

Condensed Consolidated Interim Financial Statements of

**MAXIM POWER CORP.**

For the Three and Nine Months Ended September 30, 2024

(Unaudited)

# MAXIM POWER CORP.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

As at	Note	September 30, 2024	December 31, 2023
<b>ASSETS</b>			
Cash and cash equivalents		99,013	32,258
Trade and other receivables	3	16,269	47,877
Current tax asset		-	4,685
Risk management asset	11	2,192	1,584
Prepaid expenses and deposits		506	5,919
<b>Total current assets</b>		<b>117,980</b>	<b>92,323</b>
Property, plant and equipment, net	4	306,014	313,461
Restricted cash		18,518	16,518
Prepaid expenses and deposits		3,151	3,538
<b>Total non-current assets</b>		<b>327,683</b>	<b>333,517</b>
<b>TOTAL ASSETS</b>		<b>445,663</b>	<b>425,840</b>
<b>LIABILITIES</b>			
Trade and other payables		13,203	13,287
Current tax liabilities		448	-
Risk management liability	11	1,817	8,405
Loans and borrowings	5	8,135	4,828
<b>Total current liabilities</b>		<b>23,603</b>	<b>26,520</b>
Provisions for decommissioning		11,008	10,760
Lease obligation		86	111
Loans and borrowings	5	71,734	76,375
Deferred tax liabilities		19,851	14,329
<b>Total non-current liabilities</b>		<b>102,679</b>	<b>101,575</b>
<b>TOTAL LIABILITIES</b>		<b>126,282</b>	<b>128,095</b>
<b>EQUITY</b>			
Share capital		143,318	143,963
Contributed surplus		13,609	13,194
Retained earnings		162,454	140,588
<b>TOTAL EQUITY</b>		<b>319,381</b>	<b>297,745</b>
<i>Commitments</i>	9		
<i>Subsequent events</i>	12		
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>445,663</b>	<b>425,840</b>

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

On behalf of the Board:

M. Bruce Chernoff  
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	
		2024	2023	2024	2023
<b>Revenue and power swaps</b>					
Revenue		25,659	2,468	77,434	2,468
Realized gain on power swaps	11	7,289	-	13,862	-
Unrealized gain on power swaps	11	1,164	-	620	-
<b>Total revenue and power swaps</b>		<b>34,112</b>	<b>2,468</b>	<b>91,916</b>	<b>2,468</b>
<b>Expenses</b>					
Operating		13,911	8,254	44,645	19,397
Realized loss on natural gas swaps	11	4,933	-	9,712	-
Unrealized loss (gain) on natural gas swaps	11	(4,420)	1,324	(6,576)	1,412
General and administrative		1,710	1,433	4,857	4,407
Depreciation and amortization	4	3,639	1,753	10,903	5,602
<b>Total expenses</b>		<b>19,773</b>	<b>12,764</b>	<b>63,541</b>	<b>30,818</b>
<b>Operating income (loss)</b>		<b>14,339</b>	<b>(10,296)</b>	<b>28,375</b>	<b>(28,350)</b>
Other income, net	6	58	5,229	3,037	43,757
Finance expense, net	7	(913)	(1,292)	(3,155)	(3,909)
<b>Income (loss) before income taxes</b>		<b>13,484</b>	<b>(6,359)</b>	<b>28,257</b>	<b>11,498</b>
<b>Income tax expense</b>					
Current income tax (recovery)		126	(2,495)	448	(1,141)
Deferred income tax		2,614	1,033	5,522	3,821
<b>Total income tax expense (recovery)</b>		<b>2,740</b>	<b>(1,462)</b>	<b>5,970</b>	<b>2,680</b>
<b>Net and comprehensive income (loss)</b>		<b>10,744</b>	<b>(4,897)</b>	<b>22,287</b>	<b>8,818</b>
<b>Earnings (loss) per share</b>					
	8				
Basic		0.21	(0.10)	0.44	0.18
Diluted		0.18	(0.10)	0.39	0.18

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	Total
Equity at December 31, 2023	50,593	143,963	13,194	140,588	297,745
Net income	-	-	-	22,287	22,287
Repurchase of common shares for cancellation	(287)	(816)	-	(421)	(1,237)
Share-based compensation	-	-	802	-	802
Stock options settled	232	105	(375)	-	(270)
Stock options exercised	26	66	(12)	-	54
<b>Equity at September 30, 2024</b>	<b>50,564</b>	<b>143,318</b>	<b>13,609</b>	<b>162,454</b>	<b>319,381</b>
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 settled	144	2	(141)	-	(139)
Stock options exercised	248	570	(101)	-	469
Equity at September 30, 2023	50,553	144,031	13,077	121,158	278,266

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

# MAXIM POWER CORP.

## Unaudited Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

	Note	Nine months ended September 30	
		2024	2023
<b>Cash flows from operating activities:</b>			
Net income		22,287	8,818
Adjustments for items not involving cash or operations:			
Depreciation and amortization	4	10,903	5,602
Share-based compensation		802	488
Unrealized loss (gain) on commodity swaps	11	(7,196)	1,412
Stock option settlement		(270)	(139)
Income tax expense		5,970	2,680
Income tax recovered (paid)		4,685	(8,121)
Gain on sale of wind development project	6	(2,810)	-
Finance expense, net	7	3,155	3,909
Funds generated from operating activities before change in non-cash working capital		37,526	14,649
Change in non-cash working capital	10	38,508	14,116
Net cash generated from operating activities		76,034	28,765
<b>Cash flows from financing activities:</b>			
Repayment of loans and borrowings	5	(2,138)	(2,138)
Proceeds from exercise of stock options		54	469
Repurchase of common shares for cancellation		(1,237)	(24)
Interest and bank charges	7	(5,888)	(6,168)
Net cash used in financing activities		(9,209)	(7,861)
<b>Cash flows from investing activities:</b>			
Property, plant and equipment additions	4	(3,466)	(25,484)
Proceeds on sale of wind development project	6	2,810	-
Interest income	7	3,745	2,190
Change in non-cash working capital	10	(3,208)	(5,113)
Net cash used in investing activities		(119)	(28,407)
Foreign exchange gain on cash and cash equivalents	7	49	32
Increase (decrease) in cash and cash equivalents		66,755	(7,471)
Cash and cash equivalents, beginning of period		32,258	51,378
<b>Cash and cash equivalents, end of period</b>		<b>99,013</b>	<b>43,907</b>

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, 2024 and 2023  
(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.

## 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, 2023 annual audited consolidated financial statements available at [www.sedarplus.ca](http://www.sedarplus.ca).

MAXIM's Board of Directors approved these unaudited condensed consolidated interim financial statements on November 7, 2024.

### (b) Material 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, 2023.

The material 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, 2023.

## 3. Trade and other receivables

	September 30, 2024	December 31, 2023
Trade receivables	13,680	28,371
Insurance receivable	-	18,031
Other receivables	-	45
Realized risk management receivable	2,589	1,430
Total trade and other receivables	16,269	47,877

# MAXIM POWER CORP.

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

For the three and nine months ended September 30, 2024 and 2023  
(Amounts in thousands of Canadian dollars except as otherwise noted)

## 4. Property, plant and equipment, net

	Generating Facilities and Equipment	Right-of-use Asset	Assets under Construction	Total
<b>Cost</b>				
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	164,886	-	(164,886)	-
Impairment	-	-	(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
Additions	2,071	-	1,395	3,466
Revisions to decommissioning provisions	(10)	-	-	(10)
Balance, September 30, 2024	409,038	202	10,205	419,445
<b>Accumulated depreciation</b>				
Balance, December 31, 2022	92,778	55	-	92,833
Depreciation	9,665	30	-	9,695
Balance, December 31, 2023	102,443	85	-	102,528
Depreciation	10,880	23	-	10,903
Balance, September 30, 2024	113,323	108	-	113,431
<b>Property, plant and equipment, net</b>				
December 31, 2023	304,534	117	8,810	313,461
September 30, 2024	295,715	94	10,205	306,014

## 5. Loans and borrowings

	Senior Credit Facility			Total
	Bank Term Facility #1	Fixed Rate		
		Constuction Facility	Convertible Loan Facility	
Balance, December 31, 2022 <sup>(1)</sup>	26,362	30,000	29,438	85,800
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			Total
	Bank Term Facility #1	Fixed Rate		
		Term Facility	Convertible Loan Facility	
Balance, December 31, 2023 <sup>(1)</sup>	23,512	30,000	29,438	82,950
Repayment of loans and borrowings	(2,138)	-	-	(2,138)
Balance, September 30, 2024	21,374	30,000	29,438	80,812
Less: deferred financing costs				(943)
Net loans and borrowings, net of deferred financing costs				79,869
Less: current portion, net of deferred financing costs				(8,135)
Balance September 30, 2024, non-current portion net, of deferred financing costs				71,734

(1) Excluding deferred financings costs.

# MAXIM POWER CORP.

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

For the three and nine months ended September 30, 2024 and 2023  
(Amounts in thousands of Canadian dollars except as otherwise noted)

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## 5. Loans & borrowings (continued)

### (a) Senior Credit Facility

#### (i) Fixed Rate Term Facility

On May 31, 2024, the Corporation converted the \$30,000 Fixed Rate Construction Facility into a Fixed Rate Term Facility. Upon conversion to a term facility, the first amortization payment of \$1,500 is due on the first day of each financial quarter commencing on October 1, 2024.

#### (ii) Bank Construction Facility

The undrawn \$27,400 Bank Construction Facility was available only for the construction of the combined cycle gas turbine expansion of Milner 2 ("M2") and is now no longer available to the Corporation to draw upon. On May 31, 2024, the Bank Construction Facility was converted into a term facility and any remaining available balance on the construction facility was extinguished.

#### (iii) Financial Debt Covenants

Commencing on March 31, 2024, the Corporation is required to maintain an annualized debt service coverage ratio of not less than 1.25:1.00 determined as at the last day of each financial quarter.

Commencing on March 31, 2024, the Corporation is required to maintain an annualized 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.

MAXIM shall ensure that, as at the end of each financial quarter, the tangible assets of MAXIM, Milner Power II LP, Miner Power LP, 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).

(b) In addition, MAXIM is subject to customary non-financial covenants in its Senior Credit Facility and subordinated Convertible Loan Facility. As at September 30, 2024, MAXIM is in compliance with all applicable debt covenants.

(c) Refer to Note 12(a) to 12(c) for subsequent events related to the Corporation's loans and borrowings.

# MAXIM POWER CORP.

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

For the three and nine months ended September 30, 2024 and 2023  
(Amounts in thousands of Canadian dollars except as otherwise noted)

## 6. Other income, net

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Business interruption insurance claim	-	(5,500)	-	(40,022)
Property insurance claim	-	-	-	(9,593)
Demolition, incidental and investigation costs	-	266	-	5,830
Other (income) expenses (a)	(58)	5	(3,037)	28
<b>Total other income, net</b>	<b>(58)</b>	<b>(5,229)</b>	<b>(3,037)</b>	<b>(43,757)</b>

(a) The Corporation closed the sale of a wind development project on June 20, 2018. Under the sales agreement, the Corporation is entitled to further compensation upon the date of commercial operation. On June 28, 2024, the wind development project achieved commercial operations and the Corporation recognized \$2,810 of other income and other receivables. On July 5, 2024, the Corporation collected the total receivable amount of \$2,810.

## 7. Finance expense, net

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Interest expense and bank charges (a)	1,921	1,717	5,888	4,802
Amortization of deferred financing costs	244	335	803	1,067
Accretion of provisions	82	101	258	262
Foreign exchange loss (gain)	4	(59)	(49)	(32)
Finance expense	2,251	2,094	6,900	6,099
Interest income	(1,338)	(802)	(3,745)	(2,190)
<b>Total finance expense, net</b>	<b>913</b>	<b>1,292</b>	<b>3,155</b>	<b>3,909</b>

(a) For the three and nine months ended September 30, 2024, the Corporation paid interest and fees of \$890 and \$2,839, respectively (September 30, 2023 - \$1,078 and \$3,017), under the convertible loan facility, provided by two significant shareholders of the Corporation, one of whom is also the Chair of the Board and the other of whom is the Vice Chair of the Board.

## 8. Earnings (loss) per share

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Weighted average number of common shares (basic)	50,617,057	50,506,920	50,605,065	50,368,768
Effect of convertible loan facility	13,083,735	13,083,735	13,083,735	13,083,735
Effect of stock options	141,120	854,676	252,430	657,502
<b>Weighted average number of common shares (diluted)</b>	<b>63,841,912</b>	<b>64,445,331</b>	<b>63,941,230</b>	<b>64,110,005</b>
	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Net income (loss) (basic)	10,744	(4,897)	22,287	8,818
Finance expense on the convertible loan facility, net of tax	748	910	2,389	2,575
<b>Net income (loss) (diluted)</b>	<b>11,492</b>	<b>(3,987)</b>	<b>24,676</b>	<b>11,393</b>
	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Earnings (loss) per share:				
Basic	0.21	(0.10)	0.44	0.18
Diluted	0.18	(0.10)	0.39	0.18

# MAXIM POWER CORP.

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

For the three and nine months ended September 30, 2024 and 2023  
(Amounts in thousands of Canadian dollars except as otherwise noted)

## 9. Commitments

The Corporation has entered into a natural gas transportation service agreement from June 1, 2020 to May 31, 2025 and June 1, 2025 to May 31, 2030 to deliver natural gas to M2. The total remaining commitment from these contracts as at September 30, 2024 is \$18,347 as follows:

2024	2,208
2025	6,255
2026	3,603
2027	3,012
2028	1,870
Thereafter	1,399
	<u>18,347</u>

## 10. Change in non-cash working capital

	Nine months ended September 30	
	2024	2023
Operating activities		
Trade and other receivables	31,608	11,164
Prepaid expenses and deposits	5,800	2,167
Trade and other payables	1,100	785
	<u>38,508</u>	<u>14,116</u>

	Nine months ended September 30	
	2024	2023
Investing activities		
Trade and other payables	(1,208)	(913)
Restricted cash	(2,000)	(4,200)
	<u>(3,208)</u>	<u>(5,113)</u>

## 11. Financial risk management

The Corporation's risk management process, oversight and techniques are the same as those described in the Corporation's 2023 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.

# MAXIM POWER CORP.

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

For the three and nine months ended September 30, 2024 and 2023  
(Amounts in thousands of Canadian dollars except as otherwise noted)

## 11. Financial risk management (continued)

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, 2024 is \$79,225 (December 31, 2023 - \$80,255).

### (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	
	2024	2023	2024	2023
Realized gain on power swaps	(7,289)	-	(13,862)	-
Realized loss on natural gas swaps	4,933	-	9,712	-
Total realized gain on commodity swaps	(2,356)	-	(4,150)	-

#### Unrealized loss (gain) on commodity swaps

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Unrealized gain on power swaps	(1,164)	-	(620)	-
Unrealized loss (gain) on natural gas swaps	(4,420)	1,324	(6,576)	1,412
Total unrealized loss (gain) on commodity swaps	(5,584)	1,324	(7,196)	1,412

#### Total realized and unrealized loss (gain) on commodity swaps

Total realized and unrealized loss (gain) on commodity swaps	(7,940)	1,324	(11,346)	1,412
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### (b) Carrying amount of risk management asset and liabilities

#### Current risk management asset

	September 30, 2024	December 31, 2023
Power commodity swaps	2,192	1,584
Total carrying amount of current risk management asset	2,192	1,584

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

#### Current risk management liability

	September 30, 2024	December 31, 2023
Natural gas commodity swaps	1,793	8,369
Power commodity swaps	24	36
Total carrying amount of current risk management liability	1,817	8,405

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

# MAXIM POWER CORP.

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

For the three and nine months ended September 30, 2024 and 2023  
(Amounts in thousands of Canadian dollars except as otherwise noted)

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## 12. Subsequent events

### (a) Voluntary Repayment to Senior Credit Facility

On October 17, 2024, the Corporation voluntarily repaid the outstanding principal on both the Bank Term Facility #1 and the Fixed Rate Construction Facility, \$21,374 and \$28,500, respectively, for a total principal repayment of \$49,874 and there are no further amounts owing under the Senior Credit Facility.

### (b) Amendments to Senior Credit Facility

On November 7, 2024, MAXIM has amended its Senior Credit Facility, to allow for the following:

- Increase and merge the combined availability of Revolver Facility #1 and Letter of Credit Facility #1 from \$19,100 to \$25,000;
- Restricted cash of \$10,122 to be released for general use. (refer to Note 7b of the December 31, 2023 Consolidated Financial Statements);
- The distribution of a one-time special dividend (the "Special Dividend") of \$0.50 per common share of MAXIM ("Common Shares"); and
- Allowance for distributions, in the form of dividends or share repurchases, up to \$20,000 per calendar year, subject to terms and conditions of the Senior Credit Facility.

Commencing in the fourth quarter of 2024, and as a result of the amendment on November 7, 2024, MAXIM is no longer required to maintain the debt service coverage ratio or the debt to adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") ratio. Commencing in the fourth quarter of 2024, MAXIM is required to maintain a net debt to Adjusted EBITDA ratio of not greater than 3.00:1.00. Commencing in the first quarter of 2025, MAXIM is required to maintain an interest coverage ratio of not less than 5.00:1.00 on a rolling four quarter basis. The interest coverage ratio will be annualized beginning in the first quarter of 2025 utilizing the rolling four quarter Adjusted EBITDA and annualized interest expense starting January 1, 2025. Once four full fiscal financial quarters have occurred the annualized interest expense will be replaced with the rolling four quarter interest expense.

### (c) Conversion of Convertible Loan Facility

On November 7, 2024, MAXIM received a notice of conversion from the lenders under the Convertible Loan Facility ("Convertible Loan") to convert amounts owing thereunder, being \$29,438, into Common Shares. Under the terms of the Convertible Loan and effective immediately, the lenders under this facility will receive 13,083,735 Common Shares based on a conversion price of \$2.25 per Common Share. In addition, MAXIM and the lenders under the Convertible Loan have mutually agreed to terminate the facility and as a result, no further amounts will be owing or available under this facility. Following the conversion of the Convertible Loan, the Corporation will have 63,638,577 Common Shares outstanding.

### (d) Declaration of Special Dividend

On November 7, 2024, MAXIM's board of directors approved the declaration and distribution of a Special Dividend of \$0.50 per Common Share. The aggregate amount of the Special Dividend will be approximately \$31,819, which is payable in cash, and will be funded from surplus cash. The Special Dividend is payable on November 29, 2024 to the holders of the Common Shares, of record, as of the ex-dividend date, which is the close of business on November 21, 2024.