and equipment, net

	Land	Generating Facilities and Equipment	Right-of-use Asset	Assets under Construction	Total
Cost					
Balance, December 31, 2021	3,760	250,216	202	91,037	345,215
Additions	-	6,458	-	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	-	(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	(3,760)	-	-	-	(3,760)
Balance, December 31, 2022	-	241,844	202	147,335	389,381
Additions	-	531	-	26,890	27,421
Capitalized interest	-	-	-	1,473	1,473
Assets in-service (c)	-	164,886	-	(164,886)	-
Impairment (d)	-	-	-	(2,002)	(2,002)
Disposal of equipment	-	(195)	-	-	(195)
Revisions to decommissioning provisions	-	(89)	-	-	(89)
Balance, December 31, 2023	-	406,977	202	8,810	415,989
Accumulated depreciation					
Balance, December 31, 2021	-	84,600	25	-	84,625
Depreciation	-	10,521	30	-	10,551
Derecognition of fully depreciated asset	-	(1,469)	-	-	(1,469)
Write-off of asset	-	(874)	-	-	(874)
Balance, December 31, 2022	-	92,778	55	-	92,833
Depreciation	-	9,665	30	-	9,695
Balance, December 31, 2023	-	102,443	85	-	102,528
Property, plant and equipment, net					
December 31, 2022	-	149,066	147	147,335	296,548
December 31, 2023	-	304,534	117	8,810	313,461

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

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

(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 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. The cost and accumulated depreciation of these assets were $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.

(c) Assets in-service

During 2023, the Corporation transferred $164,886 from assets under construction to power generating facilities, of which, $148,954 relates to the CCGT expansion of M2 including historical development costs and capitalized interest, net of grant proceeds and $15,932 for the air inlet filter house and general capital spending at M2.

(d) Asset impairment charge

During the fourth quarter of 2023, the Corporation was notified by the Alberta Utilities Commission that the application for a time extension of the 86MW cogeneration power plant located at the Milner site was denied. As a result, the Corporation has terminated the project and written off the full value of assets under construction totaling $2,002 and recognized the balance as an asset impairment charge. No indicators of impairment were identified for property, plant and equipment – generating facilities and equipment at December 31, 2023.

7. Restricted cash

	December 31, 2023	December 31, 2022
Cash collaterized letters of credit (a)	6,396	2,196
Cash collateral (b)	10,122	10,122
Total restricted cash	16,518	12,318

(a) On August 4, 2023, the Corporation acquired a natural gas power generation project in the early stages of development for cash consideration of $1,000. The value of the identifiable assets of the acquired entity was based on the fair value of consideration paid and as at the date of acquisition are $936 of non-current prepaid deposits and $64 of assets under construction.

In order to continue advancing the project the Corporation posted cash collateralized letters of credit of $4,200. Cash of the same amount has been deposited into a restricted bank account maintained by the bank. As at December 31, 2023, the Corporation has $6,396 (December 31, 2022 - $2,196) of outstanding cash collateralized letters of credit.

(b) As at December 31, 2023, cash collateral of $10,122 (December 31, 2022 - $10,122) is restricted by MAXIM's senior lenders for the purpose of end of life decommissioning, remediation and reclamation of the Milner site. Upon extinguishment of the senior credit facilities, $10,122 becomes unrestricted and available to the Corporation.

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

8. Trade and other payables

	December 31, 2023	December 31, 2022
Trade payables	3,328	4,089
Accrued liabilities and other payables	9,172	5,902
Realized risk management liability (a)	787	-
Total trade and other payables	13,287	9,991

(a) Realized risk management liability of $787 are unsettled realized losses on gas commodity swap transactions as at December 31, 2023 (2022 - $nil).

9. Loans and borrowings

	Bank Term Facility #1	Fixed Rate Constuction Facility	Revolver Facility #1	Convertible Loan Facility	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, non-current portion net of deferred financing costs					81,204

(1) Excluding deferred financings costs.

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

(1) Excluding deferred financings costs.

Senior Credit Facility and Convertible Loan Facility

On March 31, 2023, the Corporation amended and received consent for changes to certain terms and conditions of the senior credit facility and convertible loan facility to maintain compliance and appropriately address the impact from the non-injury fire at M2 and timing of commissioning of the CCGT expansion of M2.

Changes of most significance include revising the timing of the completion of the CCGT expansion of M2, including the air inlet filter house repair program, pausing of the Corporation’s normal course issuer bid until after the CCGT expansion of M2 has achieved substantial completion and addressing other standard administrative changes for an event of this nature. There were no changes to the availability of either facility.

9. Loans and borrowings (continued)

(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.

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.

Amounts available under the senior credit facilities are as follows:

(i) Bank Term Facility #1

The Bank Term Facility #1 is amortizing over ten years beginning June 30, 2022 and requires quarterly principal payments of $713. This facility is non-revolving and currently bears interest at floating rates under the bankers acceptance rate 8.40% (December 31, 2022 – 7.49%). As at December 31, 2023 the amount drawn under this facility was $23,512 (December 31, 2022 - $26,362). This facility is fully drawn and no additional amounts are available.

(ii) Revolver Facility #1

The $10,000 Revolver Facility #1 is available for general corporate purposes. During 2023, the Corporation posted cash collateralized letters of credit of $4,200 under this facility and deposited cash of the same amount into a restricted bank account maintained by the bank. As at December 31, 2023, the availability of this facility is $5,800 (December 31, 2022 - $10,000).

(iii) Revolver Facility #2

The $5,000 Revolver Facility #2 remains available for general corporate purposes. This facility is undrawn as at December 31, 2023.

(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 (as defined in the Corporation's credit agreement). This facility is undrawn as at December 31, 2023.

(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 (as defined in the Corporation's credit agreement). This facility is fully drawn as at December 31, 2023 (December 31, 2022 - $30,000). This facility bears interest of 6.09%. Repayment of the Fixed Rate Construction Facility will commence in the second full quarter after conversion of the debt from a construction facility to a term facility after the completion of the CCGT expansion of M2.

9. Loans and borrowings (continued)

(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, 2023, the Corporation has issued $46 (December 31, 2022 - $46) in cash collateralized letters of credit. Cash of the same amount was deposited into a restricted bank account maintained by the bank. As at December 31, 2023, the availability of this facility is $4,054 (December 31, 2022 - $4,054).

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

MAXIM is currently in a financial covenant break period. 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 resumes in the first quarter of 2024.

In addition, MAXIM is subject to customary non-financial covenants. As at December 31, 2023, MAXIM is in compliance with all applicable 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, 2023, 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, 2023, the amount drawn under this facility is $29,438 (December 31, 2022 - $29,438).

The convertible loan was provided by two significant shareholders of the Corporation, one of whom is the Chairman of the Board and the other who is Vice Chairman of the Board. During 2023, total interest and fees paid under this facility was $3,908 (December 31, 2022 – $3,908).

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

9. 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, 2023, the Corporation has $2,150 (December 31, 2022 - $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) Repayments

The Corporation's anticipated principal repayment obligations as at December 31, 2023, on the above loans and borrowings over the next five calendar years are as follows:

2024	5,850
2025	8,850
2026	68,250
	82,950

10. Provision 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% (December 31, 2022 – 3.3%) depending on the timeframe of when the liability will be settled and inflation rate, which was 1.6% (December 31, 2022 – 2.1%). The Corporation is required to re-measure the provision at each reporting period in order to reflect expected cost, timing and discount rates in effect at that time. The total undiscounted inflation adjusted amounts of estimated obligations are approximately $20,906 (December 31, 2022 - $21,457) and are expected to be incurred in seven to twenty one years from the date of these consolidated financial statements.

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
Accretion	330
Changes in estimate	(81)
Balance, December 31, 2023	10,760

11. Share capital

During 2023, the Corporation purchased and cancelled 33,339 (2022 – 363,505) common shares under the NCIB program at a cost of $145 (2022 - $1,372). Common shares purchased were recognized as a $88 (2022 - $1,045) 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 $57 (2022 - $327) was recorded as a decrease in retained earnings.

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

11. Share capital (continued)

	Number of Shares	$
Common Shares of MAXIM		
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
Common Shares purchased and cancelled under NCIB	(33,339)	(88)
Share options exercised (i)	458,627	578
Common Shares, December 31, 2023	50,593,138	143,963

(i) Included in the share options exercised in 2023 were 210,461 shares (2022 – 244,460 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, 2023 and 2022, there are nil preferred shares outstanding.

12. 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, 2023			December 31, 2022		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of year	2,631,949	$	2.77	2,614,448	$	2.18
Exercised	(787,317)		2.01	(758,988)		1.69
Settled for cash	-		-	(50,000)		3.78
Granted (a)	1,202,150		4.23	909,822		3.63
Expired	-		-	(83,333)		3.03
Outstanding, end of year	3,046,782	$	3.54	2,631,949	$	2.77
Exercisable	903,146	$	2.71	793,984	$	2.06

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

12. Share-based compensation (continued)

The Corporation recorded non-cash share-based expense of $692 (December 31, 2022 - $536) for the year ended December 31, 2023.

(a) During 2023 and 2022, 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:

	2023	2022
Fair value of each option ($)	1.01	0.73
Share price at grant date ($)	4.23	3.63
Exercise price ($)	4.23	3.63
Risk-free interest rate (%)	3.51	2.78
Expected life (years)	2.00	1.99
Expected volatility (%)	37.70	32.32

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.

(b) As at December 31, 2023, the range of exercise prices was $2.01 - $4.20 (December 31, 2022 - $1.43 to $4.01) and the weighted average remaining contractual life was 1.67 years (December 31, 2022 – 1.59 years).

13. Revenue

	December 31, 2023	December 31, 2022
Revenue from contracts with customers	41,458	141,263

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.

14. Operating, general and administrative expenses by nature

	December 31, 2023	December 31, 2022
Fuel costs	13,570	62,612
Operating and maintenance	20,865	14,333
Wages and employee benefits	10,652	8,514
Total operating and general and administrative expenses	45,087	85,459

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

15. Other income, net

	December 31, 2023	December 31, 2022
Business interruption insurance claim (a)	53,181	9,478
Property insurance claim (a)	17,434	4,907
Demolition, incidental and investigation costs (b)	(5,973)	(2,900)
Loss on disposal of equipment	(100)	-
Other expenses	(14)	(38)
Total other income, net	64,528	11,447

(a) Insurance claims

During 2023, the income from business interruption claims of $53,181 and property insurance claims of $17,434, relate to the air inlet filter house non-injury fire insurance claim. During 2023, the Corporation collected $66,969 relating to the business interruption and property insurance claims.

As at December 31, 2023, the total of business interruption and property insurance claims is $85,000, of which, $18,031 is included in trade and other receivables. Insurance claims are subject to approval by the insurers and claims pending approval are not recognized in these consolidated financial statements. Subsequent to year end, the Corporation collected the total insurance receivable of $18,031.

(b) Demolition, incidental and investigation costs

During 2023, the Corporation incurred $5,973 (2022 - $2,900) in relation to demolition, incidental and investigation costs related to the air inlet filter house non-injury fire incident.

16. Finance expense, net

	December 31, 2023	December 31, 2022
Interest expense and bank charges	6,641	5,754
Amortization of deferred financing costs	1,381	1,689
Gain on interest rate swaps	-	(101)
Accretion of provisions	330	218
Foreign exchange loss	1	71
Finance expense	8,353	7,631
Interest income	(2,932)	(1,265)
Total finance expense, net	5,421	6,366

17. Earnings per share

	December 31, 2023	December 31, 2022
Weighted average number of common shares (basic)	50,419,484	50,099,365
Effect of convertible loan facility	13,083,736	13,083,736
Effect of exercisable stock options	580,020	670,154
Weighted average number of common shares (diluted)	64,083,240	63,853,255

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

17. Earnings per share (continued)

	December 31, 2023	December 31, 2022
Net income (basic)	28,295	42,277
Finance expense on the convertible loan facility, net of tax	3,417	3,386
Net income (diluted)	31,712	45,663

	December 31, 2023	December 31, 2022
Earnings per share:		
Basic	0.56	0.84
Diluted	0.49	0.72

18. Commitments

(a) The Corporation has entered into contracts for maintenance and equipment of M2. These contracts have a remaining minimum commitment totaling $2,164 as at December 31, 2023.

(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, 2023 is $5,774 over the next two years as follows:

2024	4,080
2025	1,694
	5,774

19. 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 subject to 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. Management believes that these contingencies, individually or in aggregate, are not expected to result in a liability that would have a material adverse effect on the Corporation.

(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, 2023, the precise amount and timing of compensation under the sales agreement, if any, cannot be determined, and therefore no amount has been reflected in these consolidated financial statements.

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

20. Income taxes

(a) Tax expense recognized in statements of income

	December 31, 2023	December 31, 2022
Current tax expense	125	4,793
Deferred tax expense		
Origination and reversal of temporary differences	8,645	7,389
Effect of tax rates in foreign jurisdictions	-	12
Adjustment in respect of prior years	337	(2,245)
Change in recognized deductible temporary differences	-	369
	8,982	5,525
Total tax expense	9,107	10,318

(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, 2023 of 23% (December 31, 2022 – 23%) to income before income taxes. A reconciliation of this difference is presented below.

A reconciliation of the differences is as follows:

	December 31, 2023	December 31, 2022
Net income before tax	37,402	52,595
Statutory tax rate	23%	23%
Computed income taxes	8,602	12,097
Increase (decrease) in taxes:		
Change in recognized deductible temporary differences	-	369
Effect of tax rates in foreign jurisdictions	-	12
Non-deductible expenses, net	168	85
Adjustments in respect of prior years	337	(2,245)
Total tax expense	9,107	10,318

(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 benefit through future taxable profits is probable. As at December 31, 2023, $108,392 (December 31, 2022 - $108,392) of the tax loss carry-forwards are unrecognized primarily due to uncertainty in the Corporation's ability to utilize the assets.

(d) Recognized deferred tax liabilities

As at December 31, 2023, there are no net taxable temporary differences (December 31, 2022 - $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.

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

20. Income taxes (continued)

(e) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
December 31,	2023	2022	2023	2022	2023	2022
Non-capital loss carry forwards	1,481	-	-	-	1,481	-
Capital assets	-	-	(19,708)	(7,595)	(19,708)	(7,595)
Other	3,898	2,248	-	-	3,898	2,248
Net tax liabilities	5,379	2,248	(19,708)	(7,595)	(14,329)	(5,347)

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

	Net Operating	Capital Assets	Other	Total
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)
Credited (charged) to income	1,481	(12,113)	1,650	(8,982)
At December 31, 2023	1,481	(19,708)	3,898	(14,329)

21. Related party transactions

Compensation of key management personnel:

	December 31, 2023	December 31, 2022
Short-term employee benefits, including wages and benefits	2,277	1,851
Share-based compensation	503	396
Total	2,780	2,247

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 2023 or 2022.

22. Change in non-cash working capital

	December 31, 2023	December 31, 2022
Operating activities		
Trade and other receivables	(32,768)	5,657
Prepaid expenses and deposits	(2,701)	(3,730)
Trade and other payables	6,775	(3,543)
	(28,694)	(1,616)

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

22. Change in non-cash working capital (continued)

	December 31, 2023	December 31, 2022
Investing activties		
Trade and other payables	(3,501)	(5,682)
Restricted cash (note 7)	(4,200)	(6,122)
	(7,701)	(11,804)

23. 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.

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

23. Financial risk management (continued)

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, 2023	December 31, 2022
Cash and cash equivalents	32,258	51,378
Restricted cash (note 7)	16,518	12,318
Trade and other receivables	47,877	15,109
Total	96,653	78,805

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, 2023, the Corporation had no past due receivables.

Cash and cash equivalents and restricted cash are held with banking counterparties, which are rated A+, AA and AA-, 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, 2023	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	2 to 3 years	4 to 5 years	Thereafter
Non-derivative financial instruments							
Trade and other payables	13,287	13,287	13,287	-	-	-	-
Lease obligation [(1)]	151	152	20	20	85	27	-
Loans and borrowings	81,203	99,771	5,031	7,951	86,789	-	-
	94,641	113,210	18,338	7,971	86,874	27	-

(1) Lease obligation matures in October 2027.

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	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	-

23. Financial risk management (continued)

(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, 2023, 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, 2023 would have decreased (increased) accounts payable by $63 (2022 - $193) 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 2023, by $235 (2022 - $264).

(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 fixed floating swaps for the price of electricity and natural gas in Alberta. Based on the achieved generation volumes for the year ended December 31, 2023, an appreciation in electricity prices in the Alberta power market by $1 per MWh would have increased net income by $517 (2022 - $1,065). 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, 2023, an appreciation in natural gas prices in the Alberta natural gas commodity market by $0.10 per GJ would have decreased net income by $432 (2022 - $1,127). A weakening of natural gas prices by this amount would have the opposite effect on other comprehensive income and net income.

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

24. Fair Value

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

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

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

The fair value of the loans and borrowings are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. The fair value of loans and borrowings at December 31, 2023 is $80,255 (December 31, 2022 - $81,775).

(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 gain on commodity swaps

	December 31, 2023	December 31, 2022
Realized loss (gain) on power swaps	(1,444)	3,524
Realized loss (gain) on natural gas swaps	1,002	(13,816)
Total realized gain on commodity swaps	(442)	(10,292)

Unrealized loss on commodity swaps

	December 31, 2023	December 31, 2022
Unrealized gain on power swaps	(1,548)	(538)
Unrealized loss on natural gas swaps	8,369	708
Total unrealized loss on commodity swaps	6,821	170

Loss (gain) on commodity swaps

Total realized and unrealized loss (gain) on commodity swaps	6,379	(10,122)

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

24. Fair Value (continued)

(b) Carrying amount of risk management asset and liabilities

Current risk management asset

	December 31, 2023	December 31, 2022
Power commodity swaps	1,584	-
Total carrying amount of current risk management asset	1,584	-

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

Current risk management liability

	December 31, 2023	December 31, 2022
Natural gas commodity swaps	8,369	-
Power commodity swaps	36	-
Total carrying amount of current risk management liability	8,405	-

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

(c) Foreign exchange risk management swap and options

The Corporation manages this exposure by purchasing foreign currency or entering into 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, 2023 and 2022, the Corporation had no outstanding foreign exchange risk management swaps and options.

25. 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.

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

25. Capital management (continued)

The following table represents the net capital of the Corporation:

	December 31, 2023	December 31, 2022
Loans and borrowings	81,203	82,673
Less: Unrestricted cash	(32,258)	(51,378)
Net debt	48,945	31,295
Equity attributable to shareholders	297,745	268,654
Net capital	346,690	299,949

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is dated March 14, 2024 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, 2023. 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.

TABLE OF CONTENTS

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

OVERALL PERFORMANCE

Highlights

Construction of the heat recovery technology required to expand M2 into a combined cycle gas turbine ("CCGT") facility commenced in 2021 and the project was originally expected to commission in the fourth quarter of 2022. Commissioning was delayed due to a non-injury fire on September 30, 2022, which caused damage to M2's air inlet filter house ("Non-Injury Fire"). Repairs commenced shortly after and were completed in August of 2023 to allow for the recommencement of commissioning activities. M2 began generating intermittent electricity to the grid on August 14, 2023, and achieved CCGT commercial operations on October 24, 2023.

The CCGT expansion of M2 increased the maximum generation capacity of the Milner site to 300 MW and has been designed to lower operations and maintenance costs per MWh. The CCGT expansion of M2 captures waste heat that would otherwise exhaust into the atmosphere and converts it into useful low carbon dispatchable electricity for the Alberta power grid. The final project costs of the CCGT expansion of M2 are $162.1 million, excluding borrowing costs and the net effect of $20.0 million of grant proceeds.

This significant milestone completes the coal to gas energy transformation and repowering project at the Milner site which saw over $300 million of investment and successfully converted the legacy 150 MW coal-fired facility into a 300 MW CCGT facility. 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 and more than 20% compared to the simple cycle operations of M2.

During the fourth quarter of 2023, MAXIM settled its claim under the property insurance policy for $85.0 million, which represents substantially all of the costs incurred directly in relation to the damages to the air inlet filter house and related business interruption coverage. Of the $85.0 million, $62.7 million relates to business interruption and $22.3 million relates to property damage. As of the date of this MD&A, $85.0 million has been paid by the insurance companies in relation to these claims. The final project costs to repair the air inlet filter house were $23.6 million.

As previously reported, MAXIM submitted an additional insurance claim for a delay in start up related to the Non-Injury Fire under its Course of Construction ("COC") insurance policy, which includes a provision for Delay in Start Up ("DSU") coverage relating to the CCGT expansion of M2. The Corporation has received a denial of coverage under this policy from the insurer and is currently evaluating its options in relation to this claim. No amounts have been recognized by the Corporation in the financial statements in relation to the DSU claim.

During 2023, MAXIM recorded net income and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"(1)) of $28.3 million and $50.7 million, respectively, as compared to net income of $42.3 million and Adjusted EBITDA(1) of $76.1 million, respectively, in the same period of 2022. Net income in 2023 decreased as compared to the same period in 2022 primarily due to the M2 unplanned outage from the Non-Injury Fire which resulted in less generation from M2 in 2023 and net unrealized and realized commodity swap losses in 2023, partially offset by the property and business interruption claim in 2023. A significant portion of the decrease to Adjusted EBITDA(1) was also due to the M2 unplanned outage from the Non-Injury Fire in part of 2023, partially offset by the business interruption claim.

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

MAXIM's current normal course issuer bid ("NCIB") program is for the August 31, 2023 to August 30, 2024 period. Under this NCIB, the Corporation may purchase for cancellation up to 2,526,477 common shares of the Corporation. Collectively under this program and as of the date of this MD&A, the Corporation has repurchased and cancelled 112,264 common shares for $0.5 million at a weighted average price of $4.45 per share. MAXIM's NCIB program is limited to $2.0 million for the 2024 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 NCIB which was effective from August 29, 2022 and expired on August 28, 2023. Under MAXIM's previous NCIB, the Corporation completed the purchase of 51,736 shares for $0.2 million at a weighted average price of $3.83 per share.

Annual Financial Highlights

(000's unless otherwise noted)	2023	2022	2021
Revenue	41,458	141,263	156,014
Net income	28,295	42,277	78,509
Basic earnings per share ($ per share)	0.56	0.84	1.57
Diluted earnings per share ($ per share)	0.49	0.72	1.28
Adjusted EBITDA (1)	50,686	76,110	68,418
Total generation (MWh)	516,849	1,064,693	1,449,915
Total fuel consumption (GJ)	4,315,372	11,264,897	15,491,739
Average Alberta market power price ($ per MWh)	133.63	162.46	101.93
Average realized power price ($ per MWh)	80.21	132.68	107.60
Non-current liabilities	101,575	97,202	65,586
Total assets	425,840	382,109	312,437

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

Financial Results

Revenues decreased from 2021 to 2023 primarily due to lower generation volumes as a result of the Non-Injury Fire at M2 which occurred in September 2022. M2 re-commenced the generation of electricity in the third quarter of 2023 when repairs to the air inlet filter house were completed and commissioning activities of the CCGT expansion of M2 resumed. In addition, revenues in 2023 were lower than prior years as a result of lower realized power prices. Average realized power prices compared to average market power prices were lower in 2023 and 2022 compared to 2021 as a result of downtime from the Non-Injury Fire and commissioning activities at M2 coinciding with higher market power prices.

Adjusted EBITDA(1) in 2023 decreased as compared to 2022 and 2021 due to the same factors impacting revenue, partially offset by the recognition of the business interruption claim in 2023 and lower fuel costs due to lower generation volumes and per unit natural gas prices in 2023 as compared to 2022 and 2021.

Net income decreased in 2023 as compared to 2022 and 2021 due to the same factors impacting Adjusted EBITDA(1), higher unrealized losses on commodity swaps and the recognition of line loss claims in 2021, partially offset by lower income tax expenses.

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

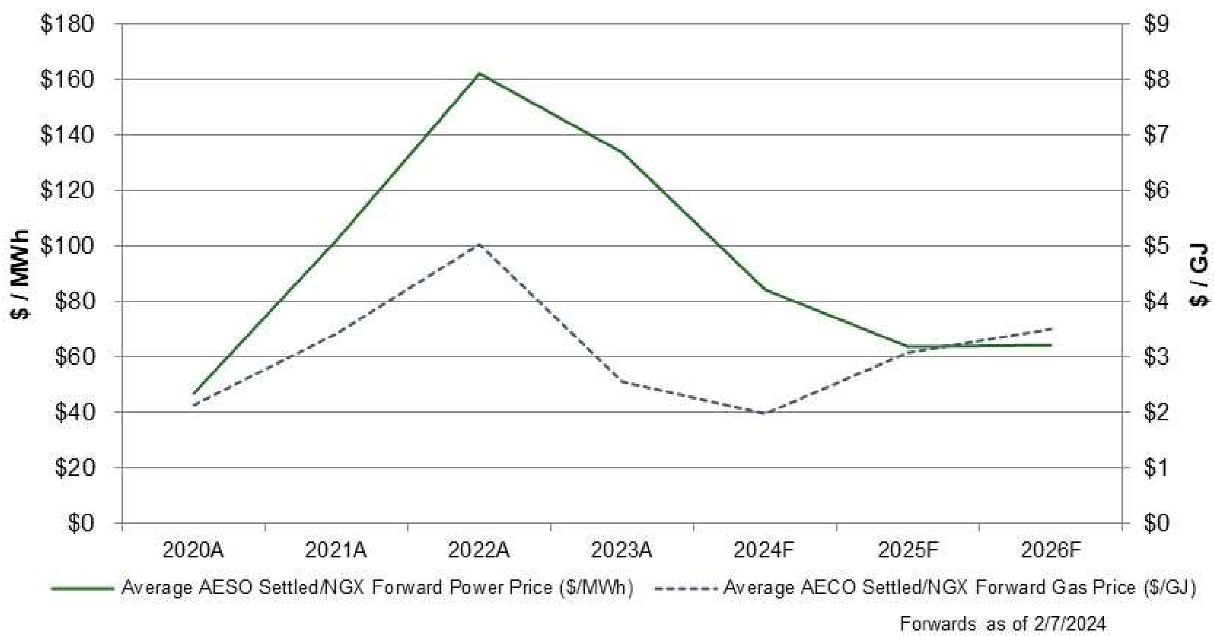
OUTLOOK

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 negative impact from COVID-19 and the return of dispatch control of six coal-fired units, totaling 2,380 MW of generation capacity, from the Balancing Pool to independent power producers. This increase is reflected in actual power prices for 2021 as shown in the graph below. Power prices continued to increase in 2022 for the same reasons as 2021 and were further elevated due to higher carbon tax and natural gas prices compared to 2021 and certain unit outages affecting generation supply. 2023 power prices were lower than 2022 as increased renewable penetration has been partially offset by increased load, unit outages and higher carbon taxes. The graph also shows forward power prices continuing to decline in 2024 and 2025, relative to 2023, as a result of expectations that new wind and solar generation projects will come online along with further 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 (2024) natural gas forward prices have fallen significantly, primarily as a result of softening of supply/demand fundamentals world-wide. Longer-term (2025+) natural gas forward prices are consistent with the range of historical prices and in line with management's expectations.



DEVELOPMENT AND BUSINESS INITIATIVES

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

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 completed commissioning during October 2023 which has increased the maximum generation capacity of the Milner site to 300 MW and has been designed to lower operations and maintenance costs per MWh. The CCGT expansion of M2 captures waste heat that would otherwise exhaust into the atmosphere and converts it into useful low carbon dispatchable electricity for the Alberta power grid. The CCGT expansion of M2 reduces the intensity of carbon emissions by more than 60% compared to the legacy coal-fired Milner facility.

The total costs of the CCGT construction and commissioning is $162.1 million, excluding borrowing costs, $20.0 million of grant proceeds and historical development costs of $4.9 million. In 2023, MAXIM has spent $13.6 million on capital investment related to the CCGT expansion of M2.

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.

During the fourth quarter of 2023, MAXIM's application for time extensions of the 346 MW of permitted power projects located at the Milner site was denied. As a result, MAXIM has chosen to terminate the projects and has written off the full value of the 86 MW cogeneration power plant permit located at the Milner site totaling $2.0 million. There was no carrying value of the 260 MW permitted project. As a result, there are no further permitted undeveloped power projects at the Milner site.

In the third quarter of 2023, MAXIM acquired the 400 MW Prairie Lights Power gas-fired power generation project located near Grande Prairie, Alberta, which is in the early stages of development, for cash consideration of $1.0 million.

MAXIM also has a wind development project, Buffalo Atlee, which has the potential for up to 200 MW of power 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 natural gas and wind power projects.

Other Business Initiatives

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

In February 2022, MAXIM entered into a contract with Valory Resources Inc. ("Valory") who will be paying for and advancing the remaining required approvals for construction and operation of the Mine 14 project, in exchange for the option to purchase SUMMIT under pre-agreed terms and conditions. The contract was first renewed in the first quarter of 2023 with an expiry of February 2024, and as a result of regulatory delays, further renewed early in the fourth quarter of 2023 with a revised expiry date of February 2025. In June 2023, SUMMIT, with assistance from Valory, submitted the remaining applications with the Alberta Energy Regulator to construct and operate the Mine 14 project. The remaining applications have been deemed complete by the Alberta Energy Regulator and the parties are working through the robust regulatory process. At this time, there is no certainty that Valory 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 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, estimated project costs, current expectation of the Corporation's periodic outages resulting in intermittent generation of electricity (and related revenue) from its M2 operations, the Corporation's insurance coverage and claims related to the Non-Injury Fire Incident and outlook for commodity prices, changes in market rules 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 availability of capital and contractors to execute its development initiatives, the availability and price of energy commodities, government and regulatory decisions including carbon pricing, power plant availability and capacity under simple cycle or combined cycle, competitive factors in the power industry, foreign exchange and tax rates, the impact of pandemics, prevailing economic conditions in the regions that the Corporation operates, operational efficiency and planned or unplanned plant outages and the other risks described herein and under the heading "Risk Factors" in the Corporation's most recently filed annual information form filled on SEDAR+ at www.sedarplus.ca.

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

- MAXIM's operating cashflow is largely dependent on electric power and natural gas prices. Management forecasts that cash flows for operating and general and administrative expenses will be funded by its cashflows from operating activities and existing cash on hand. MAXIM estimates total capital expenditures to be incurred in 2024 of approximately $8.0 million.
- The expenditures noted above will be funded with existing cash on hand and operating cashflows. 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'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) ($000's unless otherwise noted)	31-Dec 2023	30-Sep 2023	30-Jun 2023	31-Mar 2023
Revenue	38,990	2,468	-	-
Net income (loss)	19,477	(4,897)	5,964	7,751
Basic earnings (loss) per share ($ per share)	0.39	(0.10)	0.12	0.15
Diluted earnings (loss) per share ($ per share)	0.32	(0.10)	0.11	0.14
Adjusted EBITDA(1)	31,512	(1,545)	8,988	11,731
Average realized power price ($ per MWh)	81.61	78.03	-	-
Total fuel consumption (GJ)	3,855,880	436,985	961	21,546
Total generation (MWh)	485,222	31,627	-	-

Quarter ended: (unaudited) ($000's unless otherwise noted)	31-Dec 2022	30-Sep 2022	30-Jun 2022	31-Mar 2022
Revenue	-	57,091	48,380	35,792
Net income (loss)	(7,156)	23,970	8,565	16,898
Basic earnings (loss) per share ($ per share)	(0.14)	0.48	0.17	0.34
Diluted earnings (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 (MWh)	-	280,289	390,813	393,591

Quarter over quarter revenue, Adjusted EBITDA(1) and net income are affected by planned and unplanned outages, market demand, power and natural gas prices, weather conditions and the seasonal nature of Alberta power prices. Alberta power prices tend to be higher during winter and summer peak load months and are further affected by supply constraints such as outages at other Alberta generation facilities. Reported revenue, Adjusted EBITDA(1) and net income fluctuated in 2022 and 2023 due to variations in generation volumes of M2 and realized power prices. Revenue and net income decreased in the fourth quarter of 2022 and first nine months of 2023 as a result of the Non-Injury Fire at M2.

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 2023 included other income of $20.7 million in relation to the insurance claim, net of air inlet filter house expenses, $2.0 million of asset impairment charge, $6.4 million of income tax expense and $5.0 million of commodity swap losses. The third quarter of 2023 included other income of $5.2 million in relation to the insurance claim, net of air inlet filter house expenses, $1.5 million of income tax recovery and $1.4 million of commodity swap losses. The second quarter of 2023 included other income of $18.5 million in relation to the insurance claim, net of air inlet filter house expenses, and $1.9 million of income tax expense. The first quarter of 2023 included other income of $20.0 million in relation to the insurance claim, net of air inlet filter house expenses, and $2.3 million of income tax expense.

The fourth quarter of 2022 included other income of $11.4 million in relation to the insurance claim, net of air inlet filter house expenses, a $7.9 million loss on write-off of the air inlet filter house and $2.1 million of income tax recovery. 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.

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

2023 FOURTH QUARTER

Selected fourth quarter financial information:

($000's, unless otherwise noted)	2023	2022
Revenue	38,990	-
Net income (loss)	19,477	(7,156)
Basic earnings (loss) per share ($ per share)	0.39	(0.14)
Diluted earnings (loss) per share ($ per share)	0.32	(0.14)
Adjusted EBITDA (1)	31,512	1,697
Total fuel consumption (GJ)	3,855,880	17,878
Total generation (MWh)	485,222	-
Average Alberta market power price ($ per MWh)	81.61	213.92
Average realized power price ($ per MWh)	80.35	-

Revenue, net income and Adjusted EBITDA(1) in the fourth quarter of 2023 increased by $39.0 million, $26.7 million and $29.8 million, respectively, when compared to the same period in 2022 due to M2 resuming operations in the third quarter of 2023 versus being offline in the fourth quarter of 2022 due to the Non-Injury Fire.

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

ANNUAL FINANCIAL RESULTS OF OPERATIONS

Revenue

($000's)	2023	2022
Revenue	41,458	141,263

Revenue in 2023 decreased by $99.8 million from $141.3 million to $41.5 million due to lower generation volumes as M2 has been offline for a majority of 2023 due to the Non-Injury Fire.

Plant Operations

Plant operations expenses are grouped into three major categories, fuel, carbon costs and Operations and Maintenance ("O&M").

($000's)	2023 Fuel	2023 Carbon Costs	2023 O&M	2023 Total	2022 Fuel	2022 Carbon Costs	2022 O&M	2022 Total
Total	13,570	3,280	21,531	38,381	62,612	-	17,367	79,979

Fuel expenses in 2023 decreased by $49.0 million to $13.6 million from $62.6 million in 2022, respectively, primarily due to lower generation volumes as M2 has been offline for a majority of 2023 due to the Non-Injury Fire.

Carbon costs in 2023 increased by $3.3 million from $nil in 2022, due to M2 becoming taxable under the Technology Innovation and Emission Reduction Regulation ('TIER") commencing on January 1, 2023.

O&M expenses in 2023 increased by $4.1 million, or 24%, to $21.5 million from $17.4 million in 2022, primarily due to one time repairs and maintenance while M2 was offline, higher insurance premiums and consumption of electricity while M2 has was offline in 2023.

General and Administrative Expense

($000's)	2023	2022
Total general and administrative expense	6,706	5,480

General and administration expense in 2023 increased by $1.2 million, or 22%, to $6.7 million from $5.5 million in 2022, primarily due to increased employee compensation costs and lower general and administrative capital allocations to the CCGT expansion of M2.

Depreciation and Amortization Expense

($000's)	2023	2022
Total depreciation and amortization	9,695	10,551

Depreciation and amortization expense in 2023 decreased by $0.9 million, or 8%, to $9.7 million from $10.6 million in 2022, primarily due to certain components of the M2 and Milner property, plant and equipment being fully depreciated in 2022, partially offset by depreciation of the CCGT expansion of M2.

Other Income, Net

($000's)	2023	2022
Other income, net	(64,528)	(11,447)

Other income in 2023 was $64.5 million as compared to $11.4 million in 2022. The increase is primarily due to higher insurance claims in 2023, net of non-capital air inlet filter house costs as a result of the Non-Injury Fire at M2.

Loss on Write-Off of Asset and Impairment

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

During the fourth quarter of 2023, the Corporation was notified by the Alberta Utilities Commission ("AUC") that the application for a time extension of the 86 MW cogeneration power plant located at the Milner site was denied. As a result, the Corporation has terminated the project and written off the full value of assets under construction totaling $2.0 million and recognized the balance as an asset impairment charge.

Loss (Gain) on Commodity Swaps

($000's)	2023	2022
Realized loss (gain) on power swaps	(1,444)	3,524
Realized loss (gain) on natural gas swaps	1,002	(13,816)
Total realized gain on commodity swaps	(442)	(10,292)
($000's)	2023	2023
Unrealized gain on power swaps	(1,548)	(538)
Unrealized loss on natural gas swaps	8,369	708
Total unrealized loss on commodity swaps	6,821	170
Total realized and unrealized loss (gain) on commodity swaps	6,379	(10,122)

In 2023, MAXIM realized gains of $0.4 million, on Alberta power and natural gas price risk management swaps, as compared to the same period in 2022 which realized gains of $10.3 million, respectively. These net gains are due to settled Alberta power and natural gas prices deviating from the fixed swap price.

In 2023, MAXIM has unrealized losses of $6.8 million on Alberta power and natural gas price risk management swaps, as compared to the same period in 2022 which had unrealized losses of $0.2 million, respectively. These net losses are due to Alberta power and natural gas forward prices deviating from the fixed swap price.

Finance Expense, Net

($000's)	2023	2022
Interest expense and bank charges	6,641	5,754
Amortization of deferred financing costs	1,381	1,689
Loss (gain) on interest rate swaps	-	(101)
Accretion of provisions	330	218
Foreign exchange gain	1	71
Finance expense	8,353	7,631
Interest income	(2,932)	(1,265)
Total finance expense, net	5,421	6,366

In 2023, net finance expense decreased $1.0 million, or 16%, to $5.4 million from $6.4 million in 2022, primarily due to higher interest income in 2023, partially offset by higher interest expense due to higher interest rates.

Income Tax Expense

($000's)	2023	2022
Current tax expense	125	4,793
Deferred tax expense	8,982	5,525
Total income tax expense	9,107	10,318

In 2023, income tax expense decreased $1.2 million, to $9.1 million from $10.3 million in 2022 due to MAXIM having lower income before taxes in 2023.

Financial Position

The following highlights the changes in the Corporation's Consolidated Statement of Financial Position at December 31, 2023, as compared to December 31, 2022.

As at ($000's)	December 31, 2023	December 31, 2022	Increase (Decrease)	Primary factors explaining change
Assets				
Cash and cash equivalents	32,258	51,378	(19,120)	Decreased as a result of investing and financing activities, partially offset by operating activities
Trade and other receivables	47,877	15,109	32,768	Increased as a result of November and December 2023 revenues receivable as compared to no revenues in the month of December 2022
Property, plant and equipment, net and asset held for sale	313,461	296,548	16,913	Increased as a result of capital additions for M2, partially offset by depreciation
Other assets	32,244	19,074	13,170	Increased as a result of higher restricted cash and tax installments
Liabilities & Equity				
Trade and other payables	13,287	14,784	(1,497)	Decreased due to lower current tax liabilities, partially offset by payables in relation to M2 operations
Loans and borrowings	81,203	82,673	(1,470)	Decreased due to principal debt repayments, partially offset by amortization of deferred financing
Other liabilities	33,605	15,998	17,607	Increased due to risk management liabilities and the deferred tax liability reflecting deferred tax expense for the period
Equity	297,745	268,654	29,091	Increased primarily due to net income for the period

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Management is anticipating that cash flows for capital spending, operating and general and administrative expenses will be funded by MAXIM's existing cash on hand and operating revenues from the CCGT expansion of M2. As at December 31, 2023, MAXIM has up to $87.9 million of borrowing capacity, subject to certain terms and conditions under each facility, including the $4.1 million letter of credit facility available only for issuing letters of credit, remaining under its senior credit facilities and subordinated convertible loan and $32.3 million of unrestricted cash.

Senior Credit Facility

On June 30, 2021, the Corporation entered into an amended and restated credit agreement that increased 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 $23.5 million outstanding. This facility is fully drawn, and incurs quarterly principal payments of $0.7 million and amortizes over ten years. No additional amounts are available under this facility.
- Revolver Facility #1 is a $10.0 million revolver and is available for general corporate purposes. This facility is undrawn, however availability of $4.2 million was used to issue a cash collateralized letter of credit which reduced availability to $5.8 million.
- Revolver Facility #2 is a $5.0 million revolver and is available for the CCGT expansion of M2, 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. Availability of this facility remains in place for costs incurred from the CCGT expansion of M2 until May 31, 2024. 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 (as defined in the Corporation's credit agreement). This facility is fully drawn and no additional amounts are available. Repayments of the Fixed Rate Construction Facility are anticipated to commence in the third quarter of 2024 after the conversion of the debt from a construction facility to a term facility after the completion of the CCGT expansion of M2.
- 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, 2023, the Corporation has $0.1 million in cash collateralized letters of credit under this facility. Cash of the same amount was deposited into a restricted bank account maintained by the bank.

The senior credit facility is secured by the assets of the Corporation, bears interest at fixed rates and Canadian prime rate, bankers acceptance or Canadian dollar offered rate, plus applicable margins.

MAXIM was in a financial covenant break period as a result of commissioning the CCGT expansion of M2. During this period compliance was not required with the debt service coverage ratio and debt to Adjusted EBITDA(1). The requirement to comply with these covenants resumes in the first quarter of 2024, at which point Adjusted EBITDA(1) will be annualized until four full financial quarters have occurred. MAXIM is also required to comply with the minimum tangible assets of 95% of the consolidated tangible assets held within select entities named under the agreement. The Corporation is compliant with these covenants as at December 31, 2023.

(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, 2023, 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, 2023, the Corporation has $29.4 million (December 31, 2022 - $29.4 million) outstanding.

The convertible loan was provided by two significant shareholders of the Corporation, one of whom is the Chair of the Board and the other is Vice Chair of the Board. Total interest and fees paid under this facility for 2023 was $3.9 million (2022 - $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, 2023, 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, 2023, the Corporation had unrestricted cash of $32.3 million included in the net working capital surplus(1) of $64.3 million (see working capital on page 14). Unrestricted cash balances are on deposit with three Canadian financial institutions.

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

Year ended December 31 ($000's)	2023	2022
Cash on hand, unrestricted, January 1	51,378	13,550
Cash flow generated from operating activities	23,836	76,413
Cash flow generated from (used in) financing activities	(10,860)	19,276
Available for investments	64,354	109,239
Cash flow used in investing activities	(32,095)	(57,790)
Effect of foreign exchange rates on cash	(1)	(71)
Unrestricted cash	32,258	51,378
Undrawn Convertible Loan Facility	45,562	45,562
Undrawn ATB Credit Facility	42,254	46,454
Net liquidity available, December 31(1)	120,074	143,394

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

Cash flow generated from operating activities in 2023 decreased to $23.8 million from $76.4 million in 2022, which is a decrease of $52.6 million. The decrease is primarily due to lower earnings from the operations of M2 in 2023, changes in non-cash working capital and taxes paid in 2023. See working capital section on page 14 for further discussion.

During 2023, MAXIM's cash flow used in financing activities increased $30.2 million to an outflow of $10.9 million in 2023, from an inflow of $19.3 million in 2022, primarily due to a debt issuance in 2022.

MAXIM's investing activities in 2023 represented a cash outflow of $32.1 million, decreasing from $57.8 million in 2022. During 2023, MAXIM spent $27.4 million primarily on the CCGT expansion of M2 and the new air inlet filter house, and changes in non-cash working capital of $7.7 million, partially offset by interest income of $3.0 million.

MAXIM's investing activities in 2022 represented a cash outflow of $57.8 million. 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 noncash 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.

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

As at ($000's)	December 31, 2023	December 31, 2022
Loans and borrowings	81,203	82,673
Less: Unrestricted cash	(32,258)	(51,378)
Net debt	48,945	31,295
Shareholders' equity	297,745	268,654
Net capital	346,690	299,949
Net debt to capital	14.1%	10.4%

The Corporation uses the percent of net debt to capital to monitor leverage. The increase in net debt to capital from December 31, 2022 to December 31, 2023 is primarily due to lower cashflows from operations in 2023 and changes in working capital.

(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, 2023	December 31, 2022	Difference
Total current assets	92,323	70,616	21,707
Total current liabilities	26,520	16,253	10,267
Working capital surplus(1)	65,803	54,363	11,440

The Corporation has a working capital surplus of $65.8 million at December 31, 2023, which represents a $11.4 million increase from the working capital surplus of $54.4 million at December 31, 2022. The net increase is comprised of a $21.7 million increase in current assets and a $10.3 million increase in current liabilities.

The increase in current assets was due to a net increase of trade and other receivables of $32.7 million, current tax asset of $4.7 million, prepaid expenses and deposits of $1.8 million and risk management asset of $1.6 million, partially offset by lower unrestricted cash of $19.1 million.

The increase in current liabilities was due to an increase risk management liability of $8.4 million, current portion of loans and borrowings of $3.4 million and accounts payable of $3.3 million, partially offset by lower current tax liabilities of $4.8 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 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).

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.

As at December 31, 2023, 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 expenditures of approximately $8.0 million for the full year of 2024. These expenditures primarily relate to sustaining capital spending of M2.

Contractual Obligations and Contingencies

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

As at December 31, 2023	Total	2024	2025-2026	2027-2028	Thereafter
Loans and borrowings(1)	99,771	12,982	86,789		-
Long-term contracts(2)	5,774	4,080	1,694	-	-
Purchase obligations(3)	2,164	2,164	-	-	-
Total	107,709	19,226	88,483	-	-

(1) Loans and borrowings 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 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 subject to 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. Management believes that these contingencies, individually or in aggregate, are not expected to result in a liability that would have a material adverse effect on the Corporation.

ENVIRONMENTAL AND CLIMATE CHANGE LEGISLATION

MAXIM continues to monitor regulatory initiatives that may impact its existing business. As a result, MAXIM continues to assess its impact on climate change and is exploring low emission power generation projects, including its Buffalo Atlee wind development project and other wind opportunities. In addition, MAXIM has completed construction and commissioning of the CCGT expansion of M2 in an effort to capture waste heat and turn it into electricity. This expansion decreases the level of emissions relative to the electricity produced.

Risks

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

Canada

On March 15, 2022, the Government of Canada released a discussion paper *A Clean Electricity Standard in support of a net-zero electricity sector*, signaling its intent to move forward with regulations to achieve a net-zero electricity system by 2035.

The Government of Canada has been advancing the clean electricity regulations and published a draft regulation on August 19, 2023. The draft regulations propose a performance standard of 0.03 t CO2/MWh that will apply to fossil fuel combustion units. For new units, the standard would apply starting in 2035; for existing units, such as M2, the standard would apply 20 years after the commissioning date from the simple cycle phase of M2 which occurred in 2020. The publication of the draft regulation started a 75-day public consultation period that ended on November 2, 2023. Management participated in the public consultation process and closely monitors developments related to the clean energy regulations. On February 16, 2024, the Government of Canada provided an update of what they heard during public consultation process and directions being considered for the final clean electricity regulations. Feedback on the directions being considered will be accepted until March 15, 2024 and it is still expected that the final regulations will be published sometime in the fourth quarter of 2024.

Alberta

On April 19, 2023 the Government of Alberta ("GoA") released their emissions reduction and energy development plan which "includes an aspiration to achieve a carbon neutral economy by 2050, and to do so without compromising affordable, reliable and secure energy for Albertans, Canadians and the world." Generally, as it applies to the electricity sector, the plan is supportive of new technology and a continued price on carbon via TIER. Most notable is that while the provincial carbon neutral goal of 2050 aligns with the federal goal of 2050, there is not a short-term goal nor a specific electricity sector target for Alberta. MAXIM management continues to monitor the provincial approach to net carbon neutrality.

On August 3, 2023, the GoA announced that the province will be pausing AUC approvals for new renewable energy development projects over one megawatt until February 29, 2024 so that the AUC could conduct an inquiry and issue a report. On February 29, 2024, based on their review of the report from the AUC, the GoA lifted the pause on new renewable energy development projects over one megawatt and announced policy changes, which included restrictions on the locations of renewable projects and reclamation security. The Corporation is currently assessing the potential impacts to its wind generation development project.

In the second half of 2023, the GoA announced its intention to consider potential electricity market reforms to help ensure reliable, affordable and low carbon electricity for Albertans. Multiple government agencies, including the Alberta Electric System Operator ("AESO"), Market Surveillance Administrator ("MSA") and the AUC were tasked with providing specific recommendations in their area of expertise to inform the path forward for the GoA. On March 11, 2024, following recommendations from the MSA and the AESO, the GoA announced temporary market rules changes that will take effect starting July 1, 2024. These temporary rules are related to the exercise of market power and will be in place until a new Restructured Energy Market can be designed and implemented in 2027. Management is reviewing the details of these announcements to understand what, if any, impact these announcements may have on the Corporation.

TIER regulations

Starting January 1, 2023, M2 is exposed to carbon tax on emissions via the TIER Regulations. For 2024, emissions greater than the electricity benchmark of 0.3552 tonnes of CO_2e/MWh are taxed at $80/t. The benchmark will tighten by 2% annually and the carbon price will increase by $15/t annually until reaching $170/t in 2030. While MAXIM expects to make payments under TIER, the CCGT expansion of M2 greatly reduces the Corporation's exposure to TIER carbon tax through improved efficiency compared to M2 simple cycle operations.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

Adjusted EBITDA

	Three months ended December 31		Twelve months ended December 31		
($000's)	2023	2022	2023	2022	2021
GAAP Measures from Consolidated Statement of Operations					
Net income (loss)	19,477	(7,156)	28,295	42,277	78,509
Income tax expense (benefit)	6,427	(2,109)	9,107	10,318	19,638
Finance expense, net	1,512	1,147	5,421	6,366	5,355
Loss on write-off of asset	-	7,861	-	7,861	-
Asset impairment charge	2,002	-	2,002	-	5,347
Depreciation and amortization	4,093	2,806	9,695	10,551	7,968
	33,511	2,549	54,520	77,373	116,817
Adjustments:					
Other income	(20,771)	(11,486)	(64,528)	(11,447)	(46,686)
Business interruption insurance claim	13,159	9,478	53,181	9,478	-
Unrealized loss (gain) on commodity swaps	5,409	1,011	6,821	170	(2,165)
Share-based compensation	204	145	692	536	452
Adjusted EBITDA	31,512	1,697	50,686	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 excludes other non-cash items.

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

In calculating Adjusted EBITDA for the year ended December 31, 2023 and December 31, 2022 management excluded certain non-cash and non-recurring transactions. In both 2023 and 2022, Adjusted EBITDA excluded unrealized gains or losses on commodity swaps, share-based compensation and all items of other income and expense except for business interruption insurance as it reflects a portion of earnings that would have been earned if M2 was operational.

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 14.

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 13.

Net Debt, Net Capital and Net Debt to Capital

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

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

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

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

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, 2023.

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 indicators of impairment of its PP&E and intangible assets at the lowest level at which there are separately identifiable cash flows. If there are indicators of impairment, MAXIM performs an impairment test on the asset or the cash-generating unit. The assessment of impairment indicators is based on management's significant judgement of whether there are internal or external factors that would indicate that the CGU and specifically the assets within that CGU are impaired. The assessment of the external indicators considers future commodity prices. The assessment of internal indicators considers forecasted cashflows.

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

Decommissioning costs

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

Useful life and residual value of PP&E

Useful lives over which costs should be depreciated may be impacted by changes in our strategy, process or operations as a result of climate change initiatives. Each major component of PP&E is depreciated over its estimated useful life net of residual value. The estimated useful lives of the assets are based upon current conditions and management's experience, which take into consideration specific contracts, agreements, condition of the asset, technology, production and use of the asset, and regular maintenance programs. The facilities are operated within equipment manufacturers' specifications to realize the expected useful life of each asset. Notwithstanding these measures, the useful life of equipment may vary from that which is estimated by management.

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

Impairment of non-financial assets

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

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, 2023, 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 AA, 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 liquidity as of the date of this MD&A. Refer to the Liquidity and Capital Resources section on page 12 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, 2023, 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, 2023 would have decreased (increased) accounts payable by $0.1 million (2022 - $0.2 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 2023, by $0.2 million (2022 - $0.3 million).

(iii) Commodity price risk

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

For the year ended December 31, 2023, an appreciation in electricity prices in the Alberta power market by $1 per MWh would have increased net income by $0.5 million (2022 - $1.1 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, 2023, an appreciation in natural gas prices in the Alberta natural gas commodity market by $0.10 per GJ would have decreased net income by $0.4 million (2022 - $1.1 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.

Sale of Electricity on a Merchant Basis

MAXIM depends largely on its electricity customers. M2 operates on a merchant basis, selling its electricity 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.

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 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. 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, 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, 2023, M2 accounted for 100% (December 31, 2022 – 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 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 partially 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.

Carbon Pricing Risk

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the 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 and other legislation that could limit carbon emissions produced by electricity generated fossil fuels 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 Gas (“GHG”) which may require the Corporation to comply with GHG 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 via the Greenhouse Gas Pollution Pricing Act (“GGPPA”). The GGPPA established the framework for the federal carbon pollution pricing backstop system consisting of two main parts: a regulatory charge on fossil fuels (fuel charge) and a regulatory trading system for industry, known as the Output-Based Pricing System (“OBPS”). The federal fuel charge currently applies in Alberta; however, the Corporation is largely exempt from direct payments of the federal fuel charges because MAXIM is taxed at the provincial level, via TIER, since TIER was deemed to be equivalent to the federal OBPS.

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.

Drought may impact MAXIM’s ability to consume water necessary for M2 under CCGT operations. MAXIM monitors river water levels and works with the GoA to ensure it can maintain the necessary water supply to operate under CCGT operations.

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 MAXIM generates from M2 and could impact the Corporations access to capital.

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 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 the Corporations 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;
- require 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 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. 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

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 35.3% of the outstanding Common Shares and W. Brett Wilson currently owns or controls approximately 35.1% 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 41.4% of the outstanding Common Shares and Mr. Wilson would own or control approximately 41.3% 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.

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 15.

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.

Reporting Regulations

In June 2023, the International Sustainability Standards Board ("ISSB") issued IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures which are effective for annual reporting periods beginning on or after January 1, 2024. These standards provide for transition relief in IFRS S1 that allow reporting entity to report on only climate-related risks and opportunities in the first year of reporting under the sustainability standards. There is no requirement for public companies in Canada to adopt the ISSB standards until the CSA and CSSB have issued a decision on reporting requirements in Canada.

The Canadian Securities Administrators ("CSA") are responsible for determining the reporting requirements for public companies in Canada and are responsible for decisions related to the adoption of the sustainability disclosure standard, including the effective annual reporting dates. The CSA issued proposed National Instrument NI-51-107 - Disclosure of Climate-related Matters in October 2021. The CSA intends to consider the ISSB standards in addition to development in United States reporting requirements in its decision relating to development of climate-related disclosure requirements for Canadian reporting issuers. While the Corporation is actively reviewing the ISSB standards, as well as recently released Canadian Sustainability Standards Board (“CSSB”) proposals, it has not yet determined the impact on future financial statements nor has it quantified the costs to comply with such standards.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions during 2023 and 2022 included the convertible loan discussed on page 13 and payments to key management personnel that includes the Corporation’s Directors and Named Executive Officers as summarized in the following table.

($000's)	2023	2022
Short-term employee benefits, including wages and benefits	2,277	1,851
Share-based payments	503	396
Total	2,780	2,247

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, 2023.

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, 2023 and ended on December 31, 2023 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, 2023	50,593,040
Issuable shares on conversion of the convertible loan at December 31, 2023	13,083,736
Outstanding share options at December 31, 2023	3,046,782
Total diluted common shares at December 31, 2023	**66,723,558**
Share options exercised in January 2024	(36,224)
Share options cancelled in January 2024	(68,777)
Share options granted in January 2024	108,335
Shares purchased and cancelled under NCIB in January and February 2024	(86,192)
Issuance of common shares in January 2024	36,224
Total diluted common shares at March 14, 2024	**66,676,924**

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

GLOSSARY OF TERMS

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

AESO	Alberta Electric System Operator
Buffalo Atlee	Buffalo Atlee is a development project for up to 200 MW of wind generation situated near Brooks, Alberta
Capacity	The rated continuous load-carrying ability, expressed in megawatts, of generation equipment, (throughout the MD&A references to capacity are stated in nameplate capacity, unless otherwise noted)
CCGT	Combined Cycle Gas Turbine
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CO2e	Carbon Dioxide Equivalent
COC	Course of Construction
CSA	Canadian Securities Administrators
CSSB	Canadian Sustainability Standards Board
DSCR	Debt Service Coverage Ratio
DSU	Delay in Start Up
Adjusted EBITDA	Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization
EHS Laws	Environmental, Health and Safety Laws and Regulations
FLI	Forward-looking information
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
ICFR	Internal Controls Over Financial Reporting
IFRS	International Financial Reporting Standards
ISSB	International Sustainability Standards Board
Milner	HR Milner**,** a 150 MW (nameplate capacity) generating facility located near the town of Grande Cache, Alberta since 1972 and was acquired by MAXIM on March 31, 2005
M2	M2 is now a CCGT facility located at the Milner site near Grande Cache, Alberta, with a maximum capability of 300 MW
MAXIM or the Corporation	Maxim Power Corp.
MD&A	Management's Discussion and Analysis
MSA	Market Surveillance Administrator
MW	Megawatt, a measure of electrical generating capacity that is equivalent to one million watts
MWh	Megawatt-hour, a measure of electricity consumption equivalent to the use of 1,000,000 watts of power over a period of one hour
NCIB	Normal Course Issuer Bid
Non-Injury Fire	Damage to M2's air inlet filter house from September 30, 2022
OBPS	Output-Based Pricing System
O&M	Operations and Maintenance
Summit	Summit Coal LP
TIER	Technology Innovation and Emissions Reduction Regulation
Valory	Valory Resources Inc.

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