

Annual Report 2025

Management's Discussion & Analysis Financial Statements

Financial Report for the Year Ended
December 31, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	As at and for the year ended December 31,		
	2025	2024	2023
Revenue	262,746	219,275	239,015
EBITDA	134,680	133,033	110,066
Net income (loss) ⁽¹⁾	(15,109)	(4,896)	(29,744)
Preferred dividends	2,776	2,776	2,776
Total assets	1,702,449	1,656,274	1,648,829
Total long-term liabilities	1,188,952	1,150,096	1,062,172

(1) Net income (loss) attributable to the common shareholders of Capstone, which excludes non-controlling interests.

INSIDE THIS SECTION

Financial highlights	1	Financial position review	6
Legal notice	2	Derivative financial instruments	10
Introduction	3	Risks and uncertainties	10
Basis of presentation	3	Environmental, health and safety regulation	13
Supplemental GAAP performance measures	3	Related party transactions	14
Changes in the business	3	Summary of quarterly results	15
Results of operations	4	Fourth quarter highlights	16
		Accounting policies and internal controls	16

LEGAL NOTICE

This document is not an offer or invitation for the subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of any investors. Before making an investment in Capstone Infrastructure Corporation (the "Corporation"), an investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements contained within this document are forward-looking and reflect management's expectations regarding the future growth, results of operations, performance and business of the Corporation based on information currently available to the Corporation. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements use forward-looking words, such as "anticipate", "continue", "could", "expect", "may", "will", "intend", "estimate", "plan", "believe" or other similar words, and include, among other things, statements found in "Results of Operations" and "Financial Position Review". These statements are subject to known and unknown risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied by such statements and, accordingly, should not be read as guarantees of future performance or results. The forward-looking statements within this document are based on information currently available and what the Corporation currently believes are reasonable assumptions, including the material assumptions set out in the management's discussion and analysis of the results of operations and the financial condition of the Corporation ("MD&A") for the year ended December 31, 2025 under the headings "Changes in the Business", "Results of Operations" and "Financial Position Review", as updated in subsequently filed MD&A of the Corporation (such documents are available under the Corporation's SEDAR+ profile at www.sedarplus.ca).

Other potential material factors or assumptions that were applied in formulating the forward-looking statements contained herein include or relate to the following: that the business and economic conditions affecting the Corporation's operations will continue substantially in their current state, including, with respect to industry conditions, general levels of economic activity, regulations, weather, taxes, inflation, and interest rates; that the preferred shares will remain outstanding and that dividends will continue to be paid on the preferred shares; that there will be no material delays in the Corporation's development projects achieving commercial operation; that the Corporation's power facilities will experience normal wind, hydrological and solar irradiation conditions, and ambient temperature and humidity levels; that there will be no further material changes to the Corporation's facilities, equipment or contractual arrangements; that there will be no material changes in the legislative, regulatory and operating framework for the Corporation's businesses; that there will be no material delays in obtaining required approvals for the Corporation's power facilities; that there will be no material changes in environmental regulations for the power facilities; that there will be no significant event occurring outside the ordinary course of the Corporation's businesses; the refinancing on similar terms of the Corporation's and its subsidiaries' various outstanding credit facilities and debt instruments which mature during the period in which the forward-looking statements relate; market prices for electricity in Ontario and the amount of hours that the Cardinal Facility is dispatched; the price that the Buffalo Atlee 1 Wind Facility, the Buffalo Atlee 3 Wind Facility, the Claresholm Solar Facility, the Kneehill Solar Facility, the Whitecourt Biomass Facility, or the Wild Rose 2 Wind Facility will receive for its electricity production considering the market price for electricity in Alberta; and the price that the Whitecourt Biomass Facility will receive for its electricity production considering the Whitecourt Biomass Facility's agreement with Millar Western, which includes sharing mechanisms regarding the price received for some of the electricity sold by the facility.

Although the Corporation believes that it has a reasonable basis for the expectations reflected in these forward-looking statements, actual results may differ from those suggested by the forward-looking statements for various reasons, including: risks related to the Corporation's securities (controlling shareholder; dividends on common shares and preferred shares are not guaranteed; volatile market price for the Corporation's securities); risks related to the Corporation and its businesses (availability of debt and equity financing; default under credit agreements and debt instruments; changes in legislation and administrative policy; changes to tax laws or challenges to tax positions; geographic concentration; acquisitions, development and integration; environmental, health and safety; foreign exchange fluctuations; reliance on key personnel); and risks related to the Corporation's power facilities (completion of the Corporation's development projects; power purchase agreements; operational performance; market price for electricity; contract performance and reliance on suppliers; land tenure and related rights; climate change; global conflicts; environmental; insurance coverage; cybersecurity and reliance on information technology; regulatory environment; environmental attributes; US jurisdiction).

For a comprehensive description of these risk factors, please refer to the "Risk Factors" section of the Corporation's Annual Information Form dated March 21, 2025, as supplemented by disclosure of risk factors contained in any subsequent annual information form, material change reports (except confidential material change reports), business acquisition reports, interim financial statements, interim management's discussion and analysis and information circulars filed by the Corporation with the securities commissions or similar authorities in Canada (which are available under the Corporation's SEDAR+ profile at www.sedarplus.ca).

The assumptions, risks and uncertainties described above are not exhaustive and other events and risk factors could cause actual results to differ materially from the results and events discussed in the forward-looking statements. The forward-looking statements within this document reflect current expectations of the Corporation as at the date of this document and speak only as at the date of this document. Except as may be required by applicable law, the Corporation does not undertake any obligation to publicly update or revise any forward-looking statements.

INTRODUCTION

Management's discussion and analysis ("MD&A") summarizes Capstone Infrastructure Corporation's (the "Corporation" or "Capstone") consolidated financial position, operating results and cash flows as at and for the years ended December 31, 2025 and 2024.

This MD&A should be read in conjunction with the accompanying audited consolidated financial statements of the Corporation and notes thereto as at and for the years ended December 31, 2025 and 2024. Additional information about the Corporation, including its Annual Information Form ("AIF") for the year ended December 31, 2024, quarterly financial reports and other public filings of the Corporation are available under the Corporation's profile on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR+") website at www.sedarplus.ca.

This MD&A is dated March 4, 2026, the date on which this MD&A was approved by the Corporation's Board of Directors.

BASIS OF PRESENTATION

Financial information in this MD&A is prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and amounts are in Canadian thousands of dollars or thousands of share amounts unless otherwise indicated.

Amounts included in the financial statements of each consolidated entity within the Corporation are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars (the "presentation currency"), which is Capstone's functional currency. The exchange rates used in the translation to the presentation currency are as follows:

As at and for the year ended	USD (\$)	
	Average	Spot
Dec 31, 2025	1.40	1.37
Dec 31, 2024	1.37	1.44

SUPPLEMENTAL GAAP PERFORMANCE MEASURES DEFINITIONS

This MD&A also contains EBITDA, a performance measure not defined by IFRS Accounting Standards. EBITDA is a supplemental GAAP performance measure and does not have a standardized meaning prescribed by IFRS Accounting Standards and may not be comparable to similar measures presented by other issuers. The Corporation believes that this indicator is useful since it provides additional information about the Corporation's earnings performance and facilitates comparison of results over different periods. EBITDA is defined as earnings (loss) before financing costs, income tax expense, depreciation, and amortization. EBITDA includes earnings (loss) related to the non-controlling interest ("NCI"), impairment charges, equity accounted investments, interest income, other gains and losses (net), and foreign exchange gains and losses. EBITDA represents Capstone's capacity to generate income from operations before taking into account management's financing decisions and costs of consuming tangible capital assets and intangible assets, which vary according to their age, technology, and management's estimate of their useful life. EBITDA is presented on the consolidated statement of income.

CHANGES IN THE BUSINESS

In 2025, Capstone continued to execute on its strategic objectives by achieving commercial operation ("COD") at Wild Rose 2 on August 28, 2025, advancing its Canadian development projects, monetizing its US development portfolio, and successfully managing financing and recontracting activities for continuing operations and growth, while monitoring the Alberta regulatory changes.

Project Development Activities

Capstone continues to build a development project pipeline across several jurisdictions at various stages of development. The following table lists the significant development projects, along with the Wild Rose 2 project that achieved COD:

Name of project	Status	Gross MW	Jurisdiction	Technology
Wild Rose 2 ⁽¹⁾	Operations	192	Alberta	Wind
MW added to operating portfolio		192		
BC contracted projects	Contracted development	537	British Columbia	Wind
Early and mid-stage development projects	Development	>3,700	Canada	Wind/Solar/Storage
MW capacity in Canada		>4,200		

(1) The Wild Rose 2 project has two agreements for renewable energy and the associated emissions offset credits which are now in effect: on May 23, 2025, the term for the 15-year offtake agreement for 105 megawatts ("MW") commenced, followed by the term for the 20-year offtake agreement for 78MW on September 12, 2025.

Capstone expects to fund these projects from a combination of sources, which could include equity from existing corporate liquidity, government funding, or third party project financing.

On November 10, 2025, Obra Maestra Renewables, LLC, a 50% equity accounted investment of Capstone, sold a US energy storage development project to a strategic investor. The purchase price consisted of an upfront payment, recovery of project costs, and contingent payments to be earned upon completion of certain milestones including commencement of operations. Subsequent to this and other monetizations, Capstone is no longer advancing US projects in order to focus on the Canadian market.

Financing Activities

SkyGen debt extension

On March 25, 2025 the SkyGen and Skyway 8 term loans were extended to April 14, 2025. Subsequently on April 14, 2025, SkyGen and Skyway 8 combined their respective credit agreements and secured a five-year extension with existing lenders with terms consistent with prior agreements. The new credit facility now matures on April 14, 2030.

Wild Rose 2 project financing

On November 21, 2025, the Wild Rose 2 construction credit facilities converted to term loans, amortizing over 25 years and matures on September 12, 2030.

Claresholm refinancing

On November 21, 2025, the Claresholm term loan was amended and extended with existing lenders. The term loan is comprised of two tranches, a floating interest rate tranche which matures on November 21, 2028, and a fixed interest rate tranche which matures on July 9, 2032. To mitigate interest risk, swap contracts were executed to convert the floating interest rate obligations to a fixed rate.

Recontracting of Ontario Power Purchase Agreements ("PPA")

On June 6, 2025, three of Capstone's Ontario wind facilities executed new 5-year PPAs under the Medium-Term 2 procurement with the Independent Electricity System Operator. The PPAs will commence at Erie Shores in 2026, Ferndale (SkyGen) in 2027, and Ravenswood (SkyGen) in 2028, respectively.

Alberta Reviews Electricity Sector Regulations

In 2023, the Government of Alberta directed the Alberta Utilities Commission ("AUC") to conduct a broad inquiry into the development of renewable electricity generation in Alberta, and subsequently announced that it will be issuing new policy guidance and regulatory changes affecting the province's electricity market generally. On April 10, 2025, the Government of Alberta tabled Bill 52, *Electric and Utilities Statutes Amendment Act, 2025*, which among other things, proposed amendments to the Electric Utilities Act. Bill 52 received Royal Assent in May 2025, and is expected to be implemented through new or amended regulations and rules by the end of 2026. The legislation as currently proposed, includes the retirement of zero-congestion transmission framework and anticipates a transition to Optimal Transmission Planning and a Restructured Energy Market, which may introduce uncertainty and adverse operating conditions when implemented. Furthermore, the Government of Alberta may be introducing reforms to Alberta's Technology Innovation and Emissions Reduction Regulation, which may impact incumbent Alberta renewable generators. Capstone continues to monitor the status of these changes for potential impacts on its Alberta facilities.

RESULTS OF OPERATIONS

Overview

In 2025, Capstone's EBITDA was higher and net income was lower than in 2024. Higher EBITDA reflects:

- More runs at Cardinal leading to higher contributions from revenue above expenses; and
- Higher resource at the wind facilities, contributions from Buffalo Atlee which achieved COD in June 2024, and from Wild Rose 2 which achieved COD in August 2025; partially offset by:
- Lower Alberta Power Pool prices; and
- Other losses from unrealized changes in the fair value of derivative financial instruments, partially offset by the gain on sale of a US energy storage development project.

	For the year ended		Change
	Dec 31, 2025	Dec 31, 2024	
Revenue	262,746	219,275	43,471
Expenses	(120,774)	(94,341)	(26,433)
Other income (expenses)	(7,292)	8,099	(15,391)
EBITDA	134,680	133,033	1,647
Interest expense	(62,939)	(49,062)	(13,877)
Depreciation and amortization	(95,754)	(97,529)	1,775
Income tax recovery (expense)	9,909	7,522	2,387
Net income (loss)	(14,104)	(6,036)	(8,068)

The remaining significant changes in net income (loss) were higher interest due to the addition of Buffalo Atlee and Wild Rose 2.

Results by Segment

Capstone's MD&A discusses the results of the power segment, as well as corporate activities. The power segment consists of operating and development activities. The operating facilities produce electricity from wind, natural gas, solar, hydrological resources, and biomass, and are located in Ontario, Alberta, Nova Scotia, British Columbia, Québec, and Saskatchewan.

Corporate activities are primarily comprised of growth initiatives, capital structure expenses not specifically attributed to the facilities, and costs to manage, oversee, and report on the facilities.

Revenue

Capstone's revenue is generated through long-term power contracts, sales directly into the Alberta Power Pool, and under various contracts for electricity and the associated emissions offset credits, which vary in nature as disaggregated below.

Revenue	For the year ended		
	Dec 31, 2025	Dec 31, 2024	Change
Wind ^{(1), (2)}	150,230	129,605	20,625
Gas ⁽³⁾	57,033	28,666	28,367
Solar ⁽²⁾	33,788	37,858	(4,070)
Hydro	13,214	12,481	733
Biomass ⁽²⁾	8,481	10,665	(2,184)
Total Revenue	262,746	219,275	43,471

(1) Wind includes revenue earned during project commissioning at Wild Rose 2 (Buffalo Atlee in 2024).

(2) Wind, biomass, and solar facilities include revenue from the generation and sale of electricity at market rates. In 2024, solar also includes sale of emissions offset credits.

(3) Gas revenue at Cardinal consists of fixed payments for providing capacity and availability based on its PPA and other contracts; the remaining revenue is variable based on production.

Power generated (GWh)	For the year ended		
	Dec 31, 2025	Dec 31, 2024	Change
Wind	1,495.2	1,147.7	347.5
Gas	313.9	80.1	233.8
Solar	393.3	374.5	18.8
Hydro	153.1	146.6	6.5
Biomass	178.8	148.5	30.3
Total Power	2,534.3	1,897.4	636.9

Capstone's power segment earns revenue from:

- The wind facilities, in Ontario, Nova Scotia, Québec, Saskatchewan, by selling electricity in accordance with their PPAs and the Wild Rose 2 and Buffalo Atlee projects in Alberta, which sell electricity and the associated emissions offset credits under PPAs, and electricity into the Alberta Power Pool. On a MW weighted-average-basis, there are 11 years remaining on the current PPAs.
- The solar facilities, consisting of:
 - Amherstburg in Ontario, selling its electricity under a long-term PPA expiring in 2031;
 - Projects in Alberta, which sell electricity and the associated emissions offset credits under various contracts including PPAs, into the Alberta Power Pool, and to third parties. On a MW weighted-average-basis, there are 6 years remaining on the current PPAs, with the earliest expiry in 2029.
- Whitecourt, a biomass facility in Alberta, by selling electricity at market rates to the Alberta Power Pool. Whitecourt also earns a portion of its revenue from the sale of emissions offset credits. These are supplemented or offset by a revenue sharing agreement with one of Whitecourt's fuel suppliers, where contractual settlements are included in other gains and losses in the consolidated statement of income.
- Cardinal, a natural gas peaking facility in Ontario, from fixed payments for providing capacity and availability to the IESO with a 2034 power contract expiry and by supplying electricity to the Ontario grid when it is profitable to do so. In addition, Cardinal receives a fixed amount (subject to escalation) to provide operational and maintenance services to Ingridion's 15MW facility.
- The hydro facilities, in Ontario and British Columbia, by selling electricity under long-term PPAs. On a MW weighted-average-basis, there are 17 years remaining on the current PPAs, with the earliest expiry in 2040.

Capstone has generated approximately 400,000 unsold units of tCO₂e emissions offset credits during 2025 and 2024, which are associated with electricity sold at market rates into the Alberta Power Pool at Buffalo Atlee, Claresholm, Kneehill, Whitecourt and Wild Rose 2. Emissions offsets can be sold in future periods once they have been serialized, but are not recognized until they are contracted to be sold.

The following table shows the significant changes in revenue from 2024:

Change	Explanations
28,367	Higher revenue at Cardinal due to more market runs.
13,289	Revenue from adding Wild Rose 2 (COD: August 2025) and Buffalo Atlee (COD: June 2024).
7,336	Higher revenue from the wind facilities, excluding Buffalo Atlee and Wild Rose 2, due to higher resource.
(6,852)	Lower revenue at Whitecourt and from solar facilities, due to lower Alberta Power Pool prices.
1,331	Various other changes.
<u>43,471</u>	<u>Change in revenue.</u>

Seasonality

Overall, the results for Capstone's power segment fluctuate during the year because of seasonal factors that affect quarterly production of each facility. These factors include scheduled maintenance and environmental factors such as water flows, solar irradiance, wind speeds, air density, ambient temperature, and humidity, which affect the amount of electricity generated. In aggregate, these factors have historically resulted in higher electricity production during the first and fourth quarters.

Expenses

Expenses consist of expenditures within the power segment related to operating expenses and costs to develop new projects, as well as corporate business development and administrative expenses.

Expenses	For the year ended		
	Dec 31, 2025	Dec 31, 2024	Change
Wind	(34,452)	(29,402)	(5,050)
Gas	(36,188)	(14,887)	(21,301)
Solar	(8,373)	(9,163)	790
Hydro	(4,458)	(4,334)	(124)
Biomass	(13,733)	(13,009)	(724)
Power operating expenses	<u>(97,204)</u>	<u>(70,795)</u>	<u>(26,409)</u>
Project development costs	(10,918)	(11,576)	658
Administrative expenses	(12,652)	(11,970)	(682)
Total Expenses	<u>(120,774)</u>	<u>(94,341)</u>	<u>(26,433)</u>

Expenses for the operation and maintenance ("O&M") of the power facilities mainly consist of wages and benefits and payments to third party providers. Capstone's wind facilities are operated by Capstone's in-house operations and maintenance teams, except for Glen Dhu, Goulais, SkyGen, Saint-Philémon, Glace Bay, Riverhurst, Buffalo Atlee, and Wild Rose 2, which are maintained under service agreements, typically with the original equipment manufacturers. The hydro facilities are operated and maintained under an O&M agreement. In addition, Cardinal, Whitecourt, Claresholm, Amherstburg, Michichi, and Kneehill rely on the internal capabilities and experience of Capstone's staff. Other significant costs include fuel, transportation, insurance, utilities, land leases, raw materials, chemicals, supplies, and property taxes.

Project development costs consist of direct staff costs, professional fees, and other costs to pursue greenfield opportunities, as well as costs to explore and execute transactions. Administrative expenses are comprised of staff costs, professional fees for legal, audit, and tax, as well as certain office administration and premises costs.

The following table shows the significant changes in expenses from 2024:

Change	Explanations
(21,301)	Higher fuel costs at Cardinal due to more market runs in 2025.
(4,865)	Higher expenses from adding Buffalo Atlee (COD: June 2024) and Wild Rose 2 (COD: August 2025).
(1,278)	Higher development costs associated with early-stage development in 2025.
2,094	Lower project development costs due to the recovery of staff costs from an equity accounted investment.
(1,083)	Various other changes.
<u>(26,433)</u>	<u>Change in expenses.</u>

FINANCIAL POSITION REVIEW

Overview

As at December 31, 2025, Capstone's working capital was a \$22,890 deficit, compared with a deficit of \$21,931 as at December 31, 2024.

Capstone has adequate financial flexibility to meet liquidity needs and support further growth, including \$47,226 of unrestricted cash and cash equivalents, and credit facility capacity of \$112,895 available.

Capstone and its subsidiaries continue to comply with all debt covenants, except as noted in note 8 "Financial Risk Management" in the consolidated financial statements as at and for the year ended December 31, 2025.

Liquidity

Working capital

As at	Dec 31, 2025	Dec 31, 2024
Power	(23,414)	(19,466)
Corporate	524	(2,465)
Working capital (equals current assets, less current liabilities)	(22,890)	(21,931)

Capstone's working capital was \$959 lower than December 31, 2024, driven by a \$3,948 decrease in power, partially offset by a \$2,989 increase at corporate. The decrease in power reflects a \$46,147 increase in current debt at Cardinal, partially offset by \$18,640 from the SkyGen and Skyway 8 refinancing, a \$6,863 increase in restricted cash due to construction activities at Wild Rose 2, and a \$19,021 increase in accounts receivable, including \$11,450 in recoverable investment tax credits. The corporate increase primarily reflects higher cash and lower accounts payable.

Cash and cash equivalents

As at	Dec 31, 2025	Dec 31, 2024
Power	45,720	45,986
Corporate	1,506	756
Unrestricted cash and cash equivalents	47,226	46,742

These funds are available for operating activities, capital expenditures, and future acquisitions. The \$484 increase consists of an increase of \$750 at corporate and a decrease of \$266 at power.

Cash at the power segment is comprised of \$5,093 at CPC and \$40,627 at the projects, which is only periodically accessible by corporate through distributions. The power segment's cash and cash equivalents are accessible through distributions under the terms of the CPC credit facility, which allows for distributions, subject to certain conditions. In turn, CPC receives distributions from its subsidiary power assets, which are subject to the terms of their project-specific credit agreements.

In addition to these funds, CPC has \$112,895 of credit facility capacity, of which over \$105,000 is available to be drawn in cash, at December 31, 2025.

Cash flow

Capstone's consolidated cash and cash equivalents increased by \$484 in 2025 compared with a decrease of \$16,703 in 2024. The components of the change in cash, as presented in the consolidated statement of cash flows, are summarized as follows:

For the year ended	Dec 31, 2025	Dec 31, 2024
Operating activities	101,557	72,927
Investing activities	(123,096)	(160,501)
Financing activities (excluding dividends to shareholders)	24,799	73,647
Dividends paid to shareholders	(2,776)	(2,776)
Change in cash and cash equivalents	484	(16,703)

Cash flow from operating activities was \$28,630 higher in 2025 due to a \$31,838 increase from the power segment and a \$3,208 decrease from corporate. The power segment increase reflects higher revenue from operating assets, partially offset by higher expenses and changes in working capital.

Cash flow used in investing activities was \$37,405 lower in 2025, from \$18,157 lower spend on capital assets and \$11,252 lower spend in projects under development ("PUD") for Wild Rose 2 and to progress development projects. In addition, \$10,476 of distributions from equity accounted investments were received in 2025, compared to none in 2024.

Cash flow from financing activities was \$48,848 lower in 2025, driven by \$180,839 lower proceeds from long-term debt, offset by \$76,975 lower repayments of debt. In addition, there was \$20,740 lower government funding received, and no return of capital to the Class A shareholder in 2025, compared to \$75,000 in 2024.

Long-term Debt

Continuity of Capstone's long-term debt for the year ended was:

	Dec 31, 2024	Additions	Repayments	Other	Dec 31, 2025
Long-term debt ^{(1), (2) and (3)}	1,120,865	130,245	(97,497)	—	1,153,613
Deferred financing fees ⁽⁴⁾	(28,241)	(722)	—	15,646	(13,317)
	1,092,624	129,523	(97,497)	15,646	1,140,296
Less: current portion of long-term debt ⁽⁵⁾	(91,656)	—	—	(22,024)	(113,680)
	1,000,968	129,523	(97,497)	(6,378)	1,026,616

- (1) The power segment has \$187,849 of securities used on its letter of credit facilities.
(2) Additions of \$130,245 include project financing of \$88,445 at Wild Rose 2 and CPC revolving credit facility draws of \$41,000.
(3) Repayments of \$97,497 include \$23,500 on the CPC revolving credit facility and scheduled repayments on the various project debt facilities.
(4) Other changes of \$15,646 relate to amortization of deferred financing fees on various projects.
(5) Change of \$22,024 reflects increases in current portion of long-term debt described below, partially offset by a decrease of \$18,691 from the SkyGen and Skyway 8 extension. The Claresholm term loan was amended and extended with existing lenders. Refer to the "Changes in the Business" section in this MD&A.

As at December 31, 2025, Capstone's long-term debt consisted of \$1,028,113 of project debt and \$125,500 for the CPC credit facilities. The current portion of long-term debt was \$113,680, including scheduled debt amortization of \$58,723 and the upcoming 2026 maturity of Cardinal debt of \$51,275. Capstone expects to repay the scheduled amortization from income generated by the power assets and is evaluating readily available options to refinance, amend, or extend the project debt maturing in the next twelve months.

CPC is subject to customary covenants, including specific limitations on leverage and interest coverage ratios. All of the power segment's project debt is non-recourse to Capstone, except for certain limited recourse guarantees provided to the lenders of the various facilities.

Equity

Shareholders' equity comprised:

As at	Dec 31, 2025	Dec 31, 2024
Common shares ⁽¹⁾	137,270	137,270
Preferred shares ⁽²⁾	72,020	72,020
Share capital	209,290	209,290
Accumulated other comprehensive income (loss)	—	744
Retained earnings	37,758	55,723
Equity attributable to Capstone shareholders	247,048	265,757
Non-controlling interests	88,737	91,391
Total shareholders' equity	335,785	357,148

- (1) No return of capital was paid to the Class A common shareholder in 2025 (2024 - return of capital to the class A common shareholders of \$75,000).
(2) Capstone has 3,000 publicly listed Series A preferred shares on the Toronto Stock Exchange.

Contractual Obligations

As at December 31, 2025, Capstone had outstanding contractual obligations with amounts due as follows:

	Within one year	One year to five years	Beyond five years	Total
Long-term debt ⁽¹⁾	165,165	634,043	703,081	1,502,289
Leases	7,719	30,241	79,108	117,068
Asset retirement obligations	—	73	14,935	15,008
Purchase obligations	18,195	64,826	117,648	200,669
Total contractual obligations	191,079	729,183	914,772	1,835,034

- (1) Long-term debt includes principal and interest payments.

Long-term debt

- Long-term debt is discussed in the "Long-term Debt" section of this MD&A.

Leases

The following leases have been included in the table based on known minimum lease payments:

- Capstone's operating wind facilities and wind development projects have entered into agreements to use, or the option to use, land in connection with the operation of existing and future wind facilities. Payment under these agreements is typically a minimum amount with additional payments dependent on the amount of power generated by the wind facility. The agreements can be renewed and extended as far as 2061.
- Cardinal leases the site on which it is located from Ingredion. Under the lease, Cardinal pays monthly rent. The lease extends through 2034 and expires concurrently with the Energy Savings Agreement between Ingredion and Cardinal.

- Capstone's operating solar facilities have entered into agreements to use land in connection with their operation with terms extending as far as 2067.
- The Corporation has two leases for its corporate offices expiring in 2026 and 2028.

Capstone's operating leases with no minimum payments required are:

- Agreements with the Provinces of Ontario and British Columbia for the lease of certain lands and water rights necessary for the operation of its hydro power facilities. The payments under these agreements vary based on actual power production. The terms of the lease agreements expire in 2030 and 2042.

Asset retirement obligations

Commitments associated with asset retirement obligations for Capstone's power facilities are projected to occur principally over the next 25 years. Some asset retirement obligations could be incurred as early as 2029, but the average asset retirement date is expected to be 2039.

Purchase obligations

Capstone enters into contractual commitments in the normal course of business, either directly or through its subsidiaries. These contracts include capital commitments and operations and maintenance ("O&M") agreements:

Capital commitments

- As at December 31, 2025, Capstone's aggregate capital commitments for development projects are \$16,275 for contracted development projects in British Columbia.

O&M agreements

- Cardinal has a maintenance contract with Siemens Energy Canada Limited covering the gas turbine at Ingridion's 15MW facility.
- Capstone has several service and maintenance agreements covering the turbines in operation on various wind facilities. The agreements provide for scheduled and unscheduled maintenance and require annual minimum payments, subject to inflationary increases, as applicable.
- Capstone has an O&M agreement with Regional Power OPCO Inc. ("Regional") to operate and maintain the hydro power facilities. Regional is paid a monthly management fee and is eligible for an annual incentive fee.
- As at December 31, 2025, Capstone has aggregate purchase commitments of \$169,768 for the operation and maintenance of various operating facilities.

Other commitments

In addition to the commitments included in the table above, Capstone has the following other commitments with no fixed minimum payments:

Power Purchase Agreements

A significant portion of the Corporation's electricity revenue is earned through long-term PPAs. The majority of these contracts include terms and conditions customary to the industry. For Cardinal's contract, the nature of commitments is based on the contract capacity of the facility. The remaining power facilities are registered as electricity market participants where they deliver generated electricity to the grid for a price specified in the PPA; however, in certain circumstances, if the facility fails to meet specific performance requirements, the facility may have financial penalties or the PPA may be terminated after a specified period of time. For certain wind projects in development, commitments include security in the form of letters of credit during development.

Management services agreements

Capstone has management services agreements with certain operating wind and solar facilities. These agreements are primarily for the provision of management and administration services and are based on an agreed percentage of revenue.

Wood waste supply agreement

One of the Whitecourt fuel supply agreements for wood waste includes sharing mechanisms regarding the price received for electricity and emissions offset credits sold by Whitecourt.

Energy savings agreement ("ESA")

Cardinal has an ESA with Ingridion which expires in 2034. Under the terms of the ESA, Cardinal is required to provide O&M services in respect of Ingridion's 15MW facility, and supply steam and compressed air to Ingridion for the use of its manufacturing facility. Cardinal entered into a maintenance contract with Siemens Energy Canada Limited in connection with the operation and maintenance of the 15MW plant in order to support Cardinal's satisfaction of the O&M terms of the ESA.

Guarantees

Capstone has provided limited recourse guarantees on the project debt of certain wind projects totaling \$6,000 as at December 31, 2025.

There have been no other significant changes to the specified contractual obligations that are outside the ordinary course of business. Capstone is not engaged in any off-balance sheet financing transactions. Due to the nature of their operations, the power facilities are not expected to incur material contingent liabilities upon the retirement of assets.

Capital Expenditure Program

Capstone's power segment invested \$111,173 in capital expenditures during 2025, which included \$109,511 of costs capitalized to PUD and \$13,112 of capital asset additions, less \$11,450 of recoverable investment tax credits and excluding right-of-use ("ROU") asset additions.

Amounts capitalized to PUD in 2025 were primarily for costs to advance Wild Rose 2 prior to commercial operations (\$83,184) and to advance the BC contracted projects (\$22,581).

Income Taxes

In 2025, the current income tax expense of \$4,143 (2024 - expense of \$620) reflects taxes payable from Canadian operations and monetizing the US development portfolio.

Deferred income tax assets and liabilities are recognized on Capstone's consolidated statement of financial position based on temporary differences between the accounting and tax bases of existing assets and liabilities. Deferred income tax assets and liabilities are calculated on a net basis where there is a legally enforceable right to offset within the same tax jurisdictions.

Capstone's net deferred income tax liability decreased by \$15,082 primarily due to the difference between accounting and tax amortization claimed during the year, non-deductible fair value adjustments on financial instruments, and an increase in tax losses for the year. Capstone's total deferred income tax assets of \$7,214 (2024 - \$5,257) primarily relate to unused tax losses carried forward. Deferred income tax liabilities of \$67,390 (2024 - \$80,515) primarily relate to the differences between amortization of intangible and capital assets for tax and accounting purposes.

DERIVATIVE FINANCIAL INSTRUMENTS

Capstone has exposure to market, credit and liquidity risks from its use of financial instruments as described in note 7 "Financial Instruments" and note 8 "Financial Risk Management" in the consolidated financial statements as at and for the year ended December 31, 2025. These notes contain further details on the implicit risks and valuation methodology employed for Capstone's financial instruments.

To manage certain financial risks inherent in the business, Capstone enters into derivative contracts primarily to mitigate the economic impact of the fluctuations in interest rates, or electricity market prices. The fair values of these contracts included in the consolidated statement of financial position, were:

As at	Dec 31, 2025	Dec 31, 2024
Derivative contract assets	26,028	27,083
Derivative contract liabilities	(26,030)	(6,693)
Net derivative contract assets	(2)	20,390

Net derivative contract assets decreased by \$20,392 from December 31, 2024, due to losses of \$18,438 in the statement of income and contractual settlements of \$1,954 receivable.

Fair value changes of derivatives in the consolidated statements of income and comprehensive income comprised:

For the year ended	Dec 31, 2025	Dec 31, 2024
Interest rate swap contracts	4,718	(4,686)
Embedded derivatives ⁽¹⁾	(23,156)	22,636
Gain (losses) on derivatives in comprehensive income	(18,438)	17,950

(1) The embedded derivatives relate to fuel supply and PPA contracts. Refer to note 2 "Summary of Material Accounting Policies" in the consolidated financial statements for the year ended December 31, 2025.

The loss reflects generally higher forecasted Alberta Power Pool prices, partially offset by gains from higher forecasted interest rates since December 31, 2024.

RISKS AND UNCERTAINTIES

Introduction

Risk is an inevitable aspect of operating any business. Decisions that balance risk exposure with intended financial rewards within risk tolerances are the responsibility of the Corporation's management under the supervision of the Board of Directors. When a risk exposure exceeds the Corporation's risk tolerance, the Corporation will, to the extent possible, take steps to eliminate, avoid, reduce or transfer such risk.

The Corporation recognizes the importance and benefits of timely identification, assessment and management of risks that may impact the Corporation's ability to achieve its strategic and financial objectives. In this respect, the Corporation is committed to prudent risk management practices within the context of an enterprise risk management ("ERM") framework. The Corporation maintains a registry of risks that is reviewed by management and the Board of Directors at least quarterly. The Corporation also

undertakes an annual comprehensive review of its ERM framework and practices to continuously improve its risk management practices.

What follows is a description of the Corporation's key risk governance and risk processes to support achievement of strategic and financial performance objectives.

Risk Management Principles and Governance

The Corporation's ERM framework is based on five core principles which establish the culture and tone that guide risk management decisions. Risk management is everyone's responsibility, about decision-making, embedded within existing management routines, about people and culture, and specific to each business unit. The Corporation's interpretation of the ERM framework includes the following hierarchy of responsibilities:

- **Board of Directors and Audit Committee** have overall governance responsibility for setting and overseeing management's implementation of the risk management policy.
- **Internal Audit** reports to the Audit Committee and is responsible for reviewing management's practices to manage risks in specific areas agreed from time to time between management and the Audit Committee.
- **Senior Management** is responsible for ensuring the implementation of the ERM framework to all applicable activities and reporting to the Audit Committee and the Board of Directors.
- **Business Units** are responsible for ensuring the application of a risk management framework to identify, monitor and report risk.
- **Risk Owners** are responsible for the identification and day-to-day management and oversight of risks in their assigned area.



Risk Management Processes

The Corporation's framework relies on the following six key ERM processes to integrate risk management activities with strategic and operational planning, decision-making and day-to-day oversight of business activities.

- **Risk identification** is the process of identifying and categorizing risks that could impact the Corporation's objectives.
- **Risk assessment** is the process of determining the likelihood and impact of the risk. The Corporation uses a five-point rating scale for likelihood and impact.
- **Risk prioritization** is the process of ranking risks as high, medium or low based on the net risk rating as described in the diagram below.
- **Risk management** responses are measures taken to optimize the Corporation's net risk exposure within overall tolerance to achieve the desired balance between risk and reward.
- **Monitoring and reporting** are the processes of assessing the effectiveness of risk management responses.
- **Training and support** ensure that personnel tasked with risk management responsibilities have sufficient knowledge and experience to complete their risk management obligations.

The Corporation's risk management approach is comprehensive. It combines the experience and specialized knowledge of individual business segments and corporate oversight functions as well as various analytic tools and methodologies, including a risk matrix (refer to chart to the right), to assist the Corporation in regularly assessing and updating the net exposure (including mitigants) of each known material risk facing the Corporation in the following four risk categories: operational; strategic; financial; and legal and regulatory. The Corporation's assessment process prioritizes risks.

		Likelihood of Risk Occurrence				
		Rare	Unlikely	Somewhat Likely	Likely	Almost Certain
		1	2	3	4	5
Impact of Risk	Insignificant	1				
	Minor	2				
	Moderate	3				
	Major	4				
	Catastrophic	5				

Managing Risk

The Corporation requires that risk assessments (which encompass operational, strategic, financial and legal and regulatory risks) be performed for the power facilities and at the corporate level.

In addition to these risks, there are numerous other risk factors, many of which are beyond the Corporation's control and the effects of which can be difficult to predict, that could be material to investors or cause the Corporation's results to differ significantly from its plans, objectives and estimates. For a more comprehensive list and description of the risks affecting the Corporation refer to the "Risk Factor" section of the Corporation's most recently filed Annual Information Form, as supplemented by risk factors contained in any of the following documents filed by the Corporation with securities commissions or similar authorities in Canada after the date of this annual MD&A, which are available on SEDAR+ at www.sedarplus.ca: material change reports; business acquisition reports; interim financial statements; and interim management's discussion and analysis.

Risks Related to the Corporation and its Businesses

Risks that have materially affected the Corporation's financial statements, or that have a reasonable likelihood of affecting them materially in the future, are presented in the table below.

The Corporation continues to monitor developments and develop mitigation measures to manage impacts on its businesses and development projects. Risks specific to Capstone's power segment, as well as at the corporate-level, are included.

Risk and Description	Impact	Monitoring and Mitigation
Operational Risks		
Development and capital expenditure risks concern the construction of new Canadian power generation facilities in line with the requirements of awarded PPAs and regulatory requirements and planned maintenance capital expenditures required on existing facilities to maintain operations.	Delays and cost overruns in the construction of new facilities, failure to meet regulatory standards or in performing planned maintenance or refurbishments could lead to lower cash flows, and where PPA requirements are not met, cancellation of the PPA resulting in lost revenue and impairment of any capitalized costs for the facility.	Capstone has professional project management processes and uses experienced contractors and advisors. Capstone contracts include a combination of incentives, liquidated damages, or fixed-pricing to align suppliers interests to project results.
Production risk concerns the dependence of power production on adequate resources such as wind, sunlight and water flow as well as fuel supply and the availability of each of the sites.	Low availability, curtailment, inadequate wind, sunlight, water flow, wood waste, or gas leads to lower power production which results in lower revenues.	Capstone maintains facilities in quality condition to maximize availability for power generation when renewable resources are available and strongest. Capstone also seeks to diversify its portfolio of businesses to mitigate the dependency on a single resource or geography.
Merchant risk concerns the power generation facilities with ties, directly or indirectly, to the wholesale market price for electricity in Ontario and Alberta.	Volatility and uncertainty in the energy market and market prices for electricity could cause Capstone to fall short of its financial forecasts due to revenue short-falls.	Capstone mitigates by obtaining third party forecasts of market prices for electricity and pursuing PPA or off-take contracts with reputable counterparties.
PPA renewal risk concerns the ability to recontract expiring PPAs on economically feasible terms and failing to align with the useful lives of the power facilities.	If Capstone is unsuccessful or delayed in recontracting its expiring PPAs, it would cause Capstone to fall short of its financial forecasts, as revenue short-falls could result from operating in merchant or other markets.	Capstone mitigates by starting negotiations with counterparty(ies) well before contract expiry, considering impacts of other stakeholders and working to ensure the broader benefits of the facility are considered in the process. In addition, company-wide mitigation is provided by maintaining a diversified portfolio to reduce the impact of any one facility to the overall consolidated financial results.
Information technology ("IT") and data security risk concerns the ability to develop, maintain and manage complex information technology systems which are used to operate and monitor its facilities and other business systems.	Cyber attacks or unauthorized access to information technology systems may lead to production disruptions and system failures that, amongst other things, may result in lower production and revenues.	Capstone follows a recognized IT framework which includes security and recovery plans. In addition, certain sites are compliant with North American Electric Reliability Corporation standards.
Succession and human resources retention risks concern the ability to replace senior management and attract, retain and motivate key staff.	Inability to retain or replace key staff or senior management could prevent or delay Capstone from executing its business strategy, thereby causing Capstone to fall short of its financial forecasts.	Capstone maintains a succession plan and provides career and development opportunities to its employees.
Strategic Risks		
Competition risk concerns the ability to source and complete attractive investment opportunities that support Capstone's growth initiatives within the power segment.	Inability to source and execute attractive growth opportunities may lead to lower long-term cash flow as businesses operating under finite term contracts experience uncertainty about their longer term cash flow potential.	Management periodically reviews and updates strategy according to market conditions and developments.
Financial Risks		
Expense management risk concerns unexpected non-recoverable increases in operating and administrative costs.	Unanticipated increases in costs could result in lower earnings and cash flow.	Capstone monitors costs against budgets and considers asset lifecycle costs in decision making.
Forecasting risk concerns the accuracy of projections for results from operations due to error or unpredictable economic, market and specific business factors.	Volatility of financial forecasts increases liquidity reserve requirements to pay expenses, reducing cash flows.	Capstone targets businesses which have inherently predictable financial results from operations. Capstone maintains adequate levels of liquidity to manage during periods of uncertainty.
Taxation risk concerns higher income and other taxes attributable to adverse legislation changes, including tax rate increases, or interpretations by tax authorities on audit.	Higher taxation results in both lower income and cash flow available.	Capstone minimizes exposures to adverse tax rulings by choosing structures that adhere to taxation regulations, are commonly used in practice and wherever practical supported by opinions of external advisers. In addition, Capstone monitors the trends and policies of taxation authorities in the jurisdictions where its businesses operate.

Risk and Description	Impact	Monitoring and Mitigation
Operational Risks		
Financing risk concerns the ability to access timely and cost effective debt or equity to support the development and construction of power facilities, business acquisitions and replace maturing debt.	Inability to access cost-effective debt or equity could result in higher interest costs, lower cash flow or liquidity difficulties. For an acquisition, this could also prevent Capstone from realizing a growth opportunity.	Capstone maintains relationships with multiple financial institutions that have the resources to provide some or all financing requirements. In addition, most existing project debt amortizes over the term of the PPAs to minimize refinancing requirements and debt maturities are staggered.
Foreign exchange fluctuations risk concerns volatility of the Canadian dollar relative to foreign currencies.	Volatility in exchange rates could negatively impact cash flows, value of investments and operating results, which are denominated in Canadian dollars.	Capstone minimizes exposure to foreign exchange fluctuations through hedging instruments where economically feasible.
Legal and Regulatory Risks		
Regulatory change risk concerns the adverse affects to Capstone's business from changes in federal, provincial, state or municipal laws or regulations most notably, changes to the federal Clean Technology Investment Tax Credit and Alberta's Technology Innovation and Emissions Reduction regulations and transition to Optimal Transmission Planning and a Restructured Energy Market.	Changes in laws or regulations could impact Capstone's current business and limit opportunities for growth in the future.	Capstone remains informed on relevant legislation, regulations, standards, and codes, engaging external consultants where applicable.

ENVIRONMENTAL, HEALTH AND SAFETY REGULATION

Capstone's power facilities (collectively the "Facilities") hold all material permits and approvals required for their operation and maintenance. All assets are managed to comply with health, safety and environmental ("HSE") laws in addition to Capstone's corporate and facility-specific HSE policies.

The Facilities are subject to robust and stringent HSE regulatory regimes, which focus on:

- Commitment to identify, eliminate, mitigate and manage health and safety issues for all workers, visitors, nearby landowners and other personnel at each of the Facilities;
- Regulatory compliance of emissions and discharges related to air, noise, water, and sewage;
- Proper storage, handling, use, transportation and distribution of dangerous goods and hazardous and residual materials including the prevention of releases of these materials to the environment;
- Management of construction and operation related permits to ensure compliance with all HSE regulations; and
- Protection of the natural and built environment.

Climate Change, Greenhouse Gas Emissions and Policy Initiatives

Due to the emission of greenhouse gases ("GHGs"), such as carbon dioxide ("CO₂") and nitrous oxides ("NO_x"), some of the Facilities, specifically the Cardinal and Whitecourt facilities, have an ongoing operational impact on the environment. All Facilities comply in all material respects with the applicable Canadian and provincial legislation and guidelines regarding GHGs and other emissions. Capstone monitors the potential impact of future changes to environmental legislation and guidelines by remaining diligent in the operation of the Facilities, including implementing stringent policies and procedures to prevent the contravention of permits and approvals.

The Canadian federal government ratified the Paris Accord, negotiated under the United Nations Framework Convention on Climate Change, in the fall of 2016. Pursuant to the Paris Accord, the parties committed, in a non-binding manner, to accelerate actions and investments needed to limit global average temperatures to below 2°C above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C. In late 2016, Canada and the majority of its provinces agreed to the Pan-Canadian Framework on Clean Growth and Climate Change ("Framework"). Pursuant to the Framework, provincial jurisdictions have the flexibility to implement a variety of carbon regimes, ranging from regimes involving a carbon tax, to performance-based emissions regimes involving emissions intensity and cap-and-trade. As a regulatory backstop, the federal government has also enacted the *Greenhouse Gas Pollution Pricing Act* ("GGPPA"), which implements a carbon pricing regime in those provinces and territories that fail to implement adequate carbon pricing schemes. Pursuant to the GGPPA, the minimum price for carbon for large emitters was \$95/tonne in 2025 and is \$110/tonne in 2026. As set out in Schedule 4 of the GGPPA, the carbon price will increase by \$15/tonne per year over the next several years, resulting in a carbon price of \$170/tonne in 2030. The Corporation continues to monitor the federal government's assessment of alternative carbon pricing systems for compliance with the GGPPA.

In Alberta, the Technology Innovation and Emissions Reduction ("TIER") Regulation applies to regulated facilities that emit 100,000 tonnes of GHGs or more per year. TIER has been accepted by the federal government as an alternative to the federal backstop for large emitters. If a large emitter cannot meet its provincial GHG emissions thresholds through operational improvements, it can purchase emission offsets from qualified offset facilities, purchase emission performance credits from other large emitters, or contribute to the Alberta TIER fund. Capstone's operating Alberta-based wind and solar facilities are all eligible

to produce valid emission offsets under TIER, including Claresholm, Whitecourt, Michichi, Kneehill, Buffalo Atlee, and Wild Rose 2, which produced emission offsets in the current year.

In 2025, the price of the Alberta TIER fund was \$95/tonne and was scheduled to increase to \$110/tonne of CO₂e in 2026. However, on May 12, 2025, the Government of Alberta announced an indefinite freeze of the TIER compliance fund price. Notwithstanding this announcement, the freeze has not been implemented and the TIER compliance fund price is expected to change in order to align with the GGPPA's industrial carbon price, pursuant to a new industrial carbon pricing framework between Alberta and Canada, which is under negotiation and is expected to be finalized in 2026.

Ontario has introduced an Emissions Performance Standards ("EPS") program which applies to GHG emissions from large industrial emitters. The EPS program has also been accepted by the federal government as an alternative to the federal backstop. Although Ontario previously indicated it intended to develop an offset trading program, in April of 2024 it confirmed nothing would be developed in the short term and it remains unclear if and when Ontario will develop an offset trading system as part of its EPS program.

Cardinal

The Cardinal facility uses natural gas to generate electricity and, therefore, produces GHG emissions. The facility is required to report its GHG emissions under various federal and provincial regulations. Federal and provincial environmental regulations also require for, among other things, the reporting of NO_x emissions and other particulate matter pollutants. The Cardinal facility is in compliance with all federal and provincial GHG and environmental monitoring and reporting requirements.

Whitecourt

The Whitecourt facility uses biomass combustion technology to convert the energy content in wood waste into electricity. Biomass is generally considered to be carbon-neutral as the amount of CO₂ arising from combustion is equal to what would be emitted if the biomass were to decompose naturally. Although electricity generated from biomass is regarded as an environmentally friendly form of power generation, the facility is still required to report its GHG emissions under various federal and provincial regulations and programs. Federal and provincial environmental regulations also require for, among other things, the reporting of NO_x emissions, CO₂ emissions, and other particulate matter pollutants as conditions of the facility's operating permits. The Whitecourt facility is in compliance with all federal and provincial GHG and environmental monitoring and reporting requirements.

Hydro Facilities

Capstone's hydro facilities do not produce GHGs through electricity generation. However, ancillary operations and maintenance activities do produce immaterial amounts of GHG emissions, which are well below the federal and provincial threshold for verification and reporting. The facilities are also governed by water management plans and/or water licenses, which specify the hydrological conditions during which production may occur and/or what water levels and flows must be maintained at the facilities.

Wind and Solar Facilities

Capstone's wind and solar facilities do not generate GHGs through electricity generation. However, ancillary operations and maintenance activities do produce immaterial amounts of GHG emissions, which are well below the federal and provincial threshold for verification and reporting.

Further Information

Further information regarding Environmental, Safety and Health Regulations matters is contained in the Corporation's Annual Information Form (which is available under the Corporation's profile on www.sedarplus.ca).

RELATED PARTY TRANSACTIONS

Capstone's 2025 related party transactions and balances are comprised of transactions with iCON Infrastructure LLP and subsidiaries ("iCON") and compensation to key management.

Contributions and Credit Support from iCON

In 2025, no cash contributions were made by Capstone's Class A common shareholder or return of capital to the Class A common shareholder (2024 - Capstone paid \$75,000 return of capital to its Class A common shareholder).

The Class A common shareholder previously provided letters of credit issued to the benefit of Capstone under a financing and reimbursement agreement with iCON, which was terminated in December 2025. All letters of credit issued by iCON's letter of credit issuers were cancelled in August 2025 and replaced with letters of credit issued by the Corporation's letter of credit facilities. Capstone reimbursed the common shareholder for payments made on its behalf, including fees and draws on the letters of credit. For the year ended December 31, 2025, Capstone reimbursed normal course fees of \$480 (2024 - \$1,055).

Compensation of Key Management

Key management includes the Corporation's directors, Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and Chief Operating Officer ("COO"). Compensation awarded to key management consists of salaries, directors' fees, short-term employee benefits and long-term incentive plans. Key management compensation is described in note 25 "Related Party Transactions" in the consolidated financial statements for the year ended December 31, 2025.

Linking Management Compensation to Performance

Compensation plays an important role in achieving short- and long-term business objectives that ultimately drive the Corporation's business success in alignment with long-term shareholder goals. The objectives of the Corporation's compensation program are to:

- Attract and retain highly qualified employees with a history of proven success;
- Align the interests of employees with shareholders' interests and with the execution of the Corporation's business strategy;
- Establish performance goals that, if met, are expected to improve long-term shareholder value; and
- Tie compensation to those goals and provide meaningful rewards for achieving them.

Corporate performance targets are set each year to provide management with an incentive to exceed annual budgeted financial results and other business performance measures and are therefore aligned with shareholder interests.

The following table summarizes the link between the Corporation's executive and senior officer forms of compensation and performance:

	Salary	Short-term incentive plan ("STIP")	Share appreciation rights ("SAR") plan
Description	Salary is a fixed component of compensation that provides income certainty by establishing a base level of compensation for executives fulfilling their roles and responsibilities.	The STIP provides the possibility of an additional annual cash award based on the achievement of corporate and individual goals.	Capstone has a share appreciation rights ("SAR") plan, which is tied to long-term growth to motivate and retain executives on a long-term basis. The awards will be paid in cash after meeting certain vesting conditions.
Purpose	To attract and retain qualified executives.	To motivate, attract and retain qualified executives.	To reward long-term performance and align interests of executives with security holders.
Link to performance	No direct link.	A significant portion of this award is based on actual business performance against Capstone's internal performance measures.	The SAR is directly linked to the long-term increase in the Corporation's value upon a sale transaction.

For a comprehensive understanding of Capstone's compensation program refer to the "Compensation Discussion and Analysis" section of the Corporation's most recently filed AIF.

SUMMARY OF QUARTERLY RESULTS

The following table provides a summary of the previous eight quarters of Capstone's financial performance.

	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	79,185	59,441	60,477	63,643	61,224	45,825	53,989	58,237
EBITDA	70,593	21,141	28,782	14,164	21,977	(2,547)	35,013	78,590
Net income (loss) ⁽¹⁾	23,438	(12,795)	(6,995)	(18,757)	(13,583)	(26,881)	(902)	36,470
Preferred dividends	694	694	694	694	694	694	694	694

(1) Net income (loss) attributable to the common shareholders of Capstone, which excludes non-controlling interests.

FOURTH QUARTER HIGHLIGHTS

	Three months ended	
	Dec 31, 2025	Dec 31, 2024
Revenue	79,185	61,224
Operating expenses	(30,087)	(18,786)
Administrative expenses	(3,806)	(2,995)
Project development costs	(5,211)	(4,015)
Equity accounted income (loss)	12,794	(1,298)
Interest income	687	836
Other gains and (losses), net	17,173	(13,296)
Foreign exchange gains and (losses)	(142)	307
Earnings before interest, taxes, depreciation and amortization	70,593	21,977
Interest expense	(20,839)	(12,940)
Depreciation of capital assets	(20,612)	(21,891)
Amortization of intangible assets	(2,917)	(3,833)
Earnings (loss) before income taxes	26,225	(16,687)
Income tax recovery (expense)		
Current	(1,864)	(339)
Deferred	(463)	3,348
Total income tax recovery (expense)	(2,327)	3,009
Net income (loss)	23,898	(13,678)
Net income (loss) attributable to:		
Shareholders of Capstone	23,438	(13,583)
Non-controlling interest	460	(95)
	23,898	(13,678)

In the fourth quarter of 2025, Capstone's EBITDA and net income were higher than in 2024. Higher quarterly net income reflects:

- Higher unrealized gains on financial instruments primarily due to higher future interest rates and lower forecasted Alberta Power Pool Prices; and
- Higher revenue due to wind production from higher resource, the addition of Wild Rose 2, which achieved COD in August 2025, and more runs at Cardinal leading to both higher revenue and expenses. This is partially offset by lower Alberta Power Pool prices at Whitecourt, Claresholm, and Kneehill, and lower emissions offset credits sales; and
- Higher equity accounted income due to the gain on sale of a US energy storage development project.

ACCOUNTING STANDARDS, ESTIMATES AND INTERNAL CONTROLS

Significant Changes in Accounting Standards

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and are consistent with policies for the year ended December 31, 2024. Refer to note 2 "Summary of Material Accounting Policies" in the consolidated financial statements for the year ended December 31, 2025.

Future Accounting Changes

The International Accounting Standards Board ("IASB") has issued the following significant accounting changes that impact the Corporation.

The IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* to enhance the accounting for contracts referencing nature-dependent electricity, such as those involving renewable energy sources. These amendments aim to provide clearer guidance on the 'own-use' exemption for net-purchasers of energy and the application of hedge accounting for such contracts. Key aspects of the amendments include clarifying the application of the 'own-use' requirements, modifying and increasing flexibility in the effectiveness requirements for qualifying hedges, and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. The amendments will be effective for annual reporting periods starting on or after January 1, 2026, with earlier application permitted. Management has assessed the amendments and determined that the changes will not have a material impact on the consolidated financial statements, and does not intend to elect hedge accounting.

The IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* that clarify the timing of derecognition of financial liabilities and introduce an accounting policy option to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specified criteria are met. The amendments are effective for annual reporting periods starting on or after January 1, 2026. Management has assessed the amendments and determined that the changes will not have a material impact on the consolidated financial statements.

The IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which replaces IAS 1, *Presentation of Financial Statements*, to enhance the reporting of financial performance, while retaining many of its requirements. This new standard will be effective for annual reporting periods starting on or after January 1, 2027, with earlier adoption permitted. Capstone is evaluating the impact that the adoption will have on disclosure in the consolidated financial statements.

Capstone continues to monitor changes to IFRS Accounting Standards and has implemented applicable IASB changes to standards, new interpretations, and annual improvements.

Accounting Estimates

The consolidated financial statements are prepared in accordance with IFRS Accounting Standards, which require the use of estimates and judgment in reporting assets, liabilities, revenues, expenses and contingencies.

The following accounting estimates included in the preparation of the consolidated financial statements are based on significant estimates and judgments, which are summarized as follows:

Area of Significance	Critical Estimates and Judgments
Capital assets, projects under development and intangible assets:	
<ul style="list-style-type: none"> • Purchase price allocations. • Depreciation on capital assets. • Amortization on intangible assets. • Asset retirement obligations. • Impairment assessments of capital assets, projects under development and intangible assets. 	<ul style="list-style-type: none"> • Initial fair value of net assets. • Estimated useful lives and residual value. • Estimated useful lives. • Expected settlement date, amount and discount rate. • Future cash flows and discount rate.
Deferred income taxes	<ul style="list-style-type: none"> • Timing of reversal of temporary differences, tax rates and current and future taxable income.
Financial instruments and fair value measurements	<ul style="list-style-type: none"> • Future cash flows, discount rates, realizable forward Alberta Power Pool prices, volatility, credit spreads, and production projections.

Management's estimates are based on historical experience, trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could materially differ from those estimates.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Capstone's CEO and CFO are required by the various provincial securities regulators to certify annually that they have designed, or caused to be designed, Capstone's disclosure controls and procedures ("DC&P"), as defined in the Canadian Securities Administrators' National Instrument 52-109 ("NI 52-109"), and that they have evaluated the effectiveness of the presence and function of these controls and procedures in the applicable period. Disclosure controls are those controls and other procedures that are designed to provide reasonable assurance that the relevant information that Capstone is required to disclose is recorded, processed and reported within the time frame specified by such securities regulators.

Capstone's management, under the supervision of and with the participation of the CEO and CFO, has designed internal controls over financial reporting ("ICFR"), as defined in NI 52-109. The purpose of ICFR is to provide reasonable assurance regarding the reliability of Capstone's financial reporting, in accordance with IFRS Accounting Standards, focusing in particular on controls over information contained in the audited annual and unaudited interim consolidated financial statements. The internal controls are not expected to prevent and detect all misstatements due to error or fraud. Consistent with the prior year, Capstone uses the 2013 version of Committee of Sponsoring Organizations ("COSO") internal control framework.

The CEO and CFO have concluded that Capstone's DC&P were effective as at December 31, 2025 to ensure that information required to be disclosed in reports that Capstone files or submits under Canadian securities legislation is recorded, processed, summarized and reported within applicable time periods.

As at December 31, 2025, Capstone's management had assessed the effectiveness of Capstone's internal controls over financial reporting using the criteria set forth by COSO of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on this assessment, management has determined that Capstone's internal controls over financial reporting were effective as at December 31, 2025.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and other financial information contained in this annual report have been prepared by management. It is management's responsibility to ensure that sound judgment, appropriate accounting policies and reasonable estimates have been used to prepare this information and that the consolidated financial statements are in accordance with International Financial Reporting Standards.

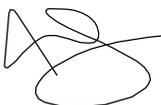
Management is also responsible for designing, maintaining and testing a system of internal controls over the financial reporting processes. Internal controls have been designed to provide reasonable assurance that the financial records are reliable, accurate and form a proper basis for the preparation of the consolidated financial statements. As of December 31, 2025, management reviewed and tested the internal controls over financial reporting and concluded that they were effective to provide reasonable assurance over the consolidated financial statements.

The Audit Committee of the Board of Directors is responsible for reviewing the consolidated financial statements with management and the external auditors and reporting to the Board of Directors. The Audit Committee is responsible for retaining the services of the independent auditor and for renewing the auditor's mandate, which is subject to Board of Directors' review and shareholders' approval.

The independent auditor, PricewaterhouseCoopers LLP, is responsible for conducting an examination in accordance with Canadian generally accepted auditing standards to express an opinion on whether the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The report of PricewaterhouseCoopers LLP, which outlines the scope of its examination and its opinion on the consolidated financial statements, appears on the following pages.



David Eva
Chief Executive Officer



Andrew Kennedy
Chief Financial Officer

Toronto, Canada
March 4, 2026



Independent auditor's report

To the Shareholders of Capstone Infrastructure Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Capstone Infrastructure Corporation and its subsidiaries (together, the Corporation) as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2025 and 2024;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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 Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2500
Toronto, Ontario, Canada M5J 0B2
T.: +1 416 863 1133, F.: +1 416 365 8215
Fax to mail: ca_toronto_18_york_fax@pwc.com

Key audit matter

How our audit addressed the key audit matter

Assessment of impairment indicators for capital assets, projects under development and intangible assets

Refer to note 2 – Summary of material accounting policies, note 10 – Capital assets, note 11 – Projects under development and note 12 – Intangible assets to the consolidated financial statements.

As at December 31, 2025, the Corporation has capital assets of \$1,348 million, projects under development of \$44 million and intangible assets of \$99 million. At each reporting date, management uses critical judgments to assess whether events or changes in circumstances indicate that these assets may be impaired.

In making these assessments, management considers both internal and external factors, such as changes in market conditions, physical condition and expected future use of the asset, operating performance and other relevant economic or regulatory changes. The assets are tested for impairment when factors, events or changes in circumstances indicate that the carrying value may not be recoverable.

We considered this a key audit matter due to the judgment applied by management in assessing the existence of any indication of impairment, and the high degree of auditor judgment and subjectivity in evaluating management's assessment of indicators of impairment.

Our approach to addressing the matter included the following procedures, among others:

- Evaluated the reasonableness of management's assessment of indicators of impairment, which included the following:
 - Assessed changes in market conditions which include changes in future market prices and interest rates by considering third party market and industry data.
 - Assessed changes in physical condition, expected future use of the assets, operating performance, and other relevant economic or regulatory changes by reviewing Board minutes, considering current performance and evidence obtained in other areas of the audit, as applicable.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Corporation'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 Corporation'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 consolidated 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 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 independent auditor's report is Philip Hagel.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 4, 2026

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	Notes	Dec 31, 2025	Dec 31, 2024
Current assets			
Cash and cash equivalents	3	47,226	46,742
Restricted cash	3	38,957	32,094
Accounts receivable	4	57,359	38,332
Other assets	5	3,959	5,949
Current portion of derivative contract assets	7	7,321	3,982
		<u>154,822</u>	<u>127,099</u>
Non-current assets			
Loans receivable	6	23,212	21,791
Derivative contract assets	7	18,707	23,101
Equity accounted investments	9	6,316	7,018
Capital assets	10	1,348,352	980,802
Projects under development	11	44,459	380,632
Intangible assets	12	99,367	110,574
Deferred income tax assets	13	7,214	5,257
Total assets		<u><u>1,702,449</u></u>	<u><u>1,656,274</u></u>
Current liabilities			
Accounts payable and other liabilities	14	58,152	54,189
Current portion of derivative contract liabilities	7	4,094	1,474
Current portion of lease liabilities	15	1,786	1,711
Current portion of long-term debt	16	113,680	91,656
		<u>177,712</u>	<u>149,030</u>
Long-term liabilities			
Derivative contract liabilities	7	21,936	5,219
Deferred income tax liabilities	13	67,390	80,515
Lease liabilities	15	57,676	47,689
Long-term debt	16	1,026,616	1,000,968
Liability for asset retirement obligation	17	15,334	15,705
Total liabilities		<u>1,366,664</u>	<u>1,299,126</u>
Equity attributable to shareholders' of Capstone		247,048	265,757
Non-controlling interest	19	88,737	91,391
Total liabilities and shareholders' equity		<u><u>1,702,449</u></u>	<u><u>1,656,274</u></u>
Commitments and contingencies	24		

Refer to the accompanying notes to these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Notes	Equity attributable to shareholders of Capstone			NCI ⁽²⁾	Total Equity
		Share Capital	AOCI ⁽¹⁾	Retained Earnings (Deficit)		
Balance, December 31, 2023		284,290	—	63,476	96,856	444,622
Other comprehensive income (loss)		—	744	—	—	744
Net income (loss) for the period		—	—	(4,896)	(1,140)	(6,036)
Return of capital ⁽³⁾	18	(75,000)	—	—	—	(75,000)
Dividends declared to preferred shareholders of Capstone ⁽⁴⁾	18	—	—	(2,857)	—	(2,857)
Dividends declared to NCI	19	—	—	—	(4,790)	(4,790)
Net contributions from NCI	19	—	—	—	465	465
Balance, December 31, 2024		209,290	744	55,723	91,391	357,148
Return of Capital ⁽³⁾	18	—	—	—	—	—
Other comprehensive income (loss)		—	(744)	—	—	(744)
Net income (loss) for the period		—	—	(15,109)	1,005	(14,104)
Dividends declared to preferred shareholders of Capstone ⁽⁴⁾	18	—	—	(2,856)	—	(2,856)
Dividends declared to NCI	19	—	—	—	(4,609)	(4,609)
Net contributions from NCI	19	—	—	—	950	950
Balance, December 31, 2025		209,290	—	37,758	88,737	335,785

(1) Accumulated other comprehensive income (loss) ("AOCI").

(2) Non-controlling interest ("NCI").

(3) No return of capital was paid to the Class A common shareholder in 2025 (2024 - return of capital to the class A common shareholders of \$75,000)

(4) Dividends declared to preferred shareholders of Capstone include current and deferred income taxes expense of \$80 (2024 - expense of \$81).

Refer to the accompanying notes to these consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

	Notes	For the year ended	
		Dec 31, 2025	Dec 31, 2024
Revenue	21	262,746	219,275
Operating expenses	22	(97,204)	(70,795)
Administrative expenses	22	(12,652)	(11,970)
Project development costs	22	(10,918)	(11,576)
Asset impairment charges		—	(3,046)
Equity accounted income (loss)	9	8,978	(6,015)
Interest income	7	3,081	4,595
Other gains and (losses), net	23	(19,073)	12,003
Foreign exchange gain (loss)		(278)	562
Earnings before interest expense, taxes, depreciation and amortization		<u>134,680</u>	<u>133,033</u>
Interest expense	7	(62,939)	(49,062)
Depreciation of capital assets	10	(83,420)	(83,599)
Amortization of intangible assets	12	(12,334)	(13,930)
Earnings before income taxes		<u>(24,013)</u>	<u>(13,558)</u>
Income tax recovery (expense)			
Current		(4,143)	(620)
Deferred		14,052	8,142
Total income tax recovery (expense)	13	<u>9,909</u>	<u>7,522</u>
Net income (loss)		<u><u>(14,104)</u></u>	<u><u>(6,036)</u></u>
Attributable to:			
Shareholders of Capstone		(15,109)	(4,896)
Non-controlling interest	19	1,005	(1,140)
		<u><u>(14,104)</u></u>	<u><u>(6,036)</u></u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	For the year ended	
		Dec 31, 2025	Dec 31, 2024
Cumulative differences on translation of foreign operations	2	(744)	744
Other comprehensive income (loss)		(744)	744
Net income (loss)		<u>(14,104)</u>	<u>(6,036)</u>
Total comprehensive income (loss)		<u><u>(14,848)</u></u>	<u><u>(5,292)</u></u>
Comprehensive income (loss) attributable to:			
Shareholders of Capstone		(15,853)	(4,152)
Non-controlling interest	19	1,005	(1,140)
		<u><u>(14,848)</u></u>	<u><u>(5,292)</u></u>

Refer to the accompanying notes to these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the year ended	
		Dec 31, 2025	Dec 31, 2024
Operating activities:			
Net income (loss)		(14,104)	(6,036)
Deferred income tax expense (recovery)	13	(14,052)	(8,142)
Depreciation and amortization		95,754	97,529
Asset impairment charges		—	3,046
Non-cash other (gains) and losses, net		25,566	(10,867)
Transaction costs on debt		(2,000)	(17,027)
Amortization of deferred financing costs and non-cash financing costs		16,541	5,097
Equity accounted (income) loss	9	(8,978)	6,015
Change in non-cash working capital and foreign exchange		2,830	3,312
Total cash flows from operating activities		101,557	72,927
Investing activities:			
Investment in projects under development	11	(108,345)	(119,597)
Investment in capital assets	10	(14,254)	(32,411)
Decrease (increase) in restricted cash		(6,863)	(5,587)
Contributions to equity accounted investments	9	(3,549)	(8,913)
Investment in intangible assets	12	(561)	—
Distributions from equity accounted investments		10,476	—
Proceeds from disposal of capital assets and projects under development		—	6,007
Total cash flows used in investing activities		(123,096)	(160,501)
Financing activities:			
Proceeds from issuance of long-term debt	16	130,245	311,084
Repayment of long-term debt	16	(97,497)	(174,472)
Dividends paid to non-controlling interests	19	(4,609)	(4,790)
Dividends paid to preferred shareholders		(2,776)	(2,776)
Advances on loans receivable to partner	6	(1,866)	(736)
Lease principal payments		(1,474)	(1,210)
Proceeds from government funding		—	20,740
Settlement of hedging instruments		—	(1,969)
Return of capital to Class A common shareholder		—	(75,000)
Total cash flows from financing activities		22,023	70,871
Increase (decrease) in cash and cash equivalents		484	(16,703)
Cash and cash equivalents, beginning of year		46,742	63,445
Cash and cash equivalents, end of year		47,226	46,742
Supplemental information:			
Interest paid		54,461	45,885
Taxes paid		2,734	1,949

Refer to the accompanying notes to these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note	Description	Page	Note	Description	Page
1	Corporate Information	26	14	Accounts Payable and Other Liabilities	44
2	Summary of Material Accounting Policies	26	15	Lease Liabilities	44
3	Cash and Cash Equivalents and Restricted Cash	34	16	Long-term Debt	45
4	Accounts Receivable	34	17	Liability for Asset Retirement Obligation	48
5	Other Assets	34	18	Shareholders' Equity	48
6	Loans Receivable	34	19	Non-Controlling Interests	49
7	Financial Instruments	34	20	Share-based Compensation	51
8	Financial Risk Management	36	21	Revenue by Nature	52
9	Equity Accounted Investments	39	22	Expenses by Nature	52
10	Capital Assets	41	23	Other Gains and Losses	52
11	Projects Under Development	42	24	Commitments and Contingencies	53
12	Intangible Assets	42	25	Related Party Transactions	54
13	Income Taxes	43	26	Segmented Information	54

NOTE 1. CORPORATE INFORMATION

Capstone is incorporated in British Columbia, domiciled in Canada, and located at 155 Wellington Street West, Suite 2930, Toronto, Ontario, M5V 3H1. All of Capstone's Class A common shares are owned by Irving Infrastructure Corp. ("Irving"), a subsidiary of iCON Infrastructure Partners III, LP ("iCON III"), the ultimate parent and a fund advised by London, UK-based iCON Infrastructure LLP ("iCON"). Capstone Infrastructure Corporation and its subsidiaries' (together, the "Corporation" or "Capstone") mission is to drive the energy transition forward through creative thinking, strong partnerships, and a commitment to quality and integrity in how it does business. As at December 31, 2025, Capstone develops, owns, and operates clean and renewable energy projects across North America with an approximate net installed capacity of 1.1 gigawatts across 36 facilities in Canada, including wind, solar, biomass, hydro, and natural gas power plants.

All amounts are in Canadian thousands of dollars or thousands of share amounts unless otherwise indicated.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The following material accounting standards are used in the preparation of these consolidated financial statements.

Basis of Preparation

Statement of compliance

The consolidated financial statements of Capstone have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The consolidated financial statements were authorized for issue by the Board of Directors on March 4, 2026.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for the revaluation of certain financial instruments, which are measured at fair value as explained in the accounting policies set out below and on a going concern basis of accounting. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Consolidation

These consolidated financial statements are primarily made up of the assets, liabilities, and results of operations of the Corporation's subsidiaries. Subsidiaries are all entities over which Capstone has control. Capstone controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The following table lists the significant subsidiaries of the Corporation which are accounted for on a consolidated basis:

Name of entity	Principal place of business and country of incorporation	Ownership at December 31,		Principal activity
		2025	2024	
Buffalo Atlee 1 Wind LP, Buffalo Atlee 2 Wind LP, Buffalo Atlee 3 Wind LP, Buffalo Atlee 4 Wind LP (collectively, "Buffalo Atlee")	Canada	75%	75%	Power generation
Capstone Power Corp. ("CPC")	Canada	100%	100%	Power holding company
Cardinal Power of Canada, L.P. ("Cardinal")	Canada	100%	100%	Power generation
Chi-Wiikwedong Holdings LP	Canada	100%	100%	Power holding company
Chi-Wiikwedong LP ("Goulais")	Canada	51%	51%	Power generation
Claresholm Solar LP ("Claresholm")	Canada	51%	51%	Power generation
Erie Shores Wind Farm Limited Partnership ("Erie Shores")	Canada	100%	100%	Power generation
Glance Bay Langan Wind Power Ltd. ("Glance Bay")	Canada	100%	100%	Power generation
Glen Dhu Wind Energy LP ("Glen Dhu")	Canada	100%	100%	Power generation
Grey Highlands Clean Energy Development LP ("Grey Highlands Clean")	Canada	100%	100%	Power generation
Helios Solar Star A-1 Partnership ("Amherstburg")	Canada	100%	100%	Power generation
Kneehill Solar LP ("Kneehill")	Canada	75%	75%	Power generation
Michichi Solar LP ("Michichi")	Canada	75%	75%	Power generation
MPT Hydro LP ("Hydro")	Canada	100%	100%	Power generation
Parc Éolien Saint-Philémon S.E.C. ("Saint-Philémon")	Canada	51%	51%	Power generation
Riverhurst Wind Farm LP ("Riverhurst")	Canada	100%	100%	Power generation
Sky Generation L.P. ("SkyGen")	Canada	100%	100%	Power generation
SLGR Wind LP ("SLGR")	Canada	51%	51%	Power generation
SP Amherst Wind Power LP ("Amherst")	Canada	51%	51%	Power generation
SWNS Wind LP ("SWNS")	Canada	100%	100%	Power generation
Watford Wind LP ("Watford")	Canada	100%	100%	Power generation
Whitecourt Power Limited Partnership ("Whitecourt")	Canada	100%	100%	Power generation
Wild Rose 2 Wind Inc. ("Wild Rose 2")	Canada	100%	100%	Power generation
Capstone Power United States, LLC	United States	100%	100%	Development holding company
Obra Maestra Renewables, LLC ("Obra Maestra")	United States	50%	50%	Development holding company

The Corporation accounts for its controlled investments using the consolidation method of accounting from the date that control is obtained and deconsolidates from the date that control ceases. All intercompany balances and transactions have been eliminated on consolidation.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the Corporation's interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Equity Accounted Investments

Companies in which the Corporation has the ability to exercise significant influence, but not control, or has the ability to exercise joint control over financial and operating policy decisions, are accounted for using the equity method. Significant influence is presumed to exist when the Corporation holds between 20% and 50% of the voting power of another entity.

Business Combinations

The acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Corporation in exchange for control of the acquired business. The acquired identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, Business Combinations ("IFRS 3") are recognized at their fair value at the acquisition date.

The Corporation recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Foreign Currency Translation

Functional and presentation currency

Amounts included in the financial statements of each consolidated entity within the Corporation are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars (the "presentation currency"), which is Capstone's functional currency. The exchange rates used in the translation to the presentation currency are as follows:

As at and for the year ended	Average	USD (\$)	Spot
Dec 31, 2025	1.40		1.37
Dec 31, 2024	1.37		1.44

The financial statements of entities that have a functional currency different from that of the Corporation are translated into Canadian dollars as follows: assets and liabilities – at closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation of the actual rates prevailing at the transaction dates). Resulting changes are recognized in the statement of income except for changes in the net investment which is recognized in other comprehensive income as cumulative translation adjustments.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of income in "foreign exchange gain (loss)".

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents are composed of highly liquid investments with original maturities of 90 days or less at the date of acquisition and are recorded at fair value. Restricted cash comprises amounts primarily restricted by credit agreements for specific uses including amounts funded against future maintenance, debt service, and construction costs at certain subsidiaries.

Loans Receivable

The Corporation has financial assets that consist of interest-bearing and non interest-bearing loans receivable. Loans are carried at either amortized cost or fair value through profit or loss, according to the conditions met under IFRS 9.

Capitalized Interest

The Corporation capitalizes interest and borrowing costs when activities that are necessary to prepare the asset for its intended use are in progress, and expenditures for the asset have been used or borrowed to fund the construction or development. The capitalization of interest and borrowing costs ceases when the asset is ready for its intended use. Capitalized interest is included in the statement of financial position as part of capital assets and projects under development.

Grants and Contributions

Capstone follows Accounting for Government Grants and disclosure of Government Assistance (IAS 20) with respect to certain power contracts with federal and provincial jurisdictions. Grants are recognized at their fair value when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants and contributions related to charges to net income are netted against such expenditures as received.

Capital Assets

Capital assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, excluding variable payments contingent on future events, and assets related to the provision for the future retirement obligations. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying value of an asset is derecognized when retired or replaced.

Right-of-use ("ROU") assets are primarily land leases, measured at cost comprising of the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date and any initial direct costs.

Major maintenance costs are capitalized in the carrying value of the assets as incurred, and depreciated over their useful lives. Other repairs and maintenance costs are charged to the consolidated statement of income during the period incurred.

Gains or losses on disposals are determined by comparing the proceeds of sale with the carrying amount and are recognized within the consolidated statement of income.

The Corporation allocates the amount initially recognized in respect of an item of capital assets to its significant parts and depreciates separately each such part. Residual values, methods of amortization, and useful lives of the assets are reviewed annually and adjusted if appropriate. The major categories of capital assets are depreciated using the straight-line method as follows:

	Power
Equipment and vehicles:	
Computer hardware	3 to 5 years
Communications, meters and telemetry equipment	3 to 25 years
Vehicles	4 to 10 years
Property and plant:	
Operational structures	3 to 40 years
Operational properties	4 to 40 years
ROU assets	5 to 45 years

Leases

ROU assets and equal lease liabilities arising from a lease are initially measured on a present value basis, using a single discount rate for a portfolio of leases with reasonably similar characteristics.

Leased (ROU) Assets

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease that conveys to the Corporation the right to control the use of an underlying asset in return for payment. Assets financed through leasing agreements that meet the criteria are capitalized as an ROU asset on the date on which they are available for use and depreciated over the shorter of their estimated useful lives and the lease term. The capital element of the lease rental is deducted from the obligation to the lessor as paid. The interest element of lease rentals and the depreciation of the relevant assets are charged to the consolidated statement of income.

Lease Liabilities

Lease liabilities are measured at the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is virtually certain to exercise that option, and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. Capital lease payments are discounted using Capstone's incremental borrowing rate when the rate implicit in the lease is not readily determinable. The variable portion of lease payments not included in the lease liability will remain in operating expenses in the statement of income.

Projects Under Development ("PUD")

Capitalized costs related to an asset under development include all eligible expenditures incurred in connection with the development and construction of the power generating asset until it is available for its intended use. The Corporation capitalizes all direct project costs related to the development of the Corporation's electricity generation or storage projects. Capitalization commences when the costs are measurable and it is probable the benefits will flow to Capstone.

Development cost capitalization criteria include the following and are dependent on the type of clearly identified project:

- The technical feasibility has been established or interconnection permit secured;
- Management has indicated its intention to construct, operate, and maintain the project or land option(s) established;
- An offtake market is identified or a power purchase agreement ("PPA") awarded; and
- Adequate resources exist or are expected to be available to complete the project.

Upon a project becoming commercially operational, the capitalized costs, including capitalized borrowing costs, if any, are transferred to capital assets and are amortized (on a straight-line basis or using the effective interest rate method) over the estimated useful lives of the various components.

The recovery of project development costs is dependent upon successful commercialization of project sites for the profitable sale of electricity.

Intangible Assets

Identifiable intangible assets

The Corporation separately identifies acquired intangible assets, including computer software, electricity supply contracts, gas purchase contracts, water rights and licenses, and records each at their fair value at the date of acquisition. Intangible assets acquired separately are measured on initial recognition at cost. The initial value is amortized over their estimated useful lives using the straight-line method as follows:

	Power
Computer software	3 to 7 years
Electricity supply, gas purchase and other contracts	5 to 25 years
Water rights	35 years

The expected useful lives of intangible assets are reviewed on an annual basis and adjusted prospectively.

Impairment of Non-financial Assets

The capital assets, projects under development and intangible assets with finite lives are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. In assessing whether there is any indication that an asset or Cash Generating Unit ("CGU") may be impaired, management considers both internal and external factors, such as changes in market conditions (e.g. market prices or discount rates), physical condition and expected future use of the asset, operating performance, and other relevant economic or regulatory changes. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. The recoverable amount is the higher of an asset's fair value less costs to sell the assets and the value in use being the present value of the expected future cash flows of the relevant assets or CGU. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The Corporation evaluates impairment losses, for potential reversals when events or circumstances warrant such consideration.

Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured using management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The Corporation performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Asset Retirement Obligations

The Corporation recognizes a provision for the future retirement obligations associated with its operating plants. These obligations are initially measured at the present value, which is the discounted future cost of the liability. A reassessment of the expected costs associated with these liabilities is performed annually, with changes in the estimated timing or amount of cash flows added or deducted from the cost of the related asset. The liability grows until the date of expected settlement of the retirement obligations. Upon decommissioning of a capital asset, the associated liability is derecognized, and any difference between the carrying amount of the liability and the actual cost of settlement is recognized in profit or loss.

Share Capital

Common and Class A shares are classified as equity. Capital contributions and returns of capital with the Class A common shareholder are recognized as an increase and reduction in equity, respectively. Incremental costs directly attributable to the issuance of shares are recognized as a reduction in equity.

Preferred Shares

The Corporation classifies its series A preferred shares as equity for reporting purposes given that the preferred shares may be converted into a fixed number of the Corporation's own equity instruments and there is no settlement required at a future date. Incremental costs directly attributable to the issuance of shares are recognized as a reduction in equity.

Dividends

Dividends on series A preferred shares are recognized in the Corporation's consolidated financial statements in the period in which the dividends are declared by the Board of Directors of the Corporation.

Revenue Recognition

Revenue from Contracts with Customers

Revenue derived from the sale of electricity and steam is recognized upon delivery to the customer and priced in accordance with the provisions of the applicable electricity and steam sales agreements. Revenue derived from the sale of emissions offset credits is recognized upon execution of a contract for sale. In addition, capacity and availability payments to Cardinal are recognized in accordance with the non-utility generator contract. Certain power purchase arrangements provide for an electricity rate adjustment, which is updated periodically both for the current and prior periods. Capstone accounts for such adjustments when a reliable estimate of the adjustment can be determined. Buffalo Atlee 1, Buffalo Atlee 3, Claresholm, Kneehill, Whitecourt, and Wild Rose 2 derive revenue from the generation and sale of electricity at market rates and the sale of emissions offset credits. Revenue from electricity sales to the Alberta Power Pool are recorded at the hourly weighted average power pool rate, and revenue from the sale of emissions offset credits is recorded at the contracted price.

The Corporation enters certain power purchase agreements ("PPA") from time to time whereby the Corporation receives a fixed price per MWh of electricity and the associated emissions offset credits generated and pays the prevailing Alberta Power Pool price per MWh. Such PPAs may include embedded derivatives for the electricity component according to conditions met under IFRS 9. The PPA embedded derivatives are classified as fair value through profit and loss ("FVTPL").

When projects earn revenue during the pre-commissioning stage, the corporation recognizes proceeds from electricity sales generated by an asset before its intended use in income.

The customer invoices and provides payments on a systematic basis based on fixed billing cycles. There are no significant financing components inherent in Capstone's contracts with customers. Capstone does not make significant judgments that affect the determination of the amount and timing of revenue from contracts with customers.

Interest Income Recognition

Interest income is earned with the passage of time and is recorded on an accrual basis.

Expense Recognition

Costs related to the purchases of fuel are recorded upon delivery. All other costs are recorded as incurred.

Project development costs are recorded as incurred. These costs include the activities to pursue and develop greenfield projects and acquisition-related business development expenses incurred at both the power segment and corporate.

Interest expense is incurred with the passage of time and is recorded on an accrual basis.

Long-term Incentive Plans

The Corporation accounts for grants under its share appreciation rights ("SAR") plan in accordance with IFRS 2 Share-Based Payments.

Income Taxes

Current and deferred income taxes are recognized in the consolidated statement of income except to the extent that they relate to items recognized directly in equity or in other comprehensive income, in which case the income tax is also recognized directly in equity or in other comprehensive income.

Current income tax is the amount recoverable or expensed based on the current year's taxable income using tax rates enacted, or substantively enacted, at the reporting period, and any adjustments to income tax payable or recoveries in respect of previous years.

The Corporation follows the liability method of accounting for deferred income tax whereby deferred income tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Deferred income tax assets and liabilities are determined using income tax rates that are both expected to apply when the deferred income tax asset or liability will be settled and that have been enacted or substantively enacted as at the date of the consolidated statement of financial position. Deferred income tax assets are recognized to the extent that it is probable that the asset can be recovered. Deferred income tax assets and liabilities are presented as non-current.

Comprehensive Income

Other comprehensive income ("OCI") represents changes in shareholders' equity during a period arising from transactions and other events, including unrealized gains and losses on translation of the net investment in foreign operations, and, when Capstone has designated cash flow hedges, the effective portion of the change in fair value less any amounts reclassified to interest and other expenses, net, in the period the underlying hedged item is also recorded in interest expense, net. Accumulated other comprehensive income ("AOCI") is included as a component in the consolidated statement of shareholders' equity.

Financial Instruments

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when the Corporation becomes a party to the contractual provisions of the financial instrument.

Classification and Measurement

Financial instruments are required to be measured at fair value on initial recognition plus transaction costs in the case of financial instruments measured at amortized cost. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as fair value through profit and loss ("FVTPL") are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

The Corporation has designated each of its significant categories of financial instruments outstanding as follows:

IFRS 9 Classification	Significant Categories	Measurement
Amortized cost assets	<ul style="list-style-type: none">Cash and cash equivalentsRestricted cashAccounts receivableLoans receivable at amortized cost	<ul style="list-style-type: none">At amortized cost using the effective interest method
Financial assets and liabilities at fair value through profit and loss	<ul style="list-style-type: none">Derivative contract assetsDerivative contract liabilities	<ul style="list-style-type: none">At fair value with changes in fair value recognized in the consolidated statement of income
Other liabilities	<ul style="list-style-type: none">Accounts payable and other liabilitiesLong-term debt	<ul style="list-style-type: none">At amortized cost using the effective interest method

The classification of financial assets depends on Capstone's business objectives for managing the assets and whether contractual terms of the cash flows are considered solely payments of principal and interest. For assets measured at FVTPL, gains and losses will be recorded in the statement of income as incurred.

The Corporation determines the fair value of its financial instruments based on the following hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Derivative Financial Instruments

The Corporation's derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. The Corporation's derivatives typically include embedded derivatives related to fuel supply and PPA contracts, interest rate swaps, and foreign currency contracts.

Changes in the fair values of derivative financial instruments are reported in the consolidated statement of income, except for cash flow hedges that meet the conditions for hedge accounting. Historically, Capstone has designated its foreign currency contracts as hedges of foreign exchange risk associated with the cash flows of highly probable forecasted capital expenditure transactions. The portion of the gain or loss on the hedging instruments that are determined to be an effective hedge are recognized directly in other comprehensive income, and the ineffective portion in the consolidated statement of income. Gains or losses recognized in other comprehensive income are subsequently recognized in the statement of income in the same period in which the hedged underlying transaction or firm commitment is recognized in the statement of income.

In order to qualify for hedge accounting, the Corporation is required to document in advance the relationship between the item being hedged and the hedging instrument. The Corporation is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is performed at the end of each reporting period to ensure that the hedge remains highly effective.

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for at fair value when their economic characteristics and risks are not closely related to those of the host contract.

Impairment of Financial Assets

For financial assets measured at amortized cost, Capstone applies the simplified expected credit loss ("ECL") approach as permitted by IFRS 9. ECLs are estimated based on historical information, third-party accreditations such as credit ratings, and forward looking information regarding historical customer default rates. Capstone does not expect this to affect any measurement of financial assets and liabilities as its customer base is predominantly investment grade counterparties.

If impairment exists on the financial asset, the Corporation recognizes an impairment loss in the consolidated statement of income. The loss is measured as the difference between the carrying and the present value of the expected future cash flows. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Impairment of cash and cash equivalents and restricted cash are evaluated by reference to the credit quality of the underlying financial institution.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

Earnings Before Interest Expense, Taxes, Depreciation and Amortization ("EBITDA")

EBITDA is a supplemental GAAP performance measure defined as earnings (loss) before financing costs, income tax expense, depreciation and amortization. EBITDA includes earnings (loss) related to the non-controlling interest ("NCI"), equity accounted investments, interest income, other gains and losses (net), asset impairment charges, and foreign exchange gains and losses. EBITDA represents Capstone's capacity to generate income from operations before taking into account management's financing decisions and costs of consuming tangible capital assets and intangible assets, which vary according to their age, technology, and management's estimate of their useful life. EBITDA is presented on the consolidated statement of income.

Significant Changes in Accounting Standards

Capstone's accounting policies are consistent with those disclosed in the notes to the December 31, 2024 consolidated financial statements.

Future Accounting Changes

The International Accounting Standards Board ("IASB") has issued the following significant accounting changes that impact the Corporation.

The IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*, to enhance the accounting for contracts referencing nature-dependent electricity, such as those involving renewable energy sources. These amendments aim to provide clearer guidance on the 'own-use' exemption for net-purchasers of energy and the application of hedge accounting for such contracts. Key aspects of the amendments include clarifying the application of the 'own-use' requirements, modifying and increasing flexibility in the effectiveness requirements for qualifying hedges, and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. The amendments will be effective for annual reporting periods starting on or after January 1, 2026, with earlier application permitted. Management has assessed the amendments and determined that the changes will not have a material impact on the consolidated financial statements, and does not intend to elect hedge accounting.

The IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* that clarify the timing of derecognition of financial liabilities and introduce an accounting policy option to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specified criteria are met. The amendments are effective for annual reporting periods starting on or after January 1, 2026. Management has assessed the amendments and determined that the changes will not have a material impact on the consolidated financial statements.

The IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which replaces IAS 1, *Presentation of Financial Statements*, to enhance the reporting of financial performance while retaining many of its requirements. This new standard will be effective for annual reporting periods starting on or after January 1, 2027, with earlier adoption permitted. Capstone is evaluating the impact that the adoption will have on disclosure in the consolidated financial statements.

Capstone continues to monitor changes to IFRS Accounting Standards and has implemented applicable IASB changes to standards, new interpretations and annual improvements.

Critical Accounting Estimates and Judgments

The Corporation makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Corporation's financial statements. These estimates and judgments have a risk of causing a material adjustment to the carrying values of financial assets and financial liabilities within the next financial year.

Area of Significance	Critical Estimate	Critical Judgments & Key Assumptions
<p>Capital assets, projects under development and intangible assets – carrying values</p> <p>Fair value estimates are required in the determination of the net assets acquired in a business combination and in the impairment assessment for our capital assets and the assignment of amounts to the asset retirement obligations, as well as assessing capitalization criteria for project development costs.</p>	<ul style="list-style-type: none"> Estimates are based on assumptions that are sensitive to change, which may have a significant impact on the valuations performed. Impairment reviews of the carrying value of capital and other long-lived assets along with the asset retirement obligations require management to estimate fair value based on future cash flows, discount rates and business performance. 	<ul style="list-style-type: none"> Assessment of impairment indicators Initial fair value of net assets Estimated useful lives and residual value Expected settlement date, amount and discount rate Future cash flows and discount rate
<p>Deferred income taxes</p> <p>Estimates in the determination of deferred income taxes affect asset and liability balances.</p>	<ul style="list-style-type: none"> The determination of the deferred income tax balances of the Corporation requires management to make estimates of the reversal of existing temporary differences between the accounting and tax bases of assets and liabilities in future periods. 	<ul style="list-style-type: none"> Timing of reversal of temporary differences Tax rates Current and future taxable income
<p>Financial instrument fair value measurements</p> <p>When observable prices are not available, fair values are determined by using valuation techniques that refer to observable market data. This is specifically related to Capstone's financial instruments.</p>	<ul style="list-style-type: none"> Management's valuation techniques include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. For embedded derivatives, fair values are determined from valuation techniques using non-observable market data or transaction processes. A number of factors such as bid-offer spread, credit profile and model uncertainty are taken into account, as appropriate. 	<ul style="list-style-type: none"> Estimates of realizable forward Alberta Power Pool prices, discount rates, volatility, credit spreads and production projections

NOTE 3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Dec 31, 2025	Dec 31, 2024
Debt service and maintenance reserves	23,017	23,200
Construction escrow	12,891	5,589
Other reserves	3,049	3,305
Restricted cash	38,957	32,094
Unrestricted cash and cash equivalents	47,226	46,742
	<u>86,183</u>	<u>78,836</u>

Restricted cash is primarily cash that is held by the Corporation's subsidiaries in support of segregated bank accounts to support debt service reserves, operating and maintenance reserves in support of specific long-term debt and/or proceeds from construction facilities used for specific project costs. Capstone's letter of credit facilities have also provided letters of credit to back other reserve requirements (refer to note 16).

NOTE 4. ACCOUNTS RECEIVABLE

	Dec 31, 2025	Dec 31, 2024
Power ⁽¹⁾	57,342	38,321
Corporate	17	11
	<u>57,359</u>	<u>38,332</u>

(1) Power accounts receivable balance includes recoverable investment tax credits of \$11,450 (2024 - nil) and government funding receivable of \$8,879 (2024 - \$8,879) held back subject to conditions.

For both periods presented, accounts receivable did not require a provision for impairment. Substantially all of the accounts receivable are with government authorities or investment grade counterparties and none are past due. Refer to note 8b and 8c for further detail of credit risk and economic dependence.

NOTE 5. OTHER ASSETS

	Dec 31, 2025	Dec 31, 2024
Prepaid expenses	1,291	3,496
Inventory of spare parts and consumable supplies, net ⁽¹⁾	2,457	2,242
Other	211	211
	<u>3,959</u>	<u>5,949</u>

(1) No inventory obsolescence provision is required as at December 31, 2025 (2024 - nil).

The cost of inventories recognized in operating expenses for the year ended December 31, 2025 was \$961 (2024 - \$1,100).

NOTE 6. LOANS RECEIVABLE

	Dec 31, 2025	Dec 31, 2024
Loans to partners ⁽¹⁾	23,212	21,791

(1) Capstone's demand loans to partners, presented net of amortization. This loan receivable is recorded at amortized cost.

NOTE 7. FINANCIAL INSTRUMENTS

Financial instruments consist of amortized cost assets, other liabilities and financial instruments at fair value through profit and loss.

Amortized Cost Assets

Cash and cash equivalents, restricted cash	Balances are invested in financial instruments of highly rated financial institutions and government securities with original maturities of 90 days or less. As at December 31, 2025, the carrying values of cash and cash equivalents and restricted cash are considered to approximate their fair values due to their short-term nature.
Accounts receivable	Trade receivables with carrying values that approximate their fair values.
Loans receivable at amortized cost	According to the conditions met under IFRS 9, loans carried at amortized cost are measured using the effective interest rate method. The fair value of the Corporation's loans receivable may differ from the carrying value due to changes in interest rates and the underlying risk associated with the debtor.

Other Liabilities

Accounts payable and other liabilities	Short-term liabilities with carrying values that approximate their fair values.
Long-term debt	Balances are recorded at amortized cost using the effective interest rate method. The fair value of the Corporation's long-term debt is determined using level 2 inputs as follows: <ul style="list-style-type: none">• Floating rate debt approximates its carrying value.• Fixed-rate debt is determined through the use of a discounted cash flow analysis using relevant risk-free bond rates plus an estimated margin.

Financial Instruments at Fair Value through Profit and Loss ("FVTPL")

Embedded derivatives

Fuel Supply embedded derivative

Whitecourt has a fuel supply agreement for 15 years from inception that includes power price support and revenue sharing mechanisms that reduce Whitecourt's exposure to merchant price risk in Alberta.

The price support and revenue sharing mechanisms comprise an embedded derivative that is measured at fair value and results in an asset during periods when the projected merchant power price is forecast to be lower than the price support and a liability during periods when the merchant power price is forecast to be higher.

Virtual Power Purchase Agreements ("VPPA") embedded derivatives

Some of the Corporation's Alberta facilities have VPPAs to reduce their exposure to merchant price risk. Under the contracts, the facilities receive a fixed price per MWh from the counterparties for the electricity and the associated emissions offset credits generated. In return the respective facilities pay the prevailing Alberta Power Pool price per MWh. The VPPA agreements comprise embedded derivatives that are measured at fair value and result in either an asset during periods when the projected Alberta power price is forecasted to be lower than the contracted price, or a liability during periods when the Alberta power pool price is forecasted to be higher.

During 2025, there were four VPPA contracts at the Corporation's Alberta facilities, which range from 15-20 years from COD, and have fixed prices, with some variable or escalating components.

Interest rate swaps

These contracts effectively fix the interest cost on long-term debt with variable rates, refer to note 8a.

Fair value determination

The Corporation has determined the fair values of derivative financial instruments as follows:

Embedded derivatives	The determination of the fair values of the embedded derivatives requires the use of option pricing models or discounted cash flow models involving significant judgment based on management's estimates and assumptions, including discount rates, the realizable forward Alberta Power Pool prices, volatility, credit spreads and production projections.
Interest rate swaps	Fair value fluctuates with changes in market interest rates. A discounted cash flow valuation based on a forward interest rate curve was used to determine their fair value.
Foreign currency contracts	Fair value fluctuates with changes in the US dollar to the Canadian dollar. A discounted cash flow valuation based on a forward USD/CAD exchange rate curve was used to determine their fair value.

Due to the lack of observable market quotes on the embedded derivatives, the contracts have been classified as level 3 financial instruments.

Capstone is responsible for performing the valuation of financial instruments. The valuation processes and results are reviewed and approved each reporting period.

The following table illustrates the classification of the Corporation's financial instruments, that have been recorded at fair value:

	Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs	Dec 31, 2025	Dec 31, 2024
Recurring measurements:					
Derivative contract assets:					
Embedded derivatives ⁽¹⁾	—	—	6,695	6,695	12,404
Interest rate swap contracts	—	19,333	—	19,333	14,679
Less: current portion	—	(4,671)	(2,650)	(7,321)	(3,982)
	—	14,662	4,045	18,707	23,101
Derivative contract liabilities:					
Embedded derivatives ⁽¹⁾	—	—	19,400	19,400	—
Interest rate swap contracts	—	6,630	—	6,630	6,693
Less: current portion	—	(4,094)	—	(4,094)	(1,474)
	—	2,536	19,400	21,936	5,219

(1) The embedded derivatives relate to fuel supply and PPA contracts. Refer to note 2.

Fair value continuity for Level 3 inputs

	2025	2024
Opening balance, January 1,	12,404	(9,096)
Change in value of the VPPA embedded derivatives included in other gains and (losses) in net income	(24,156)	19,180
Change in value of the Whitecourt embedded derivative included in other gains and (losses) in net income	(3,260)	831
Whitecourt derivative settlements during the period	1,954	1,136
Amortization of Whitecourt derivative inception value included in other gains and (losses) in net income	353	353
Closing balance, December 31,	(12,705)	12,404

Income and Expenses from Financial Instruments

	Dec 31, 2025	Dec 31, 2024
Amortized cost assets:		
Interest income on cash and cash equivalents, restricted cash	2,298	3,763
Interest income on loans receivable	783	832
	3,081	4,595
Other liabilities:		
Interest expense on long-term debt ⁽¹⁾	(62,939)	(49,062)
Financial instruments at FVTPL (refer to note 23):		
Embedded derivatives	(23,156)	22,636
Interest rate swap contracts	4,718	(4,686)
Changes in derivative financial instruments fair value	(18,438)	17,950

(1) Interest expense on the long-term debt for 2025 of \$62,939 includes amortization of deferred financing fees, interest expense on lease liabilities and accretion on liability for asset retirement obligations of \$7,365, \$3,150 and \$895, respectively (2024 - \$4,283, \$2,759 and \$815).

NOTE 8. FINANCIAL RISK MANAGEMENT

The Corporation's normal operating, investing and financing activities expose it to a variety of financial risks, including market risk, credit risk, economic dependence and liquidity risk. The Corporation's overall risk management process is designed to identify, manage and mitigate business risk, which includes, among others, financial risk.

(A) Market Risk

Market risk is the risk or uncertainty arising from possible price movements and their impact on the future performance of the business. The Corporation is exposed to commodity price risk (electricity revenue), interest rate and inflation risk, foreign currency exchange risk, and other indices that could adversely affect the value of the Corporation's financial assets, liabilities or expected future cash flows.

Commodity price risk

Capstone manages commodity price risk by (i) entering into PPAs whereby the Corporation receives a fixed price per MWh of electricity; and (ii) entering into VPPAs that reduce exposure to merchant price risk.

In 2025, the following projects' revenues were exposed to price risk as follows:

- (i) Cardinal earns a portion of its revenue by supplying electricity to the Ontario grid only when profitable to do so.
- (ii) Whitecourt sells all electricity generated into the Alberta Power Pool. One of Whitecourt's fuel supply agreements includes sharing mechanisms regarding the price received for electricity sold by Whitecourt.
- (iii) Claresholm and Wild Rose 2 sell a portion of electricity generated into the Alberta Power Pool.
- (iv) Kneehill and Buffalo Atlee 1 and 3 sell all electricity generated into the Alberta Power Pool.

Interest rate risk

Interest rate risk arises as changes in market interest rates affect the Corporation's future payments on debt obligations. The Corporation is exposed to interest rate risk on its floating rate debt. Currently, the Corporation has interest rate swap contracts to mitigate some of the risks associated with its long-term debt.

The terms of the interest rate swap contracts are:

Entity	Maturity Date	Notional Amount	Swap Fixed Rate	Credit Margin	Effective Interest Rate
Wild Rose 2	Mar 31, 2050	180,793	3.20 %	2.07 %	5.27 %
Wild Rose 2	Dec 31, 2026	85,296	3.02 %	1.57 %	4.59 %
SLGR	Dec 31, 2036	97,992	2.93 %	1.55 %	4.48 %
SWNS	Dec 31, 2036	65,458	1.09 %	1.68 %	2.77 %
Buffalo Atlee	Dec 31, 2043	63,311	3.26 % - 4.10 %	1.82 %	5.08 % - 5.92 %
Cardinal	Jun 30, 2034	52,562	2.12 % - 2.49 %	1.57 %	3.69 % - 4.06 %
GHC	Sep 30, 2036	49,012	1.09 %	1.68 %	2.77 %
Riverhurst	Dec 10, 2041	43,511	3.10 %	1.68 %	4.78 %
Claresholm	Sep 27, 2030	33,160	0.75 %	2.50 %	3.25 %
Claresholm	Sep 29, 2032	5,686	2.86 %	2.50 %	5.36 %
Claresholm	Jun 30, 2042	4,228	3.49 %	2.50 %	5.99 %
Kneehill	Mar 31, 2043	21,578	3.35 %	1.82 %	5.17 %
Michichi	Mar 31, 2043	15,330	3.35 %	1.82 %	5.17 %

(1) Interest rate swap settlement receipts of \$1,293 (2024 - \$11,036) have been included within interest expense on the consolidated statement of income.

Foreign currency exchange risk

Capstone's power assets have expenses or capital commitments in currencies other than the Canadian dollar; as new projects are built, expected additional purchases will be made in foreign currencies. To mitigate these risks Capstone monitors the risk associated with foreign exchange rate fluctuations and, from time to time, may enter into forward foreign exchange contracts or employ other hedging strategies.

(B) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to honour a financial obligation.

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of cash and cash equivalents, restricted cash, accounts receivable, loan receivable and derivative contracts.

The Corporation deposits its cash with reputable financial institutions and limits the exposure by counterparty; management therefore believes the risk of loss to be remote.

Credit risk concentration with respect to power trade receivables is limited due to the Corporation's customer base being predominantly investment grade counterparties.

The table below summarizes power trade receivables from the sale of electricity and government incentive programs by credit quality:

As at	Dec 31, 2025		Dec 31, 2024	
	\$	%	\$	%
Investment grade ⁽¹⁾	55,688	97 %	36,474	95 %
Other	1,671	3 %	1,858	5 %
	<u>57,359</u>	<u>100 %</u>	<u>38,332</u>	<u>100 %</u>

(1) Investment grade is defined as a credit rating of BBB or higher as defined by both S&P and DBRS.

There are no accounts receivable that are past due. Since the Corporation uses external credit ratings to assess the credit quality of all counterparties, and counterparties are regularly monitored for creditworthiness, management considers credit risk to be minimal.

The Corporation's derivative agreements expose Capstone to losses under certain circumstances, such as the counterparty defaulting on its obligations under the swap agreements or if the swap agreements provide an imperfect hedge. Counterparties to the Corporation's interest rate derivative contracts are major financial institutions that have been accorded investment-grade ratings. Consequently, management believes there to be minimal credit risk associated with its interest rate derivative contracts.

(C) Economic Dependence

Economic dependence arises when an enterprise relies on a significant volume of business with another party that cannot be easily transferred at similar terms and conditions, or is abnormal relative to expectations of similar entities. Revenue from transactions with a single external customer that amount to 10% or more of total revenue include revenue earned by Capstone's power facilities in Ontario (62% or \$162,036), Capstone's power facilities in Nova Scotia (10% or \$27,373), and Capstone's power facilities in Alberta (10% or \$25,548).

The table below summarizes revenue from the sale of electricity by credit quality for the power segment:

For the year ended	Dec 31, 2025		Dec 31, 2024	
	\$	%	\$	%
Investment grade ⁽¹⁾	262,584	100 %	219,179	100 %
Other	162	— %	96	— %
	<u>262,746</u>	<u>100 %</u>	<u>219,275</u>	<u>100 %</u>

(1) Investment grade is defined as a credit rating of BBB or higher as defined by both S&P and DBRS.

(D) Liquidity Risk

Liquidity risk is the risk that the Corporation may have insufficient cash or other resources to meet obligations as they come due. Capstone manages liquidity risk by (i) maintaining prudent levels of cash balances, capacity under credit facilities and access to capital to manage during periods of uncertainty; and (ii) implementing fixed revenue and financing structures that minimize the risk of material fluctuations in cash flows.

Compliance with debt covenants

The Corporation has financial liabilities in its power operating segments and at corporate that contain a number of standard financial and other covenants.

Failure to comply with the terms and covenants in some of Capstone's credit facilities could result in a default, which, if not cured or waived, could cause the financial liability to become repayable within twelve months of the reporting period. Capstone maintains a forecasting process for the upcoming twelve months to ensure an understanding of the covenant compliance on a forward-looking basis, subject to a number of significant assumptions which could change materially from those assumed in their respective forecasts.

In the event of default, there can be no assurance that the Corporation could:

- (i) Generate sufficient cash flow from operations to pay outstanding indebtedness, or to fund any other liquidity needs; or
- (ii) Pay future preferred dividends; or
- (iii) Refinance these credit agreements or obtain additional financing on commercially reasonable terms, if at all. The credit agreements, and future borrowings may be at variable rates of interest, which exposes the Corporation to the risk of increased interest rates.

As at December 31, 2025, the following summarizes the covenants which if not met could result in repayment:

- The CPC credit facilities include leverage ratio and interest coverage ratio covenants which must be met on a quarterly basis.
- Some project debt facilities are required to comply with operating income to debt service ratio covenants on a quarterly or annual basis (\$69,855 of debt). The debt could become repayable if the covenants are breached and the default is not cured within the required time period.
- Glace Bay's project debt of \$3,682 is currently in default of its coverage ratio covenant.

As at December 31, 2025, Capstone and its subsidiaries continue to comply with all debt covenants, except as noted above.

Contractual maturities

The contractual undiscounted maturities of the Corporation's financial liabilities as at December 31, 2025 were as follows:

Financial Liabilities	Within one year	One year to five years	Beyond five years	Total
Accounts payable and other liabilities	58,152	—	—	58,152
Lease liabilities ⁽¹⁾	5,392	21,235	160,724	187,351
Long-term debt				
Principal payments	113,758	498,124	541,731	1,153,613
Interest payments	51,407	135,919	161,350	348,676
	165,165	634,043	703,081	1,502,289

(1) Includes the fixed portion of minimum lease payments.

(E) Sensitivity Analysis

The sensitivity analysis provided below discloses the effect on net income for the year ended December 31, 2025, assuming that a reasonably possible change in the relevant risk variable has occurred during the year, and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes. The changes in market variables used in the sensitivity analysis were determined based on implied volatilities, where available, or historical data.

The sensitivity analysis has been prepared based on December 31, 2025 balances and on the basis that the balances, the ratio of fixed to floating rates of debt and derivatives, and the energy contracts that are financial instruments in place at December 31, 2025 are all constant. Excluded from this analysis are all non-financial assets and liabilities that are not classified as financial instruments under IFRS 9.

The sensitivity analysis provided is hypothetical and should be used with caution because the impacts provided are not necessarily indicative of the actual impacts that would be experienced, as the Corporation's actual exposure to market rates is constantly changing as the Corporation's portfolio of commodity, debt, foreign currency, and equity contracts changes. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in the market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates, hedging strategies employed by the Corporation or other mitigating actions that would be taken by the Corporation.

The table summarizes the impact on fair value of changes in the embedded derivative's level 3 unobservable inputs:

Dec 31, 2025	Unobservable inputs	Estimated input	Relationship of input to fair value
(12,705)	Realizable forward Alberta Power Pool prices	From \$32/MWh to \$122/MWh over the contract terms.	A reasonably possible increase in estimated realizable forward Alberta Power Pool prices of 5% or a decrease of 5%, would cause fair value to decrease by \$12,643 and increase by \$12,648, respectively.

Changes in these estimates may have a significant impact on the fair value of the embedded derivative given the length of contract involved. As new information becomes available, management may choose to revise these estimates where there is an absence of reliable observable market data.

The table summarizes the impact on fair value of changes in level 2 observable inputs:

Dec 31, 2025	Carrying Amount	Interest Rate Risk (0.5%)	Interest Rate Risk 0.5%
Financial assets and (liabilities) ⁽¹⁾ :			
Interest rate swap assets (liabilities), net	12,703	(9,934)	33,797

(1) Financial liabilities in long-term debt are not included as all long-term debt is either fixed-rate debt or variable rate debt that is covered by a swap contract for fixed-rate debt. The outstanding balance on the CPC revolving credit facility was \$125,500.

NOTE 9. EQUITY ACCOUNTED INVESTMENTS

(A) Equity Accounted Investments

As at	Ownership %	Dec 31, 2025 Carrying Value	Dec 31, 2024 Carrying Value
Obra Maestra	50%	5,938	7,018
Other	47%	378	—
		6,316	7,018

Capstone's December 31, 2025 consolidated financial statements include its 50% interest in Obra Maestra, as an equity accounted investment adjusted by contributions, distributions and share of net income (loss), subsequent to the initial contributions on June 7, 2022.

The change in Capstone's equity accounted investments for the period ended December 31, 2025 was:

For the year ended	Opening balance	Contributions	Distributions	Equity accounted income (loss) ⁽¹⁾	Ending balance
December 31, 2025	7,018	3,549	(13,229)	8,978	6,316
December 31, 2024	4,121	8,913	—	(6,016)	7,018

(1) The 2025 net income (loss) includes a \$2,972 recovery of Capstone staff costs directly attributable to the projects, of which \$219 is receivable at December 31, 2025 in Capstone's consolidated statements. Refer to note 22.

On November 10, 2025, Obra Maestra sold a US energy storage development project to a strategic investor. The purchase price consisted of an upfront payment, recovery of project costs, and contingent payments which may be earned upon completion of certain milestones including commencement of operations.

As part of the sale, Capstone recognized a gain on disposal of \$14,848 in equity accounted income. Capstone also expects to pay income tax of \$1,100 related to the sale. No values are included in the consolidated financial statements related to the contingent consideration.

(B) Summarized Information for Equity Accounted Investments

The Corporation has summarized its equity accounted investments using their gross values as follows:

As at	Dec 31, 2025		Dec 31, 2024	
Summarized Statements of Financial Position	Obra Maestra	Other	Obra Maestra	Other
Assets				
Current	4,753	91	3,130	—
Non-current	7,822	905	12,186	—
Liabilities				
Current	(1,825)	(191)	(2,381)	—
Equity before fair value increments on purchase and NCI	10,750	805	12,935	—
Fair value increments	1,125	—	1,101	—
Equity including fair value increments on purchase	11,875	805	14,036	—
Capstone's interest	50 %	47 %	50 %	— %
Carrying value of investment	5,938	378	7,018	—
For the year ended				
Summarized Statements of Income	Dec 31, 2025		Dec 31, 2024	
	Obra Maestra	Other	Obra Maestra	Other
Revenue	—	—	—	—
Net income (loss)	18,210	(271)	(12,031)	—
Capstone's interest	50 %	47 %	50 %	— %
Net income (loss) to Capstone	9,105	(127)	(6,016)	—

NOTE 10. CAPITAL ASSETS

(A) Continuity

	Jan 1, 2025	Additions	Disposals ⁽¹⁾	Transfers ⁽²⁾	ITC ⁽³⁾	Dec 31, 2025
Cost						
Land	1,411	—	—	—	—	1,411
ROU assets	56,002	11,537	—	—	—	67,539
Equipment and vehicles	14,131	2,744	(949)	—	—	15,926
Property and plant	1,762,484	10,368	(4,514)	440,185	(11,450)	2,197,073
	1,834,028	24,649	(5,463)	440,185	(11,450)	2,281,949
Accumulated depreciation						
ROU assets	(11,802)	(2,659)	—	—	—	(14,461)
Equipment and vehicles	(9,229)	(395)	3	—	—	(9,621)
Property and plant	(832,195)	(80,366)	3,046	—	—	(909,515)
	(853,226)	(83,420)	3,049	—	—	(933,597)
Net carrying value	980,802	(58,771)	(2,414)	440,185	(11,450)	1,348,352

(1) Disposals of \$2,414 were offset by proceeds of \$588, resulting in a \$1,826 loss (refer to note 23).

(2) Transfers of \$440,185 on COD of Wild Rose 2 from projects under development (refer to note 11).

(3) Capstone recorded \$11,450 in recoverable investment tax credits related to Buffalo Atlee.

	Jan 1, 2024	Additions	Disposals ⁽¹⁾	Transfers ⁽²⁾	ITC	Dec 31, 2024
Cost						
Land	1,411	—	—	—	—	1,411
ROU assets	52,219	3,862	(79)	—	—	56,002
Equipment and vehicles	14,605	526	(1,000)	—	—	14,131
Property and plant	1,652,913	24,550	(7,962)	92,983	—	1,762,484
	1,721,148	28,938	(9,041)	92,983	—	1,834,028
Accumulated depreciation						
ROU assets	(9,694)	(2,142)	34	—	—	(11,802)
Equipment and vehicles	(8,933)	(384)	88	—	—	(9,229)
Property and plant	(755,115)	(81,073)	3,993	—	—	(832,195)
	(773,742)	(83,599)	4,115	—	—	(853,226)
Net carrying value	947,406	(54,661)	(4,926)	92,983	—	980,802

(1) Disposals of \$4,926 were offset by proceeds of \$994, resulting in a \$3,932 loss (refer to note 23).

(2) Transfers of \$92,983 on COD of Buffalo Atlee from projects under development (refer to note 11).

(B) Reconciliation to Cash Additions for the Cash Flow Statement

For the year ended	Dec 31, 2025	Dec 31, 2024
Additions	24,649	28,938
Adjustment for non-cash ROU asset additions	(11,222)	(3,802)
Adjustment for change in capital asset additions included in accounts payable and accrued liabilities	827	7,275
Cash additions	14,254	32,411

NOTE 11. PROJECTS UNDER DEVELOPMENT

(A) Continuity

	2025	2024
As at January 1	380,632	373,053
Capitalized costs during the period ⁽¹⁾	109,511	123,006
Transferred to capital assets ⁽²⁾	(440,185)	(92,983)
Disposals	(5,499)	(3,195)
Government funding	—	(16,203)
Asset impairment charge	—	(3,046)
As at December 31 ⁽³⁾	44,459	380,632

(1) During the year, Capstone capitalized borrowing costs of \$7,543 (2024 - \$10,340) on qualifying assets related to the development of the Wild Rose 2 project, using the interest rate applicable to the project's debt as the capitalization rate.

(2) Amounts were transferred on achievement of COD of Wild Rose 2 (refer to note 10)

(3) The balance primarily includes costs to develop the BC contracted projects (\$25,228) and other early and mid-stage development projects (\$19,231).

(B) Reconciliation to Cash Additions for the Cash Flow Statement

For the year ended	Dec 31, 2025	Dec 31, 2024
Additions	109,511	123,006
Adjustment for change in additions to PUD included in accounts payable and accrued liabilities	(1,166)	(3,409)
Cash additions	108,345	119,597

NOTE 12. INTANGIBLE ASSETS

	Jan 1, 2025	Additions	Dec 31, 2025
Assets			
Computer software	672	—	672
Electricity supply and other contracts	203,628	1,127	204,755
Water rights	73,018	—	73,018
	<u>277,318</u>	<u>1,127</u>	<u>278,445</u>
Accumulated amortization			
Computer software	(549)	(43)	(592)
Electricity supply and other contracts	(129,128)	(10,175)	(139,303)
Water rights	(37,067)	(2,116)	(39,183)
	<u>(166,744)</u>	<u>(12,334)</u>	<u>(179,078)</u>
Net carrying value	<u>110,574</u>	<u>(11,207)</u>	<u>99,367</u>

	Jan 1, 2024	Additions	Dec 31, 2024
Assets			
Computer software	661	11	672
Electricity supply and other contracts	203,628	—	203,628
Water rights	73,018	—	73,018
	<u>277,307</u>	<u>11</u>	<u>277,318</u>
Accumulated amortization			
Computer software	(467)	(82)	(549)
Electricity supply and other contracts	(117,396)	(11,732)	(129,128)
Water rights	(34,951)	(2,116)	(37,067)
	<u>(152,814)</u>	<u>(13,930)</u>	<u>(166,744)</u>
Net carrying value	<u>124,493</u>	<u>(13,919)</u>	<u>110,574</u>

NOTE 13. INCOME TAXES

(A) Deferred Income Tax

As at	Dec 31, 2025	Dec 31, 2024
Deferred income tax assets	7,214	5,257
Deferred income tax liabilities	(67,390)	(80,515)
Net deferred income tax liability	(60,176)	(75,258)

The net deferred income tax liability, without taking into consideration the offsetting of balances within the same jurisdiction, are detailed as follows:

As at	Dec 31, 2025	Dec 31, 2024
Non-capital loss carry forwards	60,244	39,469
Asset retirement obligations	3,495	3,720
Loan premium and deferred financing costs	361	—
Financial Instruments	247	—
Other	9,160	8,967
Deferred income tax assets	73,507	52,156
Capital assets	(111,247)	(94,887)
Intangible assets	(22,436)	(25,366)
Financial instruments	—	(5,711)
Loan premium and deferred financing costs	—	(1,450)
Deferred income tax liabilities	(133,683)	(127,414)
Net deferred income tax liability	(60,176)	(75,258)

A continuity of the net deferred income tax liability follows:

	2025	2024
Net deferred income tax liability as at January 1	(75,258)	(84,428)
Recorded in earnings	14,052	8,142
Recorded in equity	1,029	1,029
Other	1	(1)
Net deferred income tax liability as at December 31	(60,176)	(75,258)

(B) Timing of Deferred Income Tax Reversal

The timing of deferred income tax reversal is summarized as follows:

As at	Dec 31, 2025	Dec 31, 2024
Within 12 months	37,415	16,890
After more than 12 months	(97,591)	(92,148)
Net deferred income tax liability	(60,176)	(75,258)

(C) Tax Loss Carry Forwards

Capstone's tax loss carry forwards and the portion recognized in deferred income tax assets were as follows:

	Expiry	Recognized	Unrecognized	Dec 31, 2025	Dec 31, 2024
Canadian – non-capital losses	2026 – 2045	205,842	98,439	304,281	192,734
Canadian – other losses	No expiry	44,632	10,252	54,884	42,728
Canadian - capital losses	No expiry	—	1,577	1,577	—
US – non-capital losses	2026 – 2036	—	13	13	28,431

The Corporation also has \$12,560 of unrecognized deferred tax assets, which have not been recognized as at December 31, 2025 (2024 - \$13,645).

(D) Rate Reconciliation

The following table reconciles the expected income tax expense using the statutory tax rate to the expense:

For the year ended	Dec 31, 2025	Dec 31, 2024
Income (loss) before income taxes	(24,013)	(13,558)
Statutory income tax rate	25.44 %	25.44 %
Income tax recovery based on statutory income tax rate	(6,109)	(3,449)
Change in unrecognized deferred tax assets	(265)	(3,195)
Tax rate differentials	237	405
Permanent differences	(47)	(138)
Other	(3,725)	(1,145)
Total income tax recovery	(9,909)	(7,522)

The statutory income tax rate of 25.44% (2024 - 25.44%) changes in response to Capstone's allocation of taxable income to different tax jurisdictions.

(E) Current Income Taxes

Current income taxes payable of \$2,712 are included in accounts payable and other liabilities on the statement of financial position (refer to note 14) (2024 - \$193).

NOTE 14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	Dec 31, 2025	Dec 31, 2024
Dividends payable	463	463
Income taxes payable	2,712	193
Other accounts payable and accrued liabilities	54,977	53,533
	<u>58,152</u>	<u>54,189</u>

Income taxes payable	Dec 31, 2025	Dec 31, 2024
Taxes payable on preferred share dividends	185	185
Current income taxes payable	2,527	8
	<u>2,712</u>	<u>193</u>

NOTE 15. LEASE LIABILITIES

	2025	2024
As at January 1	49,400	46,808
Interest expense	3,150	2,759
Additions ⁽¹⁾	11,537	3,802
Lease payments	(4,625)	(3,969)
Lease liabilities	<u>59,462</u>	<u>49,400</u>
Less: current portion	(1,786)	(1,711)
As at December 31	<u>57,676</u>	<u>47,689</u>

(1) Includes \$10,204 of additions for Wild Rose 2 subsequent to COD and \$1,333 for the addition and revision of estimates of various leases (2024 - \$3,773 for the revision of estimates of various leases and \$89 of additions for Buffalo Atlee subsequent to COD).

Capstone has the following known lease payments:

- Capstone's operating wind facilities and wind development projects have entered into agreements to use, or the option to use, land in connection with the operation of existing and future wind facilities. Payments under these agreements are typically a minimum amount with additional payments dependent on the amount of power generated by the wind facility. The agreements can be renewed and extended as far as 2061.
- Cardinal leases the site on which it is located, from Ingredion Canada Corporation ("Ingredion"). Under the lease, Cardinal pays monthly rent. The lease extends through 2034 and expires concurrently with the Energy Savings Agreement between Ingredion and Cardinal.
- Capstone's operating solar facilities have entered into agreements to use land in connection with their operation with terms extending as far as 2067.
- The Corporation has two leases for its corporate offices expiring in 2026 and 2028.

Capstone's leases with no minimum payments required were:

- Agreements with the Provinces of Ontario and British Columbia are for the lease of certain lands and water rights necessary for the operation of its hydro power facilities. The payments under these agreements vary based on actual power production. The terms of the lease agreements expire in 2030 and 2042.

NOTE 16. LONG-TERM DEBT

(A) Power

As at	Dec 31, 2025		Dec 31, 2024	
	Fair Value	Carrying Value	Fair Value	Carrying Value
CPC credit facilities	125,500	125,500	108,000	108,000
Project debt				
Wind	741,300	743,982	704,884	708,219
Solar	169,406	171,989	187,091	185,453
Hydros	61,017	60,867	62,029	62,784
Gas	51,275	51,275	56,409	56,409
Power	1,148,498	1,153,613	1,118,413	1,120,865
Less: deferred financing costs		(13,317)		(28,241)
Long-term debt		1,140,296		1,092,624
Less: current portion		(113,680)		(91,656)
		1,026,616		1,000,968

The power segment has \$187,849 of securities used on its letter of credit facilities.

The project debts within the power segment have regular principal and interest payments over the term to maturity and are secured only by the assets of their respective projects, with no recourse to the Corporation's other assets, except as noted. Refer to note 24 for description of limited recourse guarantees.

In addition, the individual project debt agreements require the respective projects to maintain certain restrictive covenants including a minimum debt service coverage ratio to allow distributions to Capstone.

(i) CPC Credit Facilities

	Interest Rate	Maturity	Dec 31, 2025	Dec 31, 2024
Available credit				
Revolving credit facility ⁽¹⁾		Mar 27, 2027	275,000	275,000
US LC facility ⁽²⁾		Dec 23, 2026	95,942	100,723
Total available credit - all facilities			370,942	375,723
Amount drawn				
Revolving loan	5.81%		125,500	108,000
Letters of credit - revolving credit facility ⁽³⁾	2.98%		44,077	42,015
Letters of credit - US LC facility	2.73%		88,470	29,598
Remaining available credit			112,895	196,110

(1) The effective rate on the revolving credit facility was 5.81% in 2025 (2024 - 6.94%) based on a variable rate plus an applicable margin.

(2) In 2025, the US LC facility was extended to December 23, 2026. The US LC Facility has \$88,470 of letters of credit to support the development and construction facilities.

(3) As at December 31, 2025, Capstone had 35 letters of credit authorized under the revolving credit facility.

Under the CPC credit facilities, CPC is subject to customary covenants, including specific limitations on leverage and interest coverage ratios. The collateral for the CPC credit facilities is provided by Capstone, CPC, and its material subsidiaries. CPC and its material subsidiary guarantors (with the exception of certain subsidiaries, including previously encumbered project financed subsidiaries) provided demand debentures granting a first-ranking security interest in all present and future property, a floating charge over real property, and first ranking securities pledge agreements (subject to certain permitted liens). Capstone provided a limited recourse guarantee, a securities pledge agreement, and an assignment of indebtedness owed to Capstone by CPC.

(ii) Wind

Project debt	Dec 31, 2025	Dec 31, 2024
Wild Rose 2	267,322	178,877
SWNS and Grey Highlands Clean	111,207	121,137
SLGR	95,639	102,853
Buffalo Atlee	65,482	68,086
Goulais	44,811	48,696
Riverhurst	43,052	44,335
Glen Dhu	38,631	46,063
Saint-Philémon	34,501	37,288
SkyGen	18,580	20,315
Amherst	18,543	21,055
Glance Bay	3,682	4,876
Erie Shores	2,532	14,638
	<u>743,982</u>	<u>708,219</u>

Wild Rose 2	Interest Rate ⁽²⁾	Maturity	Dec 31, 2025	Dec 31, 2024
Term loan facility ⁽¹⁾	5.27%	Sep 12, 2030	182,026	93,581
ITC bridge loan facility	4.59%	Mar 31, 2027	85,296	85,296
			<u>267,322</u>	<u>178,877</u>

- (1) On November 21, 2025, the Wild Rose 2 construction credit facility converted to term loan, amortizing over 25 years.
(2) Interest during construction was capitalized to PUD, which included \$17,883 as at December 31, 2025.
(3) Wild Rose 2 is required to set aside \$11,405 as letters of credit to cover the debt service reserve.
(4) As at December 31, 2025, Wild Rose 2 had swap contracts to convert interest to a fixed rate (refer to note 8a).

SWNS and Grey Highlands Clean ⁽¹⁾	Interest Rate ⁽³⁾	Maturity	Dec 31, 2025	Dec 31, 2024
SWNS - Term Loan	2.77%	Dec 31, 2036	63,547	69,472
Grey Highlands Clean - Term Loan	2.77%	Dec 31, 2036	47,660	51,665
			<u>111,207</u>	<u>121,137</u>

- (1) SWNS and Grey Highlands Clean are financed together under a co-borrowing agreement.
(2) SWNS and Grey Highlands Clean are required to set aside \$4,750 and \$3,300, respectively, as letters of credit to cover the debt service reserve, as well as \$777 and \$765, respectively, as restricted cash to fund the maintenance reserves (refer to note 3).
(3) As at December 31, 2025, SWNS and Grey Highlands Clean had swap contracts to convert interest to a fixed rate (refer to note 8a).

SLGR	Interest Rate ⁽²⁾	Maturity	Dec 31, 2025	Dec 31, 2024
Term loan	4.48%	Dec 31, 2036	95,639	102,853

- (1) SLGR is required to set aside \$7,300 as letters of credit to cover the debt service reserve and \$2,073 as restricted cash to fund the maintenance reserve (refer to note 3).
(2) As at December 31, 2025, SLGR had swap contracts to convert interest to a fixed rate (refer to note 8a).

Buffalo Atlee	Interest Rate ⁽¹⁾	Maturity	Dec 31, 2025	Dec 31, 2024
Term Loan	5.33%	Jan 27, 2028	65,482	68,086

- (1) As at December 31, 2025, Buffalo Atlee had swap contracts to convert interest to a fixed rate (refer to note 8a).

Goulais	Interest Rate	Maturity	Dec 31, 2025	Dec 31, 2024
Term loan	5.16%	Sep 30, 2034	44,811	48,696

- (1) Goulais is required to set aside \$3,276 as restricted cash to cover the debt service reserve (refer to note 3).

Riverhurst	Interest Rate ⁽²⁾	Maturity	Dec 31, 2025	Dec 31, 2024
Term loan	4.78%	Dec 31, 2041	43,052	44,335

- (1) Riverhurst is required to set aside \$1,900 as letters of credit to cover the debt service reserve.
(2) As at December 31, 2025, Riverhurst had swap contracts to convert interest to a fixed rate (refer to note 8a).

Glen Dhu	Interest Rate	Maturity	Dec 31, 2025	Dec 31, 2024
Term loan	5.33%	Dec 31, 2030	38,631	46,063

- (1) Glen Dhu is required to set aside \$4,450 as letters of credit against the borrowing capacity of the CPC revolving credit facility to cover the debt service reserve.

Saint-Philémon	Interest Rate	Maturity	Dec 31, 2025	Dec 31, 2024
Term loan	5.49%	May 31, 2034	34,501	37,288

- (1) Saint-Philémon is required to set aside \$1,224 as letters of credit against the borrowing capacity of the CPC revolving credit facility to cover the debt service reserve.

SkyGen	Interest Rate	Maturity	Dec 31, 2025	Dec 31, 2024
Term loan - SkyGen	6.26%	Apr 14, 2030	18,580	7,606
Term loan - Skyway 8 ⁽¹⁾			—	12,709
			18,580	20,315

- (1) On March 25, 2025 the SkyGen and Skyway 8 term loans were extended to April 14, 2025. Subsequently on April 14, 2025, SkyGen and Skyway 8 combined their respective credit agreements and secured a five-year extension with existing lenders with terms consistent with prior agreements.
- (2) SkyGen is required to set aside \$1,400 as restricted cash to cover the debt service reserve (refer to note 3).

Amherst	Interest Rate	Maturity	Dec 31, 2025	Dec 31, 2024
Term loan	6.20%	Apr 30, 2032	18,543	21,055

- (1) Amherst's project debt has a \$1,000 limited recourse guarantee provided by CPC to the lenders of the Amherst project debt.
- (2) Amherst is required to set aside \$2,224 as letters of credit against the borrowing capacity of the CPC revolving credit facility to cover the debt service and maintenance reserves.

Glac Bay	Interest Rate	Maturity	Dec 31, 2025	Dec 31, 2024
Term loan	5.99%	Mar 15, 2027	1,151	2,087
Term loan	4.72%	Oct 1, 2032	2,531	2,789
			3,682	4,876

- (1) Glac Bay is required to set aside \$1,137 as restricted cash to cover the debt service reserve (refer to note 3) and \$29 as restricted cash to cover the maintenance reserve (refer to note 3 & note 8).

Erie Shores ⁽³⁾	Interest Rate	Maturity	Dec 31, 2025	Dec 31, 2024
Tranche A	5.96%	Apr 1, 2026	1,523	8,805
Tranche C	6.15%	Apr 1, 2026	1,009	5,833
			2,532	14,638

- (1) Erie Shores project debt has a \$5,000 limited recourse guarantee provided by CPC to the lenders of the Erie Shores project debt.
- (2) Erie Shores is required to set aside \$2,532 as restricted cash and \$550 as letters of credit against the borrowing capacity of the CPC revolving credit facility to cover the debt service and maintenance reserves (refer to note 3).
- (3) Tranche B matured on April 1, 2016.

(iii) Solar

Project debt	Dec 31, 2025	Dec 31, 2024
Claresholm	82,557	85,881
Amherstburg	51,220	59,726
Michichi and Kneehill	38,212	39,846
	171,989	185,453

Claresholm	Interest Rate ⁽³⁾	Maturity	Dec 31, 2025	Dec 31, 2024
Term loan - variable	5.29%	Nov 21, 2028	43,073	44,807
Term loan - fixed	5.90%	Jul 9, 2032	39,484	41,074
			82,557	85,881

- (1) On November 21, 2025, the Claresholm term loan was amended and extended with existing lenders. The term loan is comprised of two tranches, a floating interest rate tranche which matures on November 21, 2028, and a fixed interest rate tranche which matures on July 9, 2032. To mitigate interest risk, swap contracts were executed to convert the floating interest rate obligations to a fixed rate.
- (2) Claresholm is required to set aside \$1,530 as letters of credit against the borrowing capacity of the CPC revolving credit facility and \$1,471 as restricted cash to cover the debt service reserve (refer to note 3) and \$2,392 as letters of credit to cover the operating and maintenance reserve.
- (3) As at December 31, 2025, Claresholm had swap contracts to convert floating interest to a fixed rate (refer to note 8a).

Amherstburg	Interest Rate	Maturity	Dec 31, 2025	Dec 31, 2024
Senior term loan	3.49%	Dec 31, 2030	34,113	40,489
Subordinated term loan	3.78%	Jun 30, 2031	17,107	19,237
			51,220	59,726

- (1) Amherstburg is required to set aside \$5,465 as letters of credit against the borrowing capacity of the CPC revolving credit facility to cover the debt service and maintenance reserves.

Michichi and Kneehill	Interest Rate ⁽¹⁾	Maturity	Dec 31, 2025	Dec 31, 2024
Kneehill - Term loan	5.17%	Dec 22, 2027	22,340	23,295
Michichi - Term loan	5.17%	Dec 22, 2027	15,872	16,551
			38,212	39,846

- (1) As at December 31, 2025, Michichi and Kneehill had swap contracts to convert interest to a fixed rate (refer to note 8a).

(iv) Gas

	Interest Rate ⁽²⁾	Maturity	Dec 31, 2025	Dec 31, 2024
Term loan	3.69%	Apr 1, 2026	35,671	39,204
Term loan	4.06%	Apr 1, 2026	15,604	17,205
			<u>51,275</u>	<u>56,409</u>

(1) Cardinal is required to set aside \$3,430 as restricted cash to cover the operating and maintenance reserve and \$4,000 as letters of credit to cover the debt service reserve (refer to note 3).

(2) As at December 31, 2025, Cardinal had swap contracts to convert interest to a fixed rate (refer to note 8a).

(v) Hydros

	Interest Rate	Maturity	Dec 31, 2025	Dec 31, 2024
Senior secured bonds	4.56%	Jun 30, 2040	44,057	45,597
Subordinated secured bonds	7.00%	Jun 30, 2041	16,810	17,187
			<u>60,867</u>	<u>62,784</u>

(1) The hydro facilities are required to set aside \$8,570 as letters of credit against the borrowing capacity of the CPC revolving credit facility to cover the debt service and maintenance reserves.

(B) Long-term Debt Repayments

The following table summarizes total principal payments required under each of the Corporation's facilities in the next five years and thereafter:

Year of Repayment	Within one year	One year to five years	Beyond five years	Total
Power	113,758	498,124	541,731	1,153,613

NOTE 17. LIABILITY FOR ASSET RETIREMENT OBLIGATION

The carrying value of these obligations is based on estimated cash flows required to settle these obligations in present day costs. The costs relate to site restoration and decommissioning of the gas, wind and hydro power facilities.

The following table provides the underlying assumptions and reconciles the Corporation's total asset retirement obligation activity:

	Dec 31, 2025	Dec 31, 2024
Assumptions:		
Expected settlement date	2029-2070	2026-2062
Inflation rate	2.0 %	2.0 %
Credit adjusted discount rate	5% - 6.25%	4.75% - 8.00%
Balance, beginning of year	15,705	14,017
Revision of estimates	(1,213)	(309)
Liabilities incurred ⁽¹⁾	76	1,182
Asset derecognition ⁽²⁾	(129)	—
Accretion expense	895	815
Balance, end of year	<u>15,334</u>	<u>15,705</u>

(1) Liabilities incurred relate to Wild Rose 2 which achieved COD in August 2025.

(2) During the year, the Corporation partially decommissioned certain wind facilities, resulting in the derecognition of the associated liability.

NOTE 18. SHAREHOLDERS' EQUITY

The following table summarizes the Corporation's share capital:

As at	Dec 31, 2025	Dec 31, 2024
Common and Class A shares ⁽¹⁾	137,270	137,270
Preferred shares	72,020	72,020
	<u>209,290</u>	<u>209,290</u>

(1) No return of capital was paid to the Class A common shareholder in 2025 (2024 - return of capital of \$75,000).

(A) Common and Class A Shares

Capstone is authorized to issue an unlimited number of common and Class A shares, all of which have the same rights and attributes. As at December 31, 2025 and 2024, there were 304,609 common and Class A shares issued and outstanding.

(B) Preferred Shares

Capstone is authorized to issue preferred shares equal to 50% of the outstanding common shares. As at December 31, 2025 and 2024, there were 3,000 series A preferred shares issued and outstanding.

The series A preferred shares have a cumulative discretionary dividend, which has a rate reset on each 5-year anniversary; the next anniversary date is July 31, 2026. The shares are non-voting and redeemable at the Corporation's discretion.

In accordance with the terms and conditions of the share agreement, all Class A preferred shares accrue dividends at a fixed rate of 3.702% per annum and preferred dividends are paid quarterly.

(C) Dividends

No dividends were declared in 2025 or 2024 in respect of the Corporation's common shareholders.

For the year ended	Dec 31, 2025	Dec 31, 2024
Preferred shares declared ^{(1), (2)}	2,856	2,857

(1) Includes \$80 of deferred income taxes expenses for the year ended December 31, 2025 (2024 - expense of \$81).

(2) Capstone has included \$463 of accrued preferred dividends as declared on November 13, 2025 (2024 - \$463).

(D) Capital Management

The Corporation manages its capital to achieve the following objectives:

- Maintain a capital structure that provides financial flexibility to the Corporation to ensure access to debt on commercially reasonable terms, without exceeding its debt capacity;
- Maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments and distribution payments; and
- Deploy capital to provide an appropriate investment return to its security holders.

The Corporation's financial strategy is designed to maintain a capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In doing so, the Corporation may receive capital contributions from its common shareholder, issue additional shares, issue additional debt, issue debt to replace existing debt with similar or different characteristics, or adjust the amount of dividends paid to shareholders.

The Corporation's financing and refinancing decisions are made on a specific transaction basis and depend on such things as the Corporation's needs and economic conditions at the time of the transaction.

The Corporation is not subject to any external capital requirements and is in compliance with all debt covenants, except as described in note 8.

NOTE 19. NON-CONTROLLING INTERESTS

(A) Non-controlling Interests

Non-controlling interests represent ownership interests by third parties in businesses consolidated by Capstone. Capstone's entities with non-controlling interests and Capstone's partners as at December 31, 2025 were:

Partner(s)	Renewable Energy Company A/S ("RECO")	Sawridge First Nation ("SFN")	Batchewan a First Nation ("BFN")	One West Holdings Ltd. ("Concord")	Firelight Infrastructure Partners LP ("Firelight")	Municipal interests	Other
Project(s) and Ownership	Clareholm 49% ⁽¹⁾	SFN Projects 25% ⁽²⁾	Goulais 49%	SLGR 49%	Amherst 49%	Saint-Philémon 49% ⁽³⁾	Various

(1) Renewable Energy Company A/S was previously called Obton A/S.

(2) The SFN Projects are comprised of Buffalo Atlee, Michichi, and Kneehill.

(3) Saint-Philémon is 48.9% owned by Municipalité Régionale de Comté de Bellechasse and 0.1% owned by Municipalité de Saint-Philémon.

Capstone has agreements with each partner that govern distributions from these investments. In addition, distributions must also comply with the respective debt agreements.

The balances and changes in non-controlling interests are:

	RECO's interest in Claresholm	SFN's interest in SFN Projects ⁽¹⁾	BFN's interest in Goulais ⁽²⁾	Concord's interest in SLGR	Firelight's interest in Amherst	Municipal interest in Saint- Philémon	Other	Total
January 1, 2024	56,246	3,513	17,661	13,561	8,839	(2,964)	—	96,856
NCI portion of net income	(2,417)	(115)	552	(52)	645	247	—	(1,140)
Dividends declared	(490)	(1,269)	(1,265)	(756)	(441)	(569)	—	(4,790)
Net contributions from NCI	—	465	—	—	—	—	—	465
As at December 31, 2024	53,339	2,594	16,948	12,753	9,043	(3,286)	—	91,391
NCI portion of net income	(4,530)	350	1,393	2,200	798	870	(76)	1,005
Dividends declared	—	(792)	(1,265)	(787)	(1,054)	(711)	—	(4,609)
Net contributions from NCI	—	—	—	—	—	—	950	950
As at December 31, 2025	48,809	2,152	17,076	14,166	8,787	(3,127)	874	88,737

(1) The SFN Projects are comprised of Buffalo Atlee, Michichi, and Kneehill. Refer to note 2.

(2) Net income is allocated based on pro-rata share of distributions.

(B) Summarized Information for Material Partly Owned Subsidiaries

As at Summarized Statements of Financial Position	December 31, 2025						
	Claresholm	SFN Projects	Goulais	SLGR	Amherst	Saint- Philémon	Other
Assets							
Current	7,961	23,975	1,787	33,884	2,059	2,465	316
Non-current	189,658	136,884	—	101,869	37,933	31,720	8,927
Liabilities							
Current	(6,326)	(9,291)	(695)	(2,675)	(2,873)	(3,315)	(488)
Non-current	(91,667)	(99,851)	(4,459)	(87,451)	(16,847)	(33,067)	—
Total equity	99,626	51,717	(3,367)	45,627	20,272	(2,197)	8,755
Attributable to:							
Shareholders of Capstone	50,817	49,565	(20,443)	31,461	11,485	930	7,881
NCI	48,809	2,152	17,076	14,166	8,787	(3,127)	874
	99,626	51,717	(3,367)	45,627	20,272	(2,197)	8,755

As at Summarized Statements of Financial Position	December 31, 2024						
	Claresholm	SFN Projects	Goulais	SLGR	Amherst	Saint- Philémon	Other
Assets							
Current	6,012	29,158	2,649	29,092	2,023	1,711	—
Non-current	198,708	144,586	—	98,662	41,025	34,746	—
Liabilities							
Current	(9,991)	(4,451)	(493)	1,382	(2,806)	(3,095)	—
Non-current	(85,859)	(105,785)	(3,649)	(94,837)	(19,448)	(36,013)	—
Total equity	108,870	63,508	(1,493)	34,299	20,794	(2,651)	—
Attributable to:							
Shareholders of Capstone	55,531	60,914	(18,441)	21,546	11,751	635	—
NCI	53,339	2,594	16,948	12,753	9,043	(3,286)	—
	108,870	63,508	(1,493)	34,299	20,794	(2,651)	—

For the year ended Summarized Statements of Income	December 31, 2025						
	Claresholm	SFN Projects	Goulais	SLGR	Amherst	Saint- Philémon	Other
Revenue	12,259	11,571	2,527	20,750	8,252	9,386	—
Net income (loss)	(7,298)	(7,589)	(609)	4,927	1,628	1,776	(76)
Attributable to:							
Shareholders of Capstone	(2,768)	(7,939)	(2,002)	2,727	830	906	—
NCI	(4,530)	350	1,393	2,200	798	870	(76)
	(7,298)	(7,589)	(609)	4,927	1,628	1,776	(76)

For the year ended Summarized Statements of Income	December 31, 2024						
	Claresholm	SFN Projects	Goulais	SLGR	Amherst	Saint- Philémon	Other
Revenue	15,748	10,654	3,892	18,974	8,133	8,230	—
Net income (loss)	(4,932)	1,100	1,057	(106)	1,316	503	—
Attributable to:							
Shareholders of Capstone	(2,515)	1,215	505	(54)	671	256	—
NCI	(2,417)	(115)	552	(52)	645	247	—
	(4,932)	1,100	1,057	(106)	1,316	503	—

For the year ended Summarized Statements of Cash Flows	December 31, 2025						
	Claresholm	SFN Projects	Goulais	SLGR	Amherst	Saint- Philémon	Other
Operating	5,895	485	3,238	12,063	4,769	4,179	—
Investing	(1,428)	(1,780)	—	(2,336)	(415)	(410)	—
Financing	(4,442)	(3,172)	(3,900)	(11,021)	(4,579)	(4,109)	—
Net increase / (decrease) in cash and equivalents	25	(4,467)	(662)	(1,294)	(225)	(340)	—

For the year ended Summarized Statements of Cash Flows	December 31, 2024						
	Claresholm	SFN Projects	Goulais	SLGR	Amherst	Saint- Philémon	Other
Operating	5,976	6,850	4,091	10,783	4,744	4,154	—
Investing	238	(24,012)	—	(932)	(981)	(31)	—
Financing	(8,746)	(2,677)	(3,700)	(8,423)	(3,414)	(3,625)	—
Net increase / (decrease) in cash and equivalents	(2,532)	(19,839)	391	1,428	349	498	—

NOTE 20. SHARE-BASED COMPENSATION

Share Appreciation Rights Plan

On April 1, 2017, a share appreciation rights ("SAR") plan was approved by the board. The SAR plan allows up to 15,230,457 SAR units, or 5% of the number of shares issued, to be granted. At the beginning of 2025 and as at December 31, 2025, there were 15,230,457 units outstanding. A SAR unit entitles the holder to the appreciation in value of one unit over a period of time. The SAR units have a maximum life of 13 years and vest upon a sale transaction, defined as more than 50% of the equity securities of Capstone being sold to a third party. The sale price will determine the ultimate fair value of the SAR units on the vesting date. The SAR units will be settled in cash for individuals who meet the vesting conditions on the vesting date. No liability has been recorded as a sale transaction is not currently probable.

NOTE 21. REVENUE BY NATURE

Capstone's power segment generates revenue through long-term power contracts, as well as sales directly into the Alberta Power Pool, and under various contracts for electricity and the associated emissions offset credits, which vary in nature as disaggregated below. The corporate activities do not generate revenue.

	For the year ended	
	Dec 31, 2025	Dec 31, 2024
Wind ^{(1), (2)}	150,230	129,605
Gas ⁽³⁾	57,033	28,666
Solar ⁽²⁾	33,788	37,858
Hydro	13,214	12,481
Biomass ⁽²⁾	8,481	10,665
Total Revenue	262,746	219,275

(1) Wind includes revenue earned during project commissioning at Wild Rose 2 (Buffalo Atlee in 2024).

(2) Wind, biomass, and solar facilities include revenue from the generation and sale of electricity at market rates. In 2024, solar also includes sale of emissions offset credits.

(3) Gas revenue at Cardinal consists of fixed payments for providing capacity and availability based on its PPA and other contracts; the remaining revenue is variable based on production.

As at December 31, 2025, Capstone has trade receivable balances of \$33,214 (2024 - \$24,131).

NOTE 22. EXPENSES BY NATURE

	For the year ended				Dec 31, 2025				Dec 31, 2024			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Wages and benefits ⁽¹⁾	17,857	9,562	758	28,177	17,132	9,161	3,528	29,821	17,132	9,161	3,528	29,821
Fuel and transportation	28,066	—	—	28,066	8,106	—	—	8,106	8,106	—	—	8,106
Maintenance & supplies	27,285	—	—	27,285	23,376	—	—	23,376	23,376	—	—	23,376
Property expenses ⁽²⁾	10,901	579	435	11,915	10,226	472	517	11,215	10,226	472	517	11,215
Professional fees ⁽³⁾	2,474	659	8,600	11,733	2,418	491	6,568	9,477	2,418	491	6,568	9,477
Insurance	4,784	105	—	4,889	4,737	164	—	4,901	4,737	164	—	4,901
Power facility administration	3,783	—	—	3,783	2,779	—	—	2,779	2,779	—	—	2,779
Other	2,054	1,747	1,125	4,926	2,021	1,682	963	4,666	2,021	1,682	963	4,666
Total	97,204	12,652	10,918	120,774	70,795	11,970	11,576	94,341	70,795	11,970	11,576	94,341

(1) Wages and benefits include project development direct staff costs, net of recovery of staff costs from an equity accounted investment. Refer to note 9.

(2) Property expenses include leases, utilities, and property taxes.

(3) Professional fees include legal, audit, tax and other advisory services.

NOTE 23. OTHER GAINS AND LOSSES

	For the year ended	
	Dec 31, 2025	Dec 31, 2024
Changes in derivative financial instruments fair value ⁽¹⁾	(18,438)	17,950
Losses on debt financing and refinancing ⁽²⁾	(3,031)	(3,726)
Gains (losses) on disposal of capital assets	(1,826)	(3,932)
Gain on disposal of PUD	—	2,813
Other	4,222	(1,102)
Other gains and (losses), net	(19,073)	12,003

(1) The loss of \$18,438 on derivatives includes a decrease in the embedded derivatives, which consist of the fuel supply and PPA contracts, partially offset by gains from the interest rate swap contracts. Refer to note 7.

(2) Relates to the Claresholm debt refinancing, which was recorded as a debt extinguishment in 2025 (2024 - CPC revolver financing and the Wild Rose 2 non-revolving loan). Refer to note 16.

NOTE 24. COMMITMENTS AND CONTINGENCIES

The Corporation, either directly or indirectly through its subsidiaries, has entered into various contracts and commitments in addition to the commitments described in notes 7, 8, 16, and 17 as at December 31, 2025, as follows:

(A) Capital Commitments

Capstone enters into capital commitments in the normal course of operations. As part of Capstone's power development operations, Capstone enters into various construction and purchase agreements. As at December 31, 2025, Capstone's aggregate capital commitments for development projects are \$16,275 for contracted development projects in British Columbia.

(B) Power Purchase Agreements

A significant portion of the Corporation's electricity revenue is earned through long-term PPAs. The majority of these contracts include terms and conditions customary to the industry. For Cardinal's contract, the nature of commitments is based on the contract capacity of the facility. The remaining power facilities are registered as electricity market participants where they deliver generated electricity to the grid for a price specified in the PPA; however, in certain circumstances, if the facility fails to meet specific performance requirements, the facility may have financial penalties or the PPA may be terminated after a specified period of time. For certain wind projects in development, commitments include security in the form of letters of credit during development.

(C) Management Services Agreements

Capstone has agreements with certain owned operating wind and solar facilities. These agreements are primarily for the provision of management and administration services and are based on an agreed percentage of revenue.

(D) Wood Waste Supply Agreement

One of the Whitecourt fuel supply agreements for wood waste includes sharing mechanisms regarding the price received for electricity and emissions offset credits sold by Whitecourt.

(E) Operations and Maintenance ("O&M") Agreements

Cardinal has a maintenance contract with Siemens Energy Canada Limited covering the gas turbine at Ingredion's 15MW facility. Capstone has several service and maintenance agreements covering the turbines in operation on various wind facilities. The agreements provide for scheduled and unscheduled maintenance and require annual minimum payments, subject to inflationary increases, as applicable.

Capstone has an O&M agreement with Regional Power OPCO Inc. ("Regional") to operate and maintain the hydro power facilities. Regional is paid a monthly management fee and is eligible for an annual incentive fee.

As at December 31, 2025, Capstone has aggregate purchase commitments of \$169,768 for the operation and maintenance of various operating facilities.

(F) Energy Savings Agreement ("ESA")

Cardinal has an ESA with Ingredion which expires in 2034. Under the terms of the ESA, Cardinal is required to provide O&M services in respect of the 15MW plant, and supply steam and compressed air to Ingredion for the use of its manufacturing facility. Cardinal entered into a maintenance contract with Siemens Energy Canada Limited in connection with the operation and maintenance of the 15MW plant in order to support Cardinal's satisfaction of the O&M terms of the ESA.

(G) Guarantees

Capstone has provided limited recourse guarantees on the project debt of certain wind projects totaling \$6,000 as at December 31, 2025.

There have been no other significant changes to the specified contractual obligations that are outside the ordinary course of business. Capstone is not engaged in any off-balance sheet financing transactions. Due to the nature of their operations, the power facilities are not expected to incur material contingent liabilities upon the retirement of assets.

NOTE 25. RELATED PARTY TRANSACTIONS

(A) Contributions and Credit Support from iCON

In the second quarter of 2024, Capstone paid a return of capital of \$75,000 in cash to its Class A common shareholder. No cash contributions by Capstone's Class A common shareholder or return of capital to the Class A common shareholder were made in 2025.

The Class A common shareholder previously provided letters of credit issued to the benefit of Capstone under a financing and reimbursement agreement with iCON, which was terminated in December 2025. All letters of credit issued by iCON's letter of credit issuers were cancelled in August 2025 and replaced with letters of credit issued by the Corporation's letter of credit facilities. Capstone reimbursed the common shareholder for payments made on its behalf, including fees and draws on the letters of credit. For the year ended December 31, 2025, Capstone reimbursed normal course fees of \$480 (2024 - \$1,055).

(B) Compensation of Key Management

Key management includes the Corporation's directors, Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and Chief Operating Officer ("COO"). Compensation awarded to key management consists of salaries, directors' fees, short-term employee benefits and long-term incentive plan payments.

Key Management Compensation for the year ended	Dec 31, 2025	Dec 31, 2024
Salaries, directors' fees and short-term employee benefits ⁽¹⁾	2,535	2,416
	<u>2,535</u>	<u>2,416</u>

(1) The short-term incentive plan component is based on amounts paid during the year.

NOTE 26. SEGMENTED INFORMATION

The Corporation's business has one reportable segment containing the power operations, in order to assess performance and allocate capital, as well as the remaining corporate activities. The power operations and corporate activities are all located in Canada. Management evaluates performance primarily on revenue, expenses and EBITDA. Projects within the power segment have similar economic characteristics based on the nature of the products or services they provide, the customers they serve, the method of distributing those products or services and the prevailing regulatory environments.

For the year ended	Dec 31, 2025			Dec 31, 2024		
	Power	Corporate	Total	Power	Corporate	Total
Revenue	262,746	—	262,746	219,275	—	219,275
Expenses	(104,647)	(16,127)	(120,774)	(79,337)	(15,004)	(94,341)
EBITDA	150,625	(15,945)	134,680	147,316	(14,283)	133,033
Interest expense	(62,939)	—	(62,939)	(49,062)	—	(49,062)
Income tax recovery (expense)	6,704	3,205	9,909	5,369	2,153	7,522
Net income (loss)	(1,140)	(12,964)	(14,104)	6,364	(12,400)	(6,036)
Additions to capital assets, net	24,649	—	24,649	28,938	—	28,938
Additions to PUD ⁽¹⁾	109,511	—	109,511	123,006	—	123,006

(1) Refer to note 11.

INVESTOR INFORMATION

Quick Facts

Preferred shares outstanding	3,000,000
Securities exchange and symbols	Toronto Stock Exchange: CSE.PR.A

CONTACT INFORMATION

Address:

155 Wellington Street West, Suite 2930
Toronto, ON M5V 3H1
www.capstoneinfrastructure.com
Email: info@capstoneinfra.com

Contact:

Megan Hunter
Senior Manager, Communications
Tel: 416-649-1325
Email: mhunter@capstoneinfra.com