

Condensed Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the Three and Nine Months Ended September 30, 2022

(Unaudited)

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

As at	Note	September 30, 2022	December 31, 2021
ASSETS			
Cash and cash equivalents		76,117	13,550
Trade and other receivables		1,796	20,766
Risk management asset	12	1,052	708
Prepaid expenses and deposits		527	842
Total current assets		79,492	35,866
Property, plant and equipment, net	3	295,606	260,590
Restricted cash	4	12,318	6,196
Deferred tax assets		-	179
Other assets	4	2,598	9,606
Total non-current assets		310,522	276,571
TOTAL ASSETS		390,014	312,437
LIABILITIES			
Trade and other payables		9,075	19,216
Current tax liabilities		5,950	-
Risk management liability	12	-	453
Loans and borrowings	5	2,888	-
Total current liabilities		17,913	19,669
Provisions for decommissioning		9,822	11,733
Lease obligation		150	203
Loans and borrowings	5	80,102	53,650
Deferred tax liabilities		6,285	-
Total non-current liabilities		96,359	65,586
TOTAL LIABILITIES		114,272	85,255
EQUITY			
Share capital		143,530	144,106
Contributed surplus		12,686	12,676
Retained earnings		119,526	70,400
TOTAL EQUITY		275,742	227,182
<i>Commitments and Contingencies</i>	9, 10		
TOTAL LIABILITIES AND EQUITY		390,014	312,437

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

On behalf of the Board:

M. Bruce Chernoff

 CEO and Chairman of the Board

Wiley Auch

 Director

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Operations and Comprehensive Income

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

	Note	Three months ended September 30		Nine months ended September 30	
		2022	2021	2022	2021
Revenues					
Power generation		57,088	44,224	141,260	118,596
Realized loss on power swaps	12	(2,081)	(5,474)	(3,524)	(17,592)
Unrealized gain (loss) on power swaps	12	(157)	3,912	538	(313)
Total power generation and swaps		54,850	42,662	138,274	100,691
Expenses (income)					
Operating		16,313	18,658	73,526	49,196
Realized gain on natural gas swaps	12	(1,940)	(1,544)	(13,768)	(2,961)
Unrealized loss (gain) on natural gas swaps	12	3,091	(4,674)	(303)	(9,338)
General and administrative		1,043	1,113	3,956	3,595
Depreciation and amortization		3,476	2,161	7,745	5,966
Asset impairment charge		-	5,347	-	5,347
Other expense (income), net	6	(2)	24	39	(46,946)
Total expenses		21,981	21,085	71,195	4,859
Operating income		32,869	21,577	67,079	95,832
Finance expense, net	7	1,779	1,872	5,219	3,554
Income before income taxes		31,090	19,705	61,860	92,278
Income tax expense					
Current income tax expense		5,950	-	5,963	-
Deferred income tax expense		1,170	1,613	6,464	18,171
Total income tax expense		7,120	1,613	12,427	18,171
Net and comprehensive income		23,970	18,092	49,433	74,107
Earnings per share					
	8				
Basic		0.48	0.36	0.99	1.49
Diluted		0.39	0.30	0.82	1.21

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

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

	Number of common shares (thousands)	Share capital	Contributed surplus	Retained earnings (deficit)	Total
Equity at December 31, 2021	50,096	144,106	12,676	70,400	227,182
Net income	-	-	-	49,433	49,433
Repurchase of common shares for cancellation	(332)	(988)	-	(307)	(1,295)
Share-based compensation	-	-	391	-	391
Stock options settled in cash	-	-	(81)	-	(81)
Stock options exercised	436	412	(300)	-	112
Equity at September 30, 2022	50,200	143,530	12,686	119,526	275,742
Equity at December 31, 2020	49,802	143,584	12,431	(8,105)	147,910
Net income	-	-	-	74,107	74,107
Share-based compensation	-	-	329	-	329
Stock options settled in cash	-	-	(17)	-	(17)
Stock options exercised	241	525	(108)	-	417
Equity at September 30, 2021	50,043	144,109	12,635	66,002	222,746

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

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Changes in Cash Flows

(in thousands of Canadian dollars)

		Nine months ended September 30	
	Note	2022	2021
Cash flows from operating activities:			
Net income		49,433	74,107
Adjustments for items not involving cash or operations:			
Depreciation and amortization		7,745	5,966
Asset impairment charge		-	5,347
Share-based compensation		391	329
Unrealized gain on commodity swaps	12	(841)	(9,025)
Stock option settlement		(81)	(17)
Deferred income tax expense		6,464	18,171
Income tax paid		(13)	-
Current income tax expense		5,963	-
Loss on sale of asset	3	44	-
Finance expense, net	7	5,219	3,554
Funds generated from operating activities before change in non-cash working capital		74,324	98,432
Change in non-cash working capital	11	15,383	(10,287)
Net cash generated from operating activities		89,707	88,145
Cash flows from financing activities:			
Issuance of loans and borrowings	5	37,000	-
Repayment of loans and borrowings	5	(8,425)	(10,750)
Issue costs on loans and borrowings		-	(2,810)
Proceeds from exercise of stock options		112	417
Repurchase of common shares for cancellation		(1,295)	-
Interest and bank charges		(5,444)	(4,118)
Net cash generated from (used in) financing activities		21,948	(17,261)
Cash flows from investing activities:			
Property, plant and equipment additions	3	(70,550)	(56,869)
Proceeds from grant funding	3	20,000	-
Proceeds on sale of asset, net of closing costs	3	3,716	-
Proceeds from return of funds held for decommissioning	4	10,122	-
Interest income	7	449	112
Change in non-cash working capital	11	(12,778)	(335)
Net cash used in investing activities		(49,041)	(57,092)
Foreign exchange loss on cash and cash equivalents		(47)	(29)
Increase in cash and cash equivalents		62,567	13,763
Cash and cash equivalents, beginning of period		13,550	12,261
Cash and cash equivalents, end of period		76,117	26,024

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

MAXIM POWER CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 1

For the three and nine months ended September 30, 2022 and 2021
(Amounts in thousands of Canadian dollars except as otherwise noted)

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.

Interim results will fluctuate due to plant maintenance schedules, seasonal demand for electricity, and changes in energy and commodity prices.

On September 30, 2022, the air inlet filter house of the Milner 2 ("M2") operating facility was damaged by a non-injury fire. M2 is currently not operating, and the Corporation does not expect to generate electricity for the remainder of 2022. MAXIM is currently monitoring the financial impact of the non-injury fire incident but does not expect a significant adverse impact to the Corporation's longer term financial performance or financial condition. The Corporation does not believe that the critical judgments and estimates used in the preparation of the unaudited condensed consolidated interim financial statements have materially changed as a result of this incident.

2. Basis of preparation and statement of compliance

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The unaudited condensed consolidated interim financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Corporation's December 31, 2021 annual audited financial statements available at www.sedar.com.

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on November 8, 2022.

(b) Significant accounting policies and use of judgements and estimates

Except as noted below, the use of judgments and estimates in the preparation of these unaudited condensed consolidated interim financial statements have been applied consistently for all periods presented and are unchanged from the judgments and estimates disclosed in the notes to the consolidated financial statements for the year ended December 31, 2021.

During the third quarter of 2022, the Corporation revised the useful life of certain components of property, plant and equipment as a result of the accelerated timing of a major overhaul which gave rise to additional depreciation of \$1,190 in the third quarter of 2022.

Except as noted below, the significant accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements have been applied consistently for all periods presented and are unchanged from the policies disclosed in the notes to the consolidated financial statements for the year ended December 31, 2021.

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

MAXIM POWER CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 2

For the three and nine months ended September 30, 2022 and 2021
(Amounts in thousands of Canadian dollars except as otherwise noted)

3. Property, plant and equipment, net

	Land	Generating Facilities	Equipment	Right-of- use Asset	Assets under Construction	Total
Cost						
Balance, December 31, 2020	4,077	230,252	3,248	333	22,686	260,596
Additions	-	13,830	-	-	74,747	88,577
Impairment	-	-	-	-	(5,347)	(5,347)
Revisions to decommissioning provisions	-	1,706	-	-	-	1,706
Proceeds from option agreement	(317)	-	-	-	-	(317)
Assets in-service	-	1,049	-	-	(1,049)	-
Balance, December 31, 2021	3,760	246,837	3,248	333	91,037	345,215
Additions	-	4,450	11	-	66,089	70,550
Capitalized interest	-	-	-	-	1,206	1,206
Grant funding (a)	-	-	-	-	(20,000)	(20,000)
Revisions to decommissioning provisions	-	33	-	-	-	33
Return of funds held for decommissioning	-	(5,268)	-	-	-	(5,268)
Disposal of land (b)	(3,760)	-	-	-	-	(3,760)
Balance, September 30, 2022	-	246,052	3,259	333	138,332	387,976
Accumulated depreciation						
Balance, December 31, 2020	-	73,641	2,885	131	-	76,657
Depreciation	-	7,931	12	25	-	7,968
Balance, December 31, 2021	-	81,572	2,897	156	-	84,625
Depreciation	-	7,677	23	45	-	7,745
Balance, September 30, 2022	-	89,249	2,920	201	-	92,370
Property, plant and equipment, net						
December 31, 2021	3,760	165,265	351	177	91,037	260,590
September 30, 2022	-	156,803	339	132	138,332	295,606

(a) Grant funding

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

(b) Disposal of land

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

(c) Indicator of impairment

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

MAXIM POWER CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 3

For the three and nine months ended September 30, 2022 and 2021
(Amounts in thousands of Canadian dollars except as otherwise noted)

4. Other Assets

	September 30, 2022	December 31, 2021
Long term prepaid expenses	2,598	2,680
Milner decommissioning reimbursement (a)	-	6,926
Total other assets	2,598	9,606

(a) Return of funds held for decommissioning

During the third quarter of 2022, the Corporation entered into an amended and restated bilateral agreement with the Balancing Pool. This amendment resulted in \$10,122 of cash held with the Balancing Pool for HR Milner decommissioning purposes being transferred back to MAXIM in the form of cash which was concurrently restricted by MAXIM's senior lenders. As a result, the Milner decommissioning reimbursement asset was derecognized.

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

Collectively the amendment and restatement to the bilateral agreement increased restricted cash by \$6,122.

5. Loans and borrowings

	Bank Term Facility #1 (a)	Fixed Rate Constuction Facility (b)	Convertible Loan Facility	Revolver Facility #1	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	(1,425)	-	-	(7,000)	(8,425)
Balance, September 30, 2022	27,075	30,000	29,438	-	86,513
Less: deferred financing costs					(3,523)
Net loans and borrowings, net of deferred financing costs					82,990
Less: current portion, net of deferred financing costs					(2,888)
Total long-term loans and borrowings, net of deferred financing costs					80,102

(1) Loans and borrowings, excluding deferred financings costs as at December 31, 2021.

(a) Bank Term Facility #1

During the first nine months of 2022, the Corporation amended the terms of its senior credit facility to allow for an increase to its normal course issuer bid limitations from \$1,000 to \$2,500 for the 2022 calendar year. Additionally, the Corporation recommenced principal payments to its \$27,050 Bank Term Facility #1, under the senior credit facility, in the amount of \$713 quarterly.

(b) Fixed Rate Construction Facility

During the first nine months of 2022, the Corporation fully drew the Fixed Rate Construction Facility in the amount of \$30,000. This facility is non-revolving, available only for the construction of the CCGT expansion of M2, with the amortization required over five years commencing on the completion of the CCGT expansion of M2. This facility currently bears interest of 6.09%.

As at September 30, 2022, the Corporation was in compliance with all debt covenants.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 4

For the three and nine months ended September 30, 2022 and 2021
(Amounts in thousands of Canadian dollars except as otherwise noted)

6. Other expense (income), net

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Line Loss Proceedings payment	-	-	-	(46,514)
Other expense (income), net	(2)	24	39	(432)
Total other expense (income), net	(2)	24	39	(46,946)

7. Finance expense, net

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Interest expense and bank charges (a)	1,582	1,400	4,290	4,247
Amortization of deferred financing costs	414	479	1,294	1,235
Loss (gain) on interest rate swaps (note 12)	(13)	2	(101)	(9)
Gain on modification of debt	-	-	-	(1,752)
Accretion of provisions	74	17	138	46
Foreign exchange loss (gain)	35	16	47	(101)
Finance expense	2,092	1,914	5,668	3,666
Interest income	(313)	(42)	(449)	(112)
Total finance expense, net	1,779	1,872	5,219	3,554

(a) For the three and nine months ended September 30, 2022, the Corporation paid interest and fees of \$1,078 and \$3,017, respectively, (September 30, 2021 - \$1,078 and \$3,017) under the convertible loan facility, provided by two significant shareholders of the Corporation, one of whom is also the Chief Executive Officer and Chair of the Board and the other of whom is the Vice Chair of the Board.

8. Earnings per share

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Weighted average number of common shares (basic)	50,061,240	49,900,823	50,073,796	49,859,386
Effect of convertible loan facility	13,083,736	13,083,736	13,083,736	13,083,736
Effect of exercisable stock options	675,990	756,342	676,605	551,535
Weighted average number of common shares (diluted)	63,820,966	63,740,901	63,834,137	63,494,657

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Net income (basic)	23,970	18,092	49,433	74,107
Finance expense on the convertible loan facility, net of tax	923	920	2,610	2,566
Net income (diluted)	24,893	19,012	52,043	76,673

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Earnings per share:				
Basic	0.48	0.36	0.99	1.49
Diluted	0.39	0.30	0.82	1.21

MAXIM POWER CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 5

For the three and nine months ended September 30, 2022 and 2021
(Amounts in thousands of Canadian dollars except as otherwise noted)

9. Commitments

- (a) The Corporation has entered into contracts for engineering, construction, maintenance and procurement of equipment for the CCGT expansion of M2. These contracts have a remaining minimum commitment totaling \$8,448 as at September 30, 2022.
- (b) The Corporation has entered into a natural gas transportation service agreement from June 1, 2020 to May 31, 2025 to deliver natural gas to M2. The total remaining commitment from this five-year contract as at September 30, 2022 is \$10,532 over the next four years as follows:

2022	987
2023	3,948
2024	3,948
2025	1,649
	<u>10,532</u>

10. Contingencies

Current significant outstanding contingencies remain unchanged, refer to Note 20 of the annual audited consolidated financial statements for the year ended December 31, 2021.

11. Change in non-cash working capital

Nine months ended September 30	2022	2021
Operating activities		
Trade and other receivables	18,970	(7,512)
Prepaid expenses and deposits	(102)	(529)
Trade and other payables	(3,485)	(2,246)
	<u>15,383</u>	<u>(10,287)</u>
Nine months ended September 30	2022	2021
Investing activities		
Trade and other payables	(6,656)	235
Restricted cash (note 4)	(6,122)	-
Non-current deposits	-	(570)
	<u>(12,778)</u>	<u>(335)</u>

12. Financial risk management

The Corporation's risk management process, oversight and techniques are the same as those described in the Corporation's 2021 annual consolidated financial statements.

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)

MAXIM POWER CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 6

For the three and nine months ended September 30, 2022 and 2021
(Amounts in thousands of Canadian dollars except as otherwise noted)

12. Financial risk management (continued)

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

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

(a) Commodity risk management swaps

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

Realized loss (gain) on commodity swaps

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Realized loss on power swaps	2,081	5,474	3,524	17,592
Realized gain on natural gas swaps	(1,940)	(1,544)	(13,768)	(2,961)
Total realized loss (gain) on commodity swaps	141	3,930	(10,244)	14,631

Unrealized loss (gain) on commodity swaps

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Unrealized loss (gain) on power swaps	157	(3,912)	(538)	313
Unrealized loss (gain) on natural gas swaps	3,091	(4,674)	(303)	(9,338)
Total unrealized loss (gain) on commodity swaps	3,248	(8,586)	(841)	(9,025)

Loss (gain) on commodity swaps

Total realized and unrealized loss (gain) on commodity swaps	3,389	(4,656)	(11,085)	5,606
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(b) Interest rate swaps

The Corporation manages interest rate exposure in accordance with the provisions under the Senior Credit Facilities, by entering into interest rate swaps. The fair values of the interest rate swaps are classified as Level II under the fair value hierarchy as the fair values are based on observable market data. As at September 30, 2022, the Corporation has interest rate swaps with a nominal value of \$7,750 until November 2022 at 3.82% in relation to the outstanding variable \$27,075 Bank Term Facility #1.

Realized loss (gain) on interest rate swaps

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Total realized loss (gain) on interest rate swaps	(40)	9	(46)	27

MAXIM POWER CORP.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements, Page 7

For the three and nine months ended September 30, 2022 and 2021
(Amounts in thousands of Canadian dollars except as otherwise noted)

12. Financial risk management (continued)

Unrealized loss (gain) on interest rate swaps

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Total unrealized loss (gain) on interest rate swaps	27	(7)	(55)	(36)

Loss (gain) on interest rate swaps

Total realized and unrealized loss (gain) on interest rate swaps	(13)	2	(101)	(9)
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(c) Carrying amount of risk management asset and liabilities

Current risk management asset

	September 30, 2022	December 31, 2021
Natural gas commodity swaps	1,010	708
Interest rate swaps	42	-
Total carrying amount of current risk management asset	1,052	708

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

Current risk management liability

	September 30, 2022	December 31, 2021
Power commodity swaps	-	440
Interest rate swaps	-	13
Total carrying amount of current risk management liability	-	453

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

13. Comparative figures

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