

Condensed Consolidated Interim Financial Statements of

MAXIM POWER CORP.

For the Three and Nine Months Ended September 30, 2023

(Unaudited)

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

| As at | Note | September 30, 2023 | December 31, 2022 |
|--------------------------------------|-------|-----------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | | 43,907 | 51,378 |
| Trade and other receivables | 6 | 3,945 | 15,109 |
| Current tax asset | | 4,469 | - |
| Prepaid expenses and deposits | | 1,051 | 4,129 |
| Total current assets | | 53,372 | 70,616 |
| Property, plant and equipment, net | 4 | 316,004 | 296,548 |
| Restricted cash | 3 | 16,518 | 12,318 |
| Other assets | | 3,538 | 2,627 |
| Total non-current assets | | 336,060 | 311,493 |
| TOTAL ASSETS | | 389,432 | 382,109 |
| LIABILITIES | | | |
| Trade and other payables | | 9,872 | 9,991 |
| Current tax liabilities | | - | 4,793 |
| Risk management liability | 12 | 1,268 | - |
| Loans and borrowings | 5 | 6,233 | 1,469 |
| Total current liabilities | | 17,373 | 16,253 |
| Provisions for decommissioning | | 8,991 | 10,511 |
| Lease obligation | | 121 | 140 |
| Risk management liability | 12 | 144 | - |
| Loans and borrowings | 5 | 75,369 | 81,204 |
| Deferred tax liabilities | | 9,168 | 5,347 |
| Total non-current liabilities | | 93,793 | 97,202 |
| TOTAL LIABILITIES | | 111,166 | 113,455 |
| EQUITY | | | |
| Share capital | | 144,031 | 143,473 |
| Contributed surplus | | 13,077 | 12,831 |
| Retained earnings | | 121,158 | 112,350 |
| TOTAL EQUITY | | 278,266 | 268,654 |
| <i>Commitments and Contingencies</i> | 9, 10 | | |
| TOTAL LIABILITIES AND EQUITY | | 389,432 | 382,109 |

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

Michael Mayder
Director

MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)

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

| | Note | Three months ended September 30 | | Nine months ended September 30 | |
|---|------|---------------------------------|---------------|--------------------------------|----------------|
| | | 2023 | 2022 | 2023 | 2022 |
| Revenues | | | | | |
| Power generation | | 2,468 | 57,091 | 2,468 | 141,263 |
| Realized loss on power swaps | 12 | - | (2,081) | - | (3,524) |
| Unrealized gain (loss) on power swaps | 12 | - | (157) | - | 538 |
| Total power generation and swaps | | 2,468 | 54,853 | 2,468 | 138,277 |
| Expenses (income) | | | | | |
| Operating | | 8,254 | 16,316 | 19,397 | 73,529 |
| Realized gain on natural gas swaps | 12 | - | (1,940) | - | (13,768) |
| Unrealized loss (gain) on natural gas swaps | 12 | 1,324 | 3,091 | 1,412 | (303) |
| General and administrative | | 1,433 | 1,043 | 4,407 | 3,956 |
| Depreciation and amortization | 4 | 1,753 | 3,476 | 5,602 | 7,745 |
| Other expense (income), net | 6 | (5,229) | (2) | (43,757) | 39 |
| Total expenses (income) | | 7,535 | 21,984 | (12,939) | 71,198 |
| Operating income (loss) | | (5,067) | 32,869 | 15,407 | 67,079 |
| Finance expense, net | 7 | 1,292 | 1,779 | 3,909 | 5,219 |
| Income (loss) before income taxes | | (6,359) | 31,090 | 11,498 | 61,860 |
| Income tax expense | | | | | |
| Current income tax expense (recovery) | | (2,495) | 5,950 | (1,141) | 5,963 |
| Deferred income tax expense | | 1,033 | 1,170 | 3,821 | 6,464 |
| Total income tax expense (recovery) | | (1,462) | 7,120 | 2,680 | 12,427 |
| Net and comprehensive income (loss) | | (4,897) | 23,970 | 8,818 | 49,433 |
| Earnings (loss) per share | | | | | |
| | 8 | | | | |
| Basic | | (0.10) | 0.48 | 0.18 | 0.99 |
| Diluted | | (0.10) | 0.39 | 0.18 | 0.82 |

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, 2022 | 50,168 | 143,473 | 12,831 | 112,350 | 268,654 |
| Net income | - | - | - | 8,818 | 8,818 |
| Repurchase of common shares for cancellation | (7) | (14) | - | (10) | (24) |
| Share-based compensation | - | - | 488 | - | 488 |
| Stock options exercised | 392 | 572 | (242) | - | 330 |
| Equity at September 30, 2023 | 50,553 | 144,031 | 13,077 | 121,158 | 278,266 |
| 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 |

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 | 2023 | 2022 |
| Cash flows from operating activities: | | | |
| Net income | | 8,818 | 49,433 |
| Adjustments for items not involving cash or operations: | | | |
| Depreciation and amortization | 4 | 5,602 | 7,745 |
| Share-based compensation | | 488 | 391 |
| Unrealized loss (gain) on commodity swaps | 12 | 1,412 | (841) |
| Stock option settlement | | - | (81) |
| Income tax expense | | 2,680 | 12,427 |
| Income tax paid | | (8,121) | (13) |
| Loss on disposal of land | | - | 44 |
| Finance expense, net | 7 | 3,909 | 5,219 |
| Funds generated from operating activities before change in non-cash working capital | | 14,788 | 74,324 |
| Change in non-cash working capital | 11 | 14,116 | 15,383 |
| Net cash generated from operating activities | | 28,904 | 89,707 |
| Cash flows from financing activities: | | | |
| Issuance of loans and borrowings | | - | 37,000 |
| Repayment of loans and borrowings | 5 | (2,138) | (8,425) |
| Proceeds from exercise of stock options | | 330 | 112 |
| Repurchase of common shares for cancellation | | (24) | (1,295) |
| Interest and bank charges | | (6,168) | (5,444) |
| Net cash generated from (used in) financing activities | | (8,000) | 21,948 |
| Cash flows from investing activities: | | | |
| Property, plant and equipment additions | 4 | (25,484) | (70,550) |
| Proceeds from grant funding | | | 20,000 |
| Proceeds on sale of asset, net of closing costs | | - | 3,716 |
| Proceeds from return of funds held for decommissioning | | - | 10,122 |
| Interest income | 7 | 2,190 | 449 |
| Change in non-cash working capital | 11 | (5,113) | (12,778) |
| Net cash used in investing activities | | (28,407) | (49,041) |
| Foreign exchange gain (loss) on cash and cash equivalents | | 32 | (47) |
| Increase (decrease) in cash and cash equivalents | | (7,471) | 62,567 |
| Cash and cash equivalents, beginning of period | | 51,378 | 13,550 |
| Cash and cash equivalents, end of period | | 43,907 | 76,117 |

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, 2023 and 2022
(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.

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

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, 2022 annual audited financial statements available at www.sedarplus.ca.

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on November 6, 2023.

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

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, 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, 2022.

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.

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

For the three and nine months ended September 30, 2023 and 2022
(Amounts in thousands of Canadian dollars except as otherwise noted)

3. Restricted Cash

| | September 30, 2023 | December 31, 2022 |
|---|-----------------------|----------------------|
| Cash collateralized 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 September 30, 2023, the Corporation has \$6,396 (December 31, 2022 - \$2,196) of outstanding cash collateralized letters of credit.

(b) As at September 30, 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.

4. 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 | 250,085 | 333 | 91,037 | 345,215 |
| Additions | - | 6,458 | - | 74,631 | 81,089 |
| Capitalized interest | - | - | - | 1,667 | 1,667 |
| Grant funding | - | - | - | (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 | - | (8,735) | - | - | (8,735) |
| Disposal of land | (3,760) | - | - | - | (3,760) |
| Balance, December 31, 2022 | - | 241,713 | 333 | 147,335 | 389,381 |
| Additions | - | 314 | - | 25,170 | 25,484 |
| Capitalized interest | - | - | - | 1,366 | 1,366 |
| Assets in-service (a) | - | 15,436 | - | (15,436) | - |
| Revisions to decommissioning provisions | - | (1,792) | - | - | (1,792) |
| Balance, September 30, 2023 | - | 255,671 | 333 | 158,435 | 414,439 |
| Accumulated depreciation | | | | | |
| Balance, December 31, 2021 | - | 84,469 | 156 | - | 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 | - | 92,647 | 186 | - | 92,833 |
| Depreciation | - | 5,579 | 23 | - | 5,602 |
| Balance, September 30, 2023 | - | 98,226 | 209 | - | 98,435 |
| Property, plant and equipment, net | | | | | |
| December 31, 2022 | - | 149,066 | 147 | 147,335 | 296,548 |
| September 30, 2023 | - | 157,445 | 124 | 158,435 | 316,004 |

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

For the three and nine months ended September 30, 2023 and 2022
(Amounts in thousands of Canadian dollars except as otherwise noted)

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

(a) Assets in-service

During the third quarter of 2023, the Corporation transferred \$15,436 from assets under construction to power generating facilities, of which, \$14,268 relates to the air inlet filter house and \$1,168 relates to general M2 facilities equipment and components.

5. Loans and borrowings

| | 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 | (2,138) | - | - | - | (2,138) |
| Balance, September 30, 2023 | 24,224 | 30,000 | - | 29,438 | 83,662 |
| Less: deferred financing costs | | | | | (2,060) |
| Net loans and borrowings, net of deferred financing costs | | | | | 81,602 |
| Less: current portion, net of deferred financing costs | | | | | (6,233) |
| Balance September 30, 2023, non-current portion net of deferred financing costs | | | | | 75,369 |
| | | | | | |
| | 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.

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.

MAXIM is currently in a financial covenant break period under the senior credit facility as a result of commissioning the CCGT expansion of M2. During this period compliance is not required with the debt service coverage ratio and debt to earnings before interest, taxes, depreciation and amortization. The requirement to comply with these covenants are expected to resume in the first quarter of 2024.

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

For the three and nine months ended September 30, 2023 and 2022
(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 | |
|--|---------------------------------|------|--------------------------------|------|
| | 2023 | 2022 | 2023 | 2022 |
| Business interruption insurance claim (a) | (5,500) | - | (40,022) | - |
| Property insurance claim (a) | - | - | (9,593) | - |
| Demolition, incidental and investigation costs (b) | 266 | - | 5,830 | - |
| Other expense (income) | 5 | (2) | 28 | 39 |
| Total other expense (income), net | (5,229) | (2) | (43,757) | 39 |

(a) Insurance claims

For the three and nine months ended September 30, 2023, the business interruption claims of \$5,500 and \$40,022, respectively, and property insurance claims of \$nil and \$9,593, respectively, relate to the air inlet filter house non-injury fire insurance claim. During the first nine months of 2023, the Corporation collected \$63,000 relating to the business interruption and property insurance claims. As at September 30, 2023, the total of business interruption and property insurance claims is \$64,000, of which, \$1,000 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 unaudited condensed consolidated interim financial statements.

(b) Demolition, incidental and investigation costs

For the three and nine months ended September 30, 2023, the Corporation incurred \$266 and \$5,830, respectively, in relation to demolition, incidental and investigation costs related to the air inlet filter house non-injury fire incident.

7. Finance expense, net

| | Three months ended September 30 | | Nine months ended September 30 | |
|--|---------------------------------|-------|--------------------------------|-------|
| | 2023 | 2022 | 2023 | 2022 |
| Interest expense and bank charges (a) | 1,717 | 1,582 | 4,802 | 4,290 |
| Amortization of deferred financing costs | 335 | 414 | 1,067 | 1,294 |
| Gain on interest rate swaps | - | (13) | - | (101) |
| Accretion of provisions | 101 | 74 | 262 | 138 |
| Foreign exchange loss (gain) | (59) | 35 | (32) | 47 |
| Finance expense | 2,094 | 2,092 | 6,099 | 5,668 |
| Interest income | (802) | (313) | (2,190) | (449) |
| Total finance expense, net | 1,292 | 1,779 | 3,909 | 5,219 |

(a) For the three and nine months ended September 30, 2023, the Corporation paid interest and fees of \$1,078 and \$3,017, respectively, (September 30, 2022 - \$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 | |
|--|---------------------------------|------------|--------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Weighted average number of common shares (basic) | 50,506,920 | 50,061,240 | 50,368,768 | 50,073,796 |
| Effect of convertible loan facility | 13,083,736 | 13,083,736 | 13,083,736 | 13,083,736 |
| Effect of exercisable stock options | 854,676 | 675,990 | 657,502 | 676,605 |
| Weighted average number of common shares (diluted) | 64,445,332 | 63,820,966 | 64,110,006 | 63,834,137 |

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

For the three and nine months ended September 30, 2023 and 2022
(Amounts in thousands of Canadian dollars except as otherwise noted)

8. Earnings per share (continued)

| | Three months ended September 30 | | Nine months ended September 30 | |
|--|---------------------------------|--------|--------------------------------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| Net income (loss) (basic) | (4,897) | 23,970 | 8,818 | 49,433 |
| Finance expense on the convertible loan facility, net of tax | 910 | 923 | 2,575 | 2,610 |
| Net income (loss) (diluted) | (3,987) | 24,893 | 11,393 | 52,043 |

| | Three months ended September 30 | | Nine months ended September 30 | |
|---------------------|---------------------------------|------|--------------------------------|------|
| | 2023 | 2022 | 2023 | 2022 |
| Earnings per share: | | | | |
| Basic | (0.10) | 0.48 | 0.18 | 0.99 |
| Diluted (a) | (0.10) | 0.39 | 0.18 | 0.82 |

(a) The effects of the exercisable stock options and the convertible loan facility on diluted earnings per share were \$nil for the three and nine months ended September 30, 2023 as they were antidilutive.

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 \$4,062 as at September 30, 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 September 30, 2023 is \$6,794 over the next two years as follows:

| | |
|------|--------------|
| 2023 | 1,020 |
| 2024 | 4,080 |
| 2025 | 1,694 |
| | <u>6,794</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, 2022.

11. Change in non-cash working capital

| Nine months ended September 30 | 2023 | 2022 |
|--------------------------------|---------------|---------------|
| Operating activities | | |
| Trade and other receivables | 11,164 | 18,970 |
| Prepaid expenses and deposits | 2,167 | (102) |
| Trade and other payables | 785 | (3,485) |
| | <u>14,116</u> | <u>15,383</u> |

| Nine months ended September 30 | 2023 | 2022 |
|--------------------------------|----------------|-----------------|
| Investing activities | | |
| Trade and other payables | (913) | (6,656) |
| Restricted cash (note 3) | (4,200) | (6,122) |
| | <u>(5,113)</u> | <u>(12,778)</u> |

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

For the three and nine months ended September 30, 2023 and 2022
(Amounts in thousands of Canadian dollars except as otherwise noted)

12. Financial risk management

The Corporation's risk management process, oversight and techniques are the same as those described in the Corporation's 2022 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)

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 September 30, 2023 is \$80,558 (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 loss (gain) on commodity swaps

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---------------------------------|---------|--------------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| Realized loss on power swaps | - | 2,081 | - | 3,524 |
| Realized gain on natural gas swaps | - | (1,940) | - | (13,768) |
| Total realized loss (gain) on commodity swaps | - | 141 | - | (10,244) |

Unrealized loss (gain) on commodity swaps

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---------------------------------|-------|--------------------------------|-------|
| | 2023 | 2022 | 2023 | 2022 |
| Unrealized loss (gain) on power swaps | - | 157 | - | (538) |
| Unrealized loss (gain) on natural gas swaps | 1,324 | 3,091 | 1,412 | (303) |
| Total unrealized loss (gain) on commodity swaps | 1,324 | 3,248 | 1,412 | (841) |

Loss (gain) on commodity swaps

| | | | | |
|--|-------|-------|-------|----------|
| Total realized and unrealized loss (gain) on commodity swaps | 1,324 | 3,389 | 1,412 | (11,085) |
|--|-------|-------|-------|----------|

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

For the three and nine months ended September 30, 2023 and 2022
(Amounts in thousands of Canadian dollars except as otherwise noted)

12. Financial risk management (continued)

(b) Carrying amount of risk management liability

Current risk management liability

| | September 30, 2023 | December 31, 2022 |
|--|-----------------------|----------------------|
| Natural gas commodity swaps | 1,268 | - |
| Total carrying amount of current risk management liability | 1,268 | - |

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

Non-current risk management liability

| | September 30, 2023 | December 31, 2022 |
|--|-----------------------|----------------------|
| Natural gas commodity swaps | 144 | - |
| Total carrying amount of non-current risk management liability | 144 | - |

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

As at September 30, 2023 and December 31, 2022, the Corporation had no outstanding interest rate swaps.