CAPSTONE INFRASTRUCTURE CORPORATION

Financial Report for the Quarter Ended March 31, 2016

FINANCIAL HIGHLIGHTS

PERFORMANCE MEASURES

Earnings Measures ($000s)	Three months ended Mar 31, 2016	Three months ended Mar 31, 2015
Revenue	88,469	90,239
Net income	2,460	5,437
Basic earnings per share [(1)]	(0.056)	(0.008)

[(1)] Basic earnings per share is calculated using the net income available to common shareholders. Refer to note 14 in the accompanying consolidated financial statements.

Cash Flow Measures ($000s)	Three months ended Mar 31, 2016	Three months ended Mar 31, 2015
Cash flows from operating activities	7,794	42,263
Adjusted EBITDA [(1)]	29,929	29,549
Adjusted funds from operations ("AFFO") [(1)]	2,257	6,464
Payout ratio [(1)]	n.m.f.	113%

[(1)] These performance measures are not defined by International Financial Reporting Standards ("IFRS"). Please see page 4 for a definition of each measure.

Capital Structure – At Fair Value ($000s)	Mar 31, 2016	Dec 31, 2015
Long-term debt – power [(1)]	567,710	464,154
Long-term debt – utilities – water [(1)]	384,372	413,571
Long-term debt – corporate	72,748	117,811
Common shares	459,426	342,658
Class B exchangeable units	15,792	11,795
Preferred shares	34,950	38,970
Debt to capitalization	66.8%	71.7%

[(1)] Capstone's proportionate share based on ownership interest.

INVESTOR INFORMATION

Quick Facts	
Common shares outstanding	94,532,042
Class B exchangeable units	3,249,390
Preferred shares outstanding	3,000,000
2016 - Convertible debentures outstanding	42,749
2017 - Convertible debentures outstanding	27,428
Securities exchange and symbols	Toronto Stock Exchange: CSE, CSE.PR.A, CSE.DB.A, CPW.DB

QUARTERLY TRADING INFORMATION

	High Price	Low Price	Closing Price	Average daily volume
Common shares	$4.88	$3.20	$4.86	443,389
Preferred shares	$15.30	$11.48	$11.65	10,847
2016 - Convertible debentures	$101.48	$100.10	$101.01	916
2017 - Convertible debentures	$108.15	$100.75	$107.80	139

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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 Capstone Infrastructure Corporation (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 "Message to Shareholders", "Strategic Overview", and "Results of Operations". 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, 2015 under the heading "Results of Operations", as updated in subsequently filed MD&A of the Corporation (such documents are available under the Corporation's SEDAR profile at www.sedar.com).

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 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 further material delays in the Corporation's wind development projects achieving commercial operation; that the Corporation's power infrastructure facilities will experience normal wind, hydrological and solar irradiation conditions, and ambient temperature and humidity levels; that there will be no 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 infrastructure facilities, or Värmevärden; that there will be no material changes in rate orders or rate structures for Bristol Water; that there will be no material changes in environmental regulations for the power infrastructure facilities, Värmevärden or Bristol Water; 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 Cardinal is dispatched; the price that Whitecourt will receive for its electricity production considering the market price for electricity in Alberta, the impact of renewable energy credits, and Whitecourt's agreement with Millar Western, which includes sharing mechanisms regarding the price received for electricity sold by the facility; the re-contracting of the power purchase agreement ("PPA") for Sechelt; that there will be no material change from the expected amount and timing of capital expenditures by Bristol Water; that there will be no material changes to the Swedish krona to Canadian dollar and UK pound sterling to Canadian dollar exchange rates; and that Bristol Water will operate and perform in a manner consistent with the regulatory assumptions underlying the Competition and Market Authority's ("CMA") final determination, including, among others: real and inflationary changes in Bristol Water's revenue, Bristol Water's expenses changing in line with inflation and efficiency measures, and capital investment, leakage, customer service standards and asset serviceability targets being achieved.

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 (dividends on common shares and preferred shares are not guaranteed; volatile market price for the Corporation's securities; shareholder dilution; and convertible debentures credit risk, subordination and absence of covenant protection); risks related to the Corporation and its businesses (availability of debt and equity financing; default under credit agreements and debt instruments; geographic concentration; foreign currency exchange rates; acquisitions, development and integration; environmental, health and safety; changes in legislation and administrative policy; and reliance on key personnel); risks related to the Corporation's power infrastructure facilities (market price for electricity; power purchase agreements; completion of the Corporation's wind development projects; operational performance; contract performance and reliance on suppliers; land tenure and related rights; environmental; and regulatory environment); risks related to Värmevärden (operational performance; fuel costs and availability; industrial and residential contracts; environmental; regulatory environment; and labour relations); and risks related to Bristol Water (Ofwat price determinations; failure to deliver capital investment programs; economic conditions; operational performance; outcome incentives; failure to deliver water leakage target; SIM and the serviceability assessment; pension plan obligations; regulatory environment; competition; seasonality and climate change; and labour relations). For a comprehensive description of these risk factors, please refer to the "Risk Factors" section of the Corporation's Annual Information Form dated March 29, 2016, 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.sedar.com).

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.

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 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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INTRODUCTION

Management's discussion and analysis ("MD&A") summarizes Capstone Infrastructure Corporation's (the "Corporation" or "Capstone") consolidated operating results and cash flows for the three months ended March 31, 2016 with the comparative prior periods and the Corporation's financial position as at March 31, 2015 and December 31, 2015. This MD&A should be read in conjunction with the accompanying unaudited interim consolidated financial statements of the Corporation and notes thereto as at and for the three months ended March 31, 2016 and the financial statements and MD&A for the year ended December 31, 2015. Additional information about the Corporation can be found in its other public filings, specifically the Corporation's Annual Information Form dated March 29, 2016 and its Annual Report for the year ended December 31, 2015. These filings are available under the Corporation's profile on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com. This MD&A is dated May 11, 2016, 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 ("IFRS") and amounts are in Canadian thousands of dollars or thousands of share amounts unless otherwise indicated.

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

	Swedish Krona (SEK)		UK Pound Sterling (£)	
As at and for the periods ended	**Average**	**Spot**	**Average**	**Spot**
Year ended December 31, 2015	0.1516	0.1638	1.9540	2.0407
Quarter ended March 31, 2016	0.1624	0.1602	1.9648	1.8652

CHANGES IN THE BUSINESS

During the first three months of 2016, Capstone progressed its wind development projects and completed financing changes at corporate and within the power segment.

Grey Highlands ZEP and Ganaraska Achieved Commercial Operations

The Grey Highlands ZEP wind development project achieved commercial operations on February 26, 2016 and during the first quarter progress continued at Ganaraska, which achieved commercial operations on May 6, 2016.

Financing Changes - Corporate facility, Cardinal and Grey Highlands Clean

On January 31, 2016, the corporate credit facility capacity decreased by $35,000, reducing its capacity to $90,000. Concurrent with the Cardinal financing on March 18, 2016, the capacity was further decreased to $60,000.

On March 18, 2016, Capstone, through a wholly owned subsidiary, reached financial close on an approximately $83,000 financing for the Cardinal gas cogeneration plant, consisting of a $70,000 term loan and a $13,000 letter of credit facility, which are non-recourse to Capstone. The proceeds were used to increase the financial flexibility of Capstone by repaying the drawn portion of the corporate credit facility, as well as funding Cardinal's ongoing reserve requirements and transaction costs for arranging the financing. The new project debt amortizes over a period of 18½ years, maturing in 2023, with a variable annual interest rate of CDOR plus 1.625%. Cardinal has entered into a swap contract to convert its floating interest rate obligations under the credit agreement to a fixed rate. The effective fixed interest rate on the loan will be 2.87% from inception to December 31, 2022.

On March 24, 2016, Capstone, through a subsidiary that controls the Grey Highlands Clean wind project, entered into a credit agreement that provides up to $55,100 for the construction of the project. The construction term of the facility is expected to mature in the fourth quarter of 2016 and has a variable interest rate based on CDOR plus 1.625%. Upon maturity, the facility will convert to a term loan, which matures no later than 2021 with a five-year variable annual interest rate of CDOR plus 1.625% (which increases to CDOR plus 1.875% commencing on the day following the third anniversary of the term conversion date). Grey Highlands Clean has entered into swap contracts to convert its floating interest rate obligations under the credit agreement to a fixed rate. The effective fixed interest rate on the loan will be 2.68% pre-term conversion, stepping up to 2.87%for the first three years of the term loan, and to 3.11% for years four and five. Interest during construction is capitalized to projects under development.

SUBSEQUENT EVENTS

Acquisition of Capstone by iCON Infrastructure

On April 29, 2016, Capstone completed the previously announced plan of arrangement under which a subsidiary of a fund advised by London, UK-based iCON Infrastructure LLP ("iCON") acquired all issued and outstanding common shares of Capstone and Class B exchangeable units of Capstone's subsidiary MPT LTC Holding LP for $4.90 cash per share or unit, as applicable. In addition, Capstone's convertible debentures were redeemed or converted to common shares and acquired as part of the transaction in accordance with the arrangement agreement.

In addition, concurrent with the acquisition, Capstone Power Corp. reached financial close on credit facilities totalling approximately $125,000 which were used to replace Capstone's existing credit facility and repay the outstanding convertible debentures. At the same time, Capstone issued $316,225 of demand promissory notes to the purchaser.

Contingent Asset

On April 19, 2016, the Court of Appeal for Ontario dismissed an appeal by the Ontario Electricity Financial Corporation ("OEFC") of a March 12, 2015 decision of the Ontario Superior Court of Justice, as disclosed in the Annual Information Form dated March 29, 2016. The Corporation estimates that the Court's decision would result in a net receipt of approximately $25,000 representing retroactive adjustments for revenue claimed from OEFC. OEFC has 60 days to seek leave to appeal the decision to the Supreme Court of Canada.

Capstone does not recognize contingent assets such as this claim until it is virtually certain the asset is recoverable.

ADDITIONAL GAAP AND NON-GAAP PERFORMANCE MEASURES

While the accompanying interim consolidated financial statements have been prepared in accordance with IFRS, this MD&A also contains figures that are performance measures not defined by IFRS. These additional GAAP and non-GAAP performance measures do not have any standardized meaning prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other issuers. The Corporation believes that these indicators are useful since they provide additional information about the Corporation’s earnings performance and cash generating capabilities and facilitate comparison of results over different periods. The additional GAAP and non-GAAP measures used in this MD&A are defined below.

Additional GAAP Measure

Earnings before Interest Expense, Taxes, Depreciation and Amortization (“EBITDA”)

EBITDA is an additional GAAP financial 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”), interest income and net pension interest. 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 vintage, technological currency, and management’s estimate of their useful life. EBITDA is presented on the unaudited consolidated statement of income.

Non-GAAP Measures

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that assists management, investors and other stakeholders in evaluating Capstone's operating performance. Adjusted EBITDA is an indicator of results generated by business activities, prior to how these operations are financed or taxed and excludes capitalized expenditures and amortization.

Adjusted EBITDA is calculated as revenue less operating and administrative expenses and project development costs plus interest income, contractual settlements included in other gains and (losses) and dividends or distributions received from equity accounted investments. Adjusted EBITDA for investments in subsidiaries with non-controlling interests is included at Capstone's proportionate ownership interest by deducting amounts attributed to any non-controlling interest. The reconciliation of Adjusted EBITDA to EBITDA is provided below on page 5.

Adjusted Funds from Operations ("AFFO")

AFFO is a non-GAAP financial measure that assists management, investors and other stakeholders in analyzing the cash flow available for future growth capital investments, acquisitions and dividends to common shareholders.

Capstone's definition of AFFO measures cash generated by its infrastructure businesses that is available for dividends and general corporate purposes. For wholly owned businesses, AFFO is equal to Adjusted EBITDA less interest paid, repayment of principal on debt, and maintenance capital expenditures. For businesses that are not wholly owned, the cash generated by the business is only available to Capstone through periodic dividends. For these businesses, AFFO is equal to distributions received. Also deducted are taxes paid and dividends on preferred shares.

AFFO is calculated from Adjusted EBITDA by:

Deducting:	Adding:	Deducting items for corporate and businesses without significant NCI:
• Adjusted EBITDA generated from businesses with significant NCI	• Distributions received from businesses with significant NCI • Scheduled repayments of principal on loans receivable from equity accounted investments	• Interest paid • Income taxes paid • Dividends paid on the preferred shares included in shareholders' equity • Maintenance capital expenditure payments • Scheduled repayments of principal on debt

Payout Ratio

Payout ratio is a non-GAAP financial measure that assists management, investors and other stakeholders in assessing the sustainability of Capstone's dividend policy.

Payout ratio measures the proportion of cash generated that is declared as dividends to common shareholders. The payout ratio is calculated as dividends declared divided by AFFO.

Reconciliation of Non-GAAP Performance Measures

The following table reconciles Adjusted EBITDA and AFFO to the nearest GAAP measures:

	Three months ended	
	Mar 31, 2016	Mar 31, 2015
EBITDA	39,965	40,235
Foreign exchange (gain) loss	850	262
Other (gains) and losses, net	5,949	3,433
Contractual settlements in other gains and (losses)	1,881	891
Equity accounted (income) loss	(592)	(852)
Distributions from equity accounted investments	1,078	1,470
Net pension interest income	(884)	(751)
NCI portion of Adjusted EBITDA	(18,318)	(15,139)
Adjusted EBITDA (1)	29,929	29,549
Cash flow from operating activities	7,794	42,263
Cash flow from operating activities of businesses with NCI	(12,114)	(23,550)
Distributions paid to Capstone from businesses with NCI	1,607	2,552
Distributions from equity accounted investments	1,078	1,470
Foreign exchange on loans receivable from Värmevärden	31	(34)
Loans receivable principal repayments	—	326
Power maintenance capital expenditures	(514)	(640)
Power and corporate scheduled principal repayments	(4,349)	(3,666)
Power and corporate working capital changes	9,662	(11,319)
Dividends on redeemable preferred shares	(938)	(938)
AFFO	2,257	6,464

(1) See page 9 for a reconciliation of Adjusted EBITDA to net income.

RESULTS OF OPERATIONS

Overview

In 2016, Capstone's Adjusted EBITDA was slightly higher and AFFO was lower for the first quarter of 2016.

Capstone's Adjusted EBITDA performance reflected the following:

- Higher results from the power segment, primarily attributable to Capstone's operating wind and hydro facilities. These facilities generally experienced favourable conditions resulting in higher revenue. In addition, Goulais and Grey Highlands ZEP, the new wind facilities which commenced operations after March 31, 2015, also contributed;
- Higher results from Bristol Water, reflecting lower operating expenses and foreign currency depreciation, partially offset by lower revenues attributable to a rate decrease in AMP 6; and
- Partially offset by higher corporate expenses, which related primarily to professional fees for the transaction with iCON and higher long-term incentive plan expenses due to a higher share price in 2016.

In addition, Capstone's AFFO was affected by:

- Lower dividends from Bristol Water.

	Three months ended	
	Mar 31, 2016	Mar 31, 2015
Revenue	88,469	90,239
Expenses	(44,072)	(48,993)
Interest income	891	1,081
Contractual settlements in other gains and (losses)	1,881	891
Distributions from equity accounted investments	1,078	1,470
Less: NCI	(18,318)	(15,139)
Adjusted EBITDA	29,929	29,549
Adjusted EBITDA of consolidated businesses with NCI	(18,419)	(15,192)
Distributions from businesses with NCI	1,607	2,552
Principal from loans receivable	—	326
Interest paid	(4,684)	(5,152)
Dividends paid on Capstone’s preferred shares	(938)	(938)
Income taxes (paid) recovery	(375)	(375)
Maintenance capital expenditures	(514)	(640)
Scheduled repayment of debt principal	(4,349)	(3,666)
AFFO	2,257	6,464
AFFO per share	0.023	0.067
Payout ratio	n.m.f.	113%
Dividends declared per share	nil	0.075

Revenue for the quarter was $1,770, or 2%, lower in 2016. The decrease was mainly due to $7,195 of lower revenue at Bristol Water, resulting from lower regulated water tariffs since April 1, 2015, partially offset by favourable currency translation.

This decrease was partially offset by $5,425 of higher revenue from the power segment, primarily attributable to $3,598 from the operating wind and hydro facilities, resulting from higher production because of better wind and hydrology resources. The remaining increase of $3,137 related to the new wind facilities that commenced operations after the first quarter of 2015.

Expenses for the quarter were $4,921, or 10%, lower in 2016.

- **Operating expenses** for the quarter were $10,359 lower in 2016, mainly due to a $10,708 decrease at Bristol Water, primarily relating to a recovery of past service costs on closing the defined benefit pension plan and one-time costs incurred in 2015. The one-time costs in 2015 mainly included costs for restructuring and participating in the CMA process.
- **Administrative expenses** for the quarter were $2,284 higher in 2016, primarily because of $1,287 of higher long-term incentive plan expenses, due to a higher share price in 2016 and $646 lower HST recovery in 2016.
- **Project development costs** for the quarter were $3,154 higher in 2016. The increase consisted of $2,493 of non-recurring corporate business development costs related to the iCON transaction partially offset by lower acquisition due diligence costs and $661 of expenses to advance the wind development projects.

Contractual settlements in other gains and (losses) for the quarter were $990, or 111%, higher in 2016, primarily because of revenue sharing payments in Whitecourt's fuel supply agreement with Millar Western.

Distributions from equity accounted investments for the quarter were $392, or 27%, lower in 2016, due to lower distributions from the Glen Dhu wind facility.

Distributions from businesses with non-controlling interests for the quarter were $945, or 37%, lower in 2016, mainly because the Bristol Water Board of Directors deferred declaring a dividend. This decrease was partially offset by $1,047 from the power segment, primarily due to distributions from the new wind facilities, which commenced operations after March 31, 2015.

Interest paid for the quarter was $468, or 9%, lower in 2016, primarily due to the Amherstburg refinancing completed in the third quarter of 2015, which resulted in significantly lower interest on the Amherstburg debt, partially offset by higher corporate interest due to the higher average balance of the corporate credit facility.

Interest paid by Bristol Water, Amherst, Saint-Philémon, Goulais and the Wind Works[3] development projects are excluded from Capstone's definition of AFFO and represent the primary difference between interest expense included in consolidated net income and interest paid in AFFO. The remaining difference between interest expense and interest paid was attributable to amortization of financing costs and accrued interest to March 31, 2016.

Scheduled repayment of debt principal for the quarter was $683, or 19%, higher in 2016, primarily due to increases on the amortizing debt of Amherstburg, the hydro facilities, SkyGen, Erie Shores and Glace Bay.

Results by Segment

Capstone's results are segmented into power in Canada and utilities in Europe. All remaining results relate to corporate activities. The power segment includes gas cogeneration, hydro, wind, biomass and solar power, as well as power development activities. The utilities segments comprise Capstone's 50% interest in Bristol Water, a regulated water utility in the United Kingdom, and a 33.3% interest in Värmevärden, a district heating business in Sweden.

The financial results of Capstone's businesses with non-controlling interest, such as Bristol Water, Amherst, Saint-Philémon, Goulais and the Wind Works[3] development projects are consolidated with Capstone's other businesses before deducting the portion of Adjusted EBITDA attributable to non-controlling interests. Capstone's non-controlling interest in Värmevärden and other equity accounted investments provide interest income, distributions and management service fees, when applicable.

As at March 31, 2016, Capstone's operating segments by ownership interest were:

Accounting treatment	Control		Significant influence
Ownership	**Wholly-owned**	**Partially owned**	**Minority interest**
Power [1]	Cardinal (gas cogeneration), Erie Shores, SkyGen, Glace Bay and Confederation Power[2] (wind facilities), Whitecourt (biomass facility), Amherstburg (solar park) and the hydro facilities.	Amherst, Saint-Philémon, Goulais and Wind Works[3] (wind facilities)	Glen Dhu and Fitzpatrick (wind facilities)
Utilities - water		Bristol Water	
Utilities - district heating			Värmevärden

(1) The power segment includes several wind development projects in addition to the operating businesses disclosed above.
(2) The Confederation Power wind facilities were sold on May 19, 2015; accordingly, the results of operations are only reflected up to that date.
(3) Ganaraska, Grey Highlands ZEP, Snowy Ridge and Settlers Landing wind development projects (collectively the "Wind Works" development projects)

Non-GAAP performance measures

Non-GAAP performance measures results for each business segment were:

	Adjusted EBITDA				AFFO			
	Three months ended		Change		Three months ended		Change	
	Mar 31, 2016	Mar 31, 2015	$	%	Mar 31, 2016	Mar 31, 2015	$	%
Power	23,375	20,074	3,301	16 %	12,852	10,017	2,835	28 %
Utilities – water	15,161	13,381	1,780	13 %	—	1,992	(1,992)	(100)%
Utilities – district heating	731	663	68	10 %	731	663	68	10 %
Corporate	(9,338)	(4,569)	(4,769)	(104)%	(11,326)	(6,208)	(5,118)	(82)%
	29,929	29,549	380	1 %	2,257	6,464	(4,207)	(65)%

Power

The following table shows the significant changes in Adjusted EBITDA and AFFO from 2015:

Three months	Explanations
3,598	Higher revenue from the operating wind (excluding new facilities) and hydro facilities due to increased production, reflecting better wind and hydrology resources.
1,373	Adjusted EBITDA contributions from the new wind facilities, consisting of Goulais and Grey Highlands ZEP, which reached COD after March 31, 2015.
(573)	Lower revenue from Amherstburg due to lower production, resulting from lower solar resource.
(1,097)	Various other changes.
3,301	Change in Adjusted EBITDA.
(1,447)	Change in Adjusted EBITDA attributable to non-controlling interests.
738	Distributions from Goulais which reached COD after March 31, 2015.
243	Various other changes.
2,835	Change in AFFO.

Utilities – water

The following table shows the significant changes in Adjusted EBITDA and AFFO from 2015:

Three months	Explanations
(5,060)	Lower revenue due to decrease in regulated water tariffs.
3,025	Lower operating expenses for non-recurring recovery of past service costs on closing of the defined benefit pension plan in 2016.
2,093	Lower operating expenses related to non-recurring costs for restructuring and participating in the CMA process in 2015.
617	Impact of foreign exchange.
522	Lower repairs and maintenance from cost containment efforts.
583	Various other changes.
1,780	Change in Adjusted EBITDA.
(1,992)	Lower dividends received.
(1,992)	Change in AFFO.

Utilities – district heating

The following table shows the significant changes in Adjusted EBITDA and AFFO from 2015:

Three months	Explanations
68	Impact of foreign exchange.
68	Change in Adjusted EBITDA and AFFO.

Corporate

The following table shows the significant changes in Adjusted EBITDA and AFFO from 2015:

Three months	Explanations
1,448	Lower professional fees attributable to acquisition due diligence costs in 2015.
(3,992)	Higher professional fees attributable to transaction with iCON.
(1,287)	Higher long-term incentive plan expense due to share price increase in 2016.
(646)	Lower HST recovery in 2016.
(292)	Various other changes.
(4,769)	Change in Adjusted EBITDA.
(349)	Various other changes.
(5,118)	Change in AFFO.

Net income

Net income for each business segment was:

Net income	Three months ended Mar 31, 2016	Mar 31, 2015
Power	614	723
Utilities – water	13,506	9,858
Utilities – district heating	733	1,387
Corporate	(12,393)	(6,531)
Total	2,460	5,437

Capstone's net income includes non-cash items as required by IFRS. The major differences between net income and Adjusted EBITDA were:

($000s)	Three months ended Mar 31, 2016	Mar 31, 2015
Adjusted EBITDA	29,929	29,549
Adjustment from distributions to equity accounted income	(486)	(618)
NCI portion of Adjusted EBITDA	18,318	15,139
Other gains and (losses), net	(5,949)	(3,433)
Contractual settlements in other gains and (losses)	(1,881)	(891)
Foreign exchange gain (loss)	(850)	(262)
Interest expense	(15,955)	(14,328)
Net pension interest income	884	751
Depreciation and amortization	(21,789)	(19,677)
Income tax recovery (expense)	239	(793)
Net income	2,460	5,437

Infrastructure - Power

Capstone's power facilities produce electricity from gas cogeneration, wind, biomass, hydro and solar resources, and are located in Ontario, Nova Scotia, Alberta, British Columbia and Québec. Results from these facilities were:

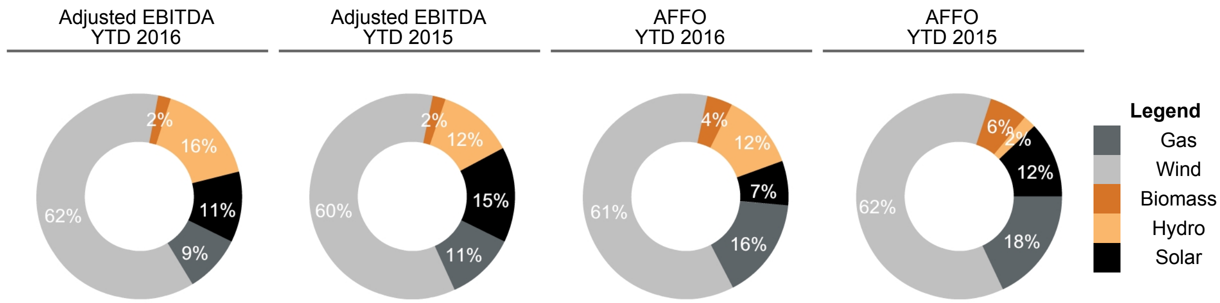


Three months ended Mar 31, 2016	Gas	Wind[(1)]	Biomass[(1)]	Hydro	Solar	Development [(2)]	Total
Power generated (GWh)	1.2	184.6	50.0	46.6	6.9	n/a	289.3
Capacity factor	0.3%	36.7%	94.5%	59.7%	15.7%	n/a	n.m.f
Availability	100.0%	97.8%	100.0%	98.0%	99.1%	n/a	n.m.f
Revenue	4,825	20,371	1,192	4,871	2,916	—	34,175
Expenses	(2,496)	(3,189)	(2,481)	(929)	(298)	(1,280)	(10,673)
Interest income	2	25	1	2	3	16	49
Contractual settlements [(3)]	—	—	1,881	—	—	—	1,881
Distributions from equity accounted investments	—	1,078	—	—	—	—	1,078
Less: NCI	—	(3,161)	—	—	—	26	(3,135)
Adjusted EBITDA	2,331	15,124	593	3,944	2,621	(1,238)	23,375
Adjusted EBITDA of consolidated businesses with NCI	—	(3,284)	—	—	—	26	(3,258)
Distributions from businesses with NCI	—	1,607	—	—	—	—	1,607
Principal from loans receivable	—	—	—	—	—	—	—
Interest paid	(79)	(2,036)	—	(1,093)	(801)	—	(4,009)
Maintenance capital expenditures	(41)	(321)	(56)	(96)	—	—	(514)
Scheduled repayment of debt principal	—	(2,500)	—	(1,083)	(766)	—	(4,349)
AFFO	2,211	8,590	537	1,672	1,054	(1,212)	12,852

Three months ended Mar 31, 2015	Gas	Wind[(1)]	Biomass[(1)]	Hydro	Solar	Development [(2)]	Total
Power generated (GWh)	1.0	146.1	46.6	33.0	8.1	n/a	234.8
Capacity factor	0.3%	31.5%	89.1%	42.2%	19.0%	n/a	n.m.f
Availability	80.8%	95.6%	97.0%	97.6%	97.5%	n/a	n.m.f
Revenue	5,651	14,657	1,685	3,268	3,489	—	28,750
Expenses	(3,080)	(2,348)	(2,431)	(879)	(306)	(619)	(9,663)
Interest income	26	289	34	5	5	—	359
Contractual settlements [(3)]	(260)	—	1,151	—	—	—	891
Distributions from equity accounted investments	—	1,470	—	—	—	—	1,470
Less: NCI	—	(1,733)	—	—	—	—	(1,733)
Adjusted EBITDA	2,337	12,335	439	2,394	3,188	(619)	20,074
Adjusted EBITDA of consolidated businesses with NCI	—	(1,811)	—	—	—	—	(1,811)
Distributions from businesses with NCI	—	560	—	—	—	—	560
Principal from loans receivable	—	—	326	—	—	—	326
Interest paid	—	(2,195)	—	(1,140)	(1,491)	—	(4,826)
Maintenance capital expenditures	(404)	(46)	(80)	(110)	—	—	(640)
Scheduled repayment of debt principal	—	(2,276)	—	(968)	(422)	—	(3,666)
AFFO	1,933	6,567	685	176	1,275	(619)	10,017

(1) For equity accounted investments, Adjusted EBITDA reflects management fees earned, interest income, as well as distributions paid to Capstone. Principal received on outstanding loans receivable are included in AFFO. The statistics for power generated, capacity factors and availability exclude those of Capstone's equity accounted investments.
(2) Development includes costs for Capstone's power development team, and development project costs, which are expensed during construction.
(3) Contractual settlements are in other gains and (losses) included in the statement of income.

The following charts show the composition of Adjusted EBITDA and AFFO for the power segment's operating businesses:



Revenue for the quarter was $5,425, or 19%, higher in 2016, primarily due to a $3,598 increase attributable to higher production from the operating wind and hydro facilities due to better wind and hydrology resources.The new wind facilities, consisting of Goulais and Grey Highlands ZEP, further increased revenue by $3,137 as these facilities commenced operations after the first quarter of 2015. These increases were partially offset by $826 and $493 of lower revenue at Cardinal and Whitecourt, respectively, mainly reflecting lower power rates.

Expenses for the quarter were $1,010, or 10%, higher in 2016, primarily due to $661 of higher development costs to advance the wind development projects, as well as $434 higher operating expenses attributable to Goulais, which had not reached COD in the first quarter of 2015. These increases were partially offset by $584 of lower fuel costs at Cardinal, due to a non-recurring gas reservation fee under the previous fuel supply contract in 2015.

Interest income for the quarter was $310, or 86%, lower in 2016 primarily due to the repayment of the Batchewana First Nation of Ojibways loan receivable in 2015.

Contractual settlements in other gains and (losses) for the quarter were $990, or 111%, higher in 2016, primarily because of revenue sharing payments in Whitecourt's fuel supply agreement with Millar Western.

Distributions from equity accounted investments for the quarter were $392, or 27%, lower in 2016, due to distributions from the Glen Dhu wind facility.

Non-controlling interest relates to the Adjusted EBITDA attributed to Capstone's partners for the Amherst, Saint-Philémon, Goulais and the Wind Works development projects.

Distributions from businesses with NCI for the quarter were $1,047, or 187%, higher in 2016, primarily due to a $738 distribution from Goulais and a $409 distribution from GHG Wind Development LP ("GHG"). GHG holds Capstone's interest in the Grey Highlands ZEP and Ganaraska wind development projects.

Interest paid for the quarter was $817, or 17%, lower in 2016, primarily due to lower payments of $690 at Amherstburg as a result of the refinancing completed in the third quarter of 2015 and lower payments of $206 on amortizing debt balances at Erie Shores, the hydro facilities, SkyGen and Glace Bay.

Maintenance capital expenditures for the quarter were $126, or 20%, lower in 2016 primarily due to $363 of lower expenditures at Cardinal, partially offset by $275 of higher expenditures at Erie Shores.

Scheduled repayment of debt principal for the quarter was $683, or 19%, higher in 2016 primarily due to a $683 increase on the amortizing debt of Amherstburg, the hydro facilities, SkyGen, Erie Shores and Glace Bay.

Project development

The Grey Highlands ZEP[1] wind development project reached COD on schedule and within budget and began contributing to Capstone's operating results on February 26, 2016.

As at March 31, 2016, Capstone's development pipeline included the rights to net 46 MW (gross 64 MW) as follows:

Project	Expected COD	Expected Ownership Interest	Net Capacity	Counterparty	Expected PPA Expiry	Status
Ganaraska [1]	2016	50%	8.8 MW	IESO	2036	COD - May 6, 2016
Grey Highlands Clean	2016	100%	18.5 MW	IESO	2036	Under construction [2]
Snowy Ridge [1]	2016	50%	5.0 MW	IESO	2036	Under construction [3]
Settlers Landing [1]	2017	50%	4.0 MW	IESO	2037	ERT [4]
Riverhurst	2019	100%	10.0 MW	SaskPower	2039	Interconnection assessment

(1) Capstone expects to share control of the Wind Works development projects.

(2) The ERT dismissed the appeal of the project's REA, which was subsequently appealed to the Ontario Divisional Court. Capstone is responding to the appeal, and believes the ERT decision will be upheld.

(3) The ERT dismissed the appeal of the project's REA, which was subsequently appealed to the Minister of the Environment and Climate Change. Capstone is responding to the appeal to the Minister, and believes the ERT decision will be upheld.

(4) The Environmental Review Tribunal ("ERT") ordered that the appeal of the project's REA is allowed in part, and that it will allow the parties to the appeal to make submissions in relation to the appropriate remedy. Capstone is taking the necessary procedural steps to make submissions in relation to the appropriate remedy to the ERT.

Capstone expects to fund these development projects with a combination of equity from Capstone, along with a partner on the Wind Works development projects and project-level debt financing, which will be non-recourse to Capstone.

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, sunlight, wind speeds and 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 as shown in the following table:

Type	Contract Expiry	Actual	Average long-term production (GWh) [1]				
		Q1	Q1	Q2	Q3	Q4	Annual
Wind - existing more than one year [2]	2020 - 2037	170.2	166.6	123.1	88.5	165.8	544.0
Wind - existing less than one year [3]	2035 - 2036	14.4	14.4	6.4	14.8	19.4	55.0
Biomass [2]	2029	50.0	49.9	45.5	50.0	48.8	194.2
Hydro	2017 - 2042	46.6	32.6	56.3	29.2	41.4	159.5
Solar	2031	6.9	7.1	12.4	12.5	5.8	37.8
Total		288.1	270.6	243.7	195.0	281.2	990.5

(1) Average long-term production for each of the assets included is for periods greater than five years, except for businesses acquired or built within the last five years. This means that Amherstburg, the wind facilities acquired by Capstone on October 1, 2013, and Skyway 8, Saint-Philémon, Goulais and Grey Highlands ZEP have a shorter period than five years in calculating the average long-term production.

(2) The average long-term production excludes Capstone's equity investments (Chapais biomass facility, and the Glen Dhu and Fitzpatrick wind facilities).

(3) The average long-term production for wind - existing less than one year is composed of Goulais and Grey Highlands ZEP, since May 2015 and February 2016, respectively.

Infrastructure - Utilities

Water

Capstone’s water utilities segment includes a 50% ownership interest in Bristol Water, which is located in the United Kingdom and is a regulated utility subject to supervision by Ofwat.

The remaining ownership is 30% held by Sociedad General de Aguas de Barcelona ("Agbar"), a subsidiary of Suez Environnement, and 20% held by a subsidiary of ITOCHU Corporation ("ITOCHU").

	Three months ended	
	Mar 31, 2016	Mar 31, 2015
Water supplied (megalitres)	20,233	19,482
Revenue	54,294	61,489
Operating expenses	(24,033)	(34,741)
Interest income	83	39
Adjusted EBITDA before non-controlling interest	30,344	26,787
Less: NCI	(15,183)	(13,406)
Adjusted EBITDA	15,161	13,381
Adjusted EBITDA of consolidated businesses with NCI	(15,161)	(13,381)
Dividends from businesses with NCI	—	1,992
AFFO	—	1,992

Revenue for the quarter was $7,195, or 12%, lower in 2016. Excluding foreign currency, revenue was $10,034, or 16% lower, primarily due to lower water tariffs following a regulated decrease on April 1, 2015.

Operating expenses for the quarter were $10,708 lower in 2016. Excluding foreign currency, operating expenses were $12,312, or 34%, lower. Lower expenses are primarily due to a $6,050 recovery of past service costs on closing of the defined benefit pension plan, a reduction of $4,185 relating to non-recurring expenses in 2015 for the CMA appeal process and restructuring, and $1,043 lower maintenance from cost containment efforts.

Non-controlling interest related to the Adjusted EBITDA attributed to Capstone's partners, Agbar and ITOCHU.

Dividends paid to Capstone by Bristol Water were lower for the quarter because Bristol Water's Board of Directors deferred declaring a dividend until review of the March 31, 2016 fiscal results.

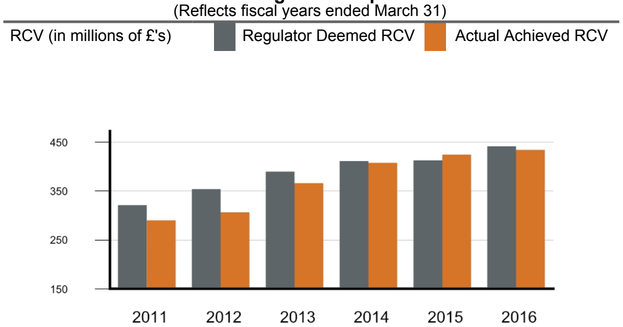
Seasonality

Bristol Water experiences little seasonal variation in demand, resulting in stable revenue throughout the year. Operating expenses fluctuate depending on the availability of water from various sources, the quantity of water requiring treatment as a result of dry weather, and pipe bursts, which are more common in periods when freezing and thawing occur, leading to higher repairs and maintenance costs.

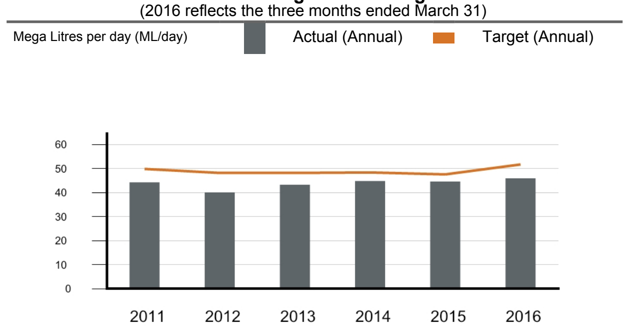
Regulatory

Management continues to focus on achieving regulatory output targets, including leakage of less than 50 million litres of water per day (“Ml/d”) in 2016/2017. For the regulatory year ended March 31, 2016, Bristol Water achieved leakage levels of 45.6 Ml/d (for regulatory year ended March 31, 2015 - 45.1 Ml/d).

Growth in Regulated Capital Value
(Reflects fiscal years ended March 31)



Water Leakage Versus Target
(2016 reflects the three months ended March 31)



Infrastructure - Utilities

District Heating

Capstone’s district heating utilities segment comprises a 33.3% interest in Värmevärden, located in Sweden. Capstone's investment includes shareholder loans receivable and equity.

Värmevärden's overall financial performance in the first three months of 2016 was higher than 2015 primarily due to higher revenue attributed to colder weather conditions.

Overall, Värmevärden's cash flow to support interest and dividend payments to shareholders remains strong.

	Three months ended	
	Mar 31, 2016	Mar 31, 2015
Heat and steam production (GWh)	393	364
Equity accounted income (loss)	—	458
Interest income	731	663
Adjusted EBITDA and AFFO	731	663

Interest income

Interest was earned on the outstanding balance of the shareholder loan receivable from Värmevärden.

Capstone received $731 in interest income from Värmevärden during the first three months of 2016, which was $68 higher than 2015, due to favourable foreign exchange translation.

Dividends

For the three months ended March 31, 2016 and 2015, no dividends were received or expected.

Equity accounted income (loss)

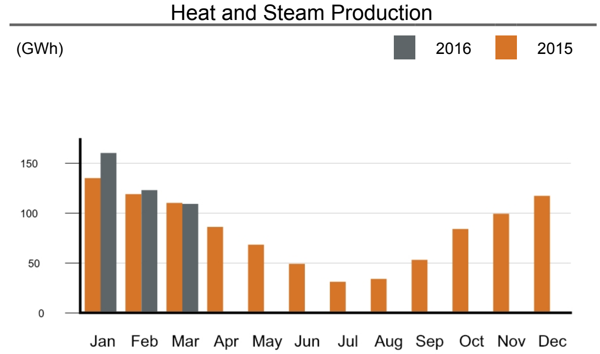
Capstone's commercial investment in Värmevärden is comprised of equity and shareholder loans.

In 2015, Capstone was required to stop recording equity accounted income (losses) in accordance with IFRS as the equity accounted investment was a negative balance for accounting purposes.

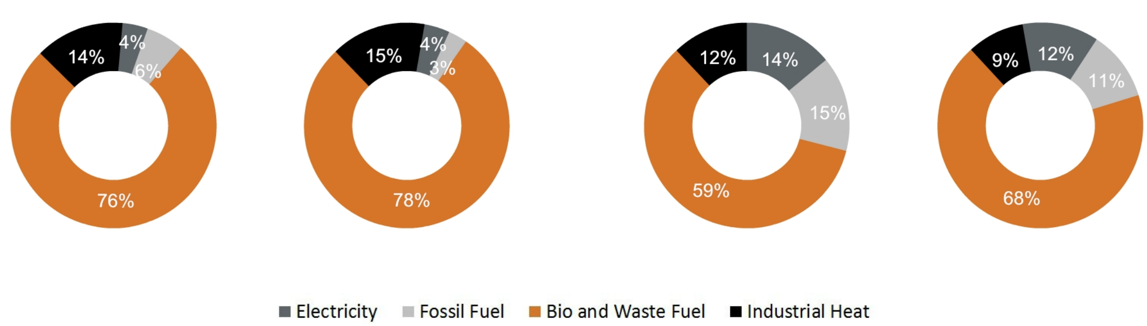
Seasonality

Heat production is typically highest during the first quarter, which represents the coldest months of the year. The first and fourth quarters combined have historically accounted for approximately 65% of Värmevärden’s annual revenue.

Heat and Steam Production



Fuel Mix Breakdown by MWh - YTD 2016	Fuel Mix Breakdown by MWh - YTD 2015	Fuel Mix Breakdown by Cost (SEK) - YTD 2016	Fuel Mix Breakdown by Cost (SEK) - YTD 2015



Corporate

Corporate activities primarily comprise growth initiatives, capital structure expenses not specifically attributed to the businesses, and costs to manage, oversee and report on the businesses.

	Three months ended	
	Mar 31, 2016	Mar 31, 2015
Administrative expenses	(5,322)	(3,038)
Project development costs	(4,044)	(1,551)
Interest income	28	20
Adjusted EBITDA	(9,338)	(4,569)
Interest paid	(675)	(326)
Dividends paid on Capstone's preferred shares	(938)	(938)
Income taxes (paid) recovery	(375)	(375)
AFFO	(11,326)	(6,208)

Administrative expenses increased by $2,284, or 75%, primarily reflecting higher staff costs and other administrative expenses.

	Three months ended	
	Mar 31, 2016	Mar 31, 2015
Staff costs	3,959	2,391
Other administrative expenses	1,363	647
	5,322	3,038

Staff costs were $1,568, or 66%, higher in 2016 primarily due to an increase in accrued incentive compensation attributable to a higher share price in 2016.

Other administrative expenses were $716, or 111%, higher in 2016 primarily due to a lower HST recovery of $646 in 2016. Other administrative expenses included audit fees, tax compliance and advisory, investor relations costs, office administration and premises costs, as well as professional fees other than those for business development.

Project development costs for the quarter were $2,493 higher in 2016 primarily due to professional fees related to the iCON transaction, partially offset lower acquisition due diligence costs in 2016.

Interest paid for the quarter was $349, or 107%, higher in 2016 because the corporate credit facility had a higher average balance than in 2015.

Preferred share dividends paid and taxes paid
Dividends paid on Capstone's preferred shares relate to a quarterly fixed-rate payment equivalent to 5.0% per year. Taxes paid include amounts on the preferred share dividends, which are available to offset future income taxes of the Corporation.

FINANCIAL POSITION REVIEW

Overview

As at March 31, 2016, Capstone had a consolidated working capital deficit of $31,885, compared with a deficit of $54,580 as at December 31, 2015. The decrease of $22,695 was primarily due to corporate, where funds were received from the Cardinal financing in 2016.

As at March 31, 2016, Capstone's debt to capitalization ratio (refer to page 17) decreased from 71.7% to 66.8% on a fair value basis and increased from 63.5% to 65.6% on a book value basis. The fair value decrease was primarily due to a $116,745 increase in the fair value of equity due primarily to a higher common share price since December 31, 2015. In addition, outstanding debt increased by $29,294 reflecting the new power segment financings, partially offset by the repayment of the corporate credit facility and lower debt at Bristol Water, attributable to depreciation of the UK pound sterling.

Liquidity

Working capital

As at	Mar 31, 2016	Dec 31, 2015
Power	(30,931)	(34,929)
Utilities – water	32,578	26,239
Corporate	(33,532)	(45,890)
Working capital	(31,885)	(54,580)

Capstone's working capital deficit was $22,695 lower than December 31, 2015, due to working capital increases of $12,358 for corporate, $3,998 for the power segment and $6,339 for Bristol Water. The corporate working capital deficit decrease primarily reflects funds received in the quarter from the Cardinal financing.

The power segment working capital deficit decrease is primarily due to lower requirements from the wind development projects, as financings completed in December 2015 and the first quarter of 2016 are now funding the respective projects. In addition, cash and the current portion of long-term debt at the power segment were both lower as a result of the $9,966 repayment of the SkyGen promissory notes. Bristol Water's increase in working capital mainly reflects the reduced capital requirements during AMP6, as well as funds retained as a result of the Bristol Water's Board decision to defer declaring a dividend in the first quarter of 2016.

Capstone's working capital deficits at corporate and the power segment mainly reflect long-term debt maturing in 2016. The corporate deficit includes the 2016 convertible debentures of $42,279, redeemed as part of the April 29, 2016 iCON transaction while the power segment deficit includes $23,044 of SkyGen debt maturing December 17, 2016, which is to be refinanced in 2016.

Cash and cash equivalents

As at	Mar 31, 2016	Dec 31, 2015
Power	32,099	43,705
Utilities – water	23,942	25,495
Corporate	12,837	5,192
Unrestricted cash and cash equivalents	68,878	74,392
Less: cash with access limitations		
Power	(27,024)	(22,056)
Utilities – water	(23,942)	(25,495)
Cash and cash equivalents available to corporate	17,912	26,841

Unrestricted cash represents funds available for operating activities, capital expenditures and future acquisitions. The unrestricted cash and cash equivalents $5,514 decrease was attributable to $11,606 and $1,553 decreases at the power segment and Bristol Water respectively. This was partially offset by a $7,645 increase at corporate.

Cash and cash equivalents available to corporate are net of power segment and Bristol Water cash of $27,024 and $23,942, respectively, which are only periodically accessible to Capstone through distributions under the terms of credit agreements. Power facilities subject to this restriction are the hydro power facilities, Erie Shores, Amherstburg, Cardinal, Glace Bay, SkyGen, Skyway 8, Goulais, Saint-Philémon, Amherst, Grey Highlands Clean, and the Wind Works development projects.

Restricted cash

Restricted cash increased by $5,676, primarily due to draws on the new construction facility to develop the Grey Highlands Clean wind project and to fund the maintenance reserve for Cardinal's new term facility. These increases were partially offset by releases of the remaining construction reserves at Goulais and Saint-Philémon, during the first quarter of 2016.

Cash flow

Capstone's consolidated cash and cash equivalents decreased by $5,514 in the first three months of 2016 compared with a decrease of $3,496 for the same period in 2015. The components of the change in cash, as presented in the consolidated statement of cash flows, were:

Three months ended	Mar 31, 2016	Mar 31, 2015
Operating activities	7,794	42,263
Investing activities	(49,236)	(31,025)
Financing activities (excluding dividends to shareholders)	38,500	(7,656)
Dividends paid to shareholders	(321)	(7,729)
Effect of exchange rate changes on cash and cash equivalents	(2,251)	651
Change in cash and cash equivalents	(5,514)	(3,496)

Cash flow from operating activities generated $34,469 less cash and cash equivalents during 2016 due to lower cash flow of $20,686 from the power segment, $7,872 from the utilities segment and $5,911 from corporate. Cash flow from the power segment were higher in 2015 resulting from a decrease in Cardinal's accounts receivables following implementation of the NUG contract. Cash flows from the utilities segment decreased primarily due to working capital changes while corporate cash flows decreased primarily due to higher professional fees for the iCON transaction.

Cash flow used in investing activities was $18,211 higher during 2016. In 2016, cash of $28,990 (2015 - $28,576) was used to construct the projects under development in the power segment. In addition, cash of $14,587 (2015 - $35,895) was used to fund capital asset additions, primarily for Bristol Water. In addition, restricted cash increased by $6,736 to fund projects under development (2015 - $31,650 decrease in restricted cash).

Cash flows from financing activities increased by $46,156 during 2016. In 2016, proceeds from debt draws were $111,639 higher, primarily due to new debt at Cardinal and Grey Highlands Clean. In addition, repayments of debt principal were $65,328 higher in 2016, primarily due to the repayment of the corporate credit facility using proceeds from the Cardinal financing.

Dividends paid to shareholders were $7,408 lower during first three months of 2016, due to the suspension of commons share dividends under the terms of the arrangement agreement entered into with iCON Infrastructure Partners III. Refer to page 4, "Subsequent Events" in the MD&A for detail.

Capital Structure

Capstone considers shareholders' equity and long-term debt (proportionately attributable to Capstone's shareholders), both the current and non-current portions, to be the basis of its capital structure. Capstone measures its capitalization ratio based on the fair values of long-term debt and shareholders' equity. Capstone's capitalization ratio using fair values and carrying values was:

	Mar 31, 2016		Dec 31, 2015	
As at	Fair Value	Carrying Value	Fair Value	Carrying Value
Long-term debt				
Power [(1)]	567,710	533,624	464,154	444,457
Utilities – water [(1)]	384,372	326,051	413,571	356,292
Corporate	72,748	69,845	117,811	116,869
Deferred financing fees	—	(15,339)	—	(11,779)
	1,024,830	914,181	995,536	905,839
Equity				
Shareholders' equity [(2)]	510,168	479,735	393,423	520,535
Total capitalization	1,534,998	1,393,916	1,388,959	1,426,374
Debt to capitalization	66.8%	65.6%	71.7%	63.5%

(1) Only Capstone's proportionate interest in the consolidated long-term debt has been included in the calculation.
(2) The carrying value of shareholders' equity does not include the amount attributed to the non-controlling interest.

Power

The composition of the power segment's long-term debt was:

As at	Maturity	Interest Rate	Mar 31, 2016 Fair Value	Mar 31, 2016 Carrying Value	Dec 31, 2015 Fair Value	Dec 31, 2015 Carrying Value
Project debt						
Wind - Operating (1)	2016 - 2034	4.22 - 6.36%	341,606	306,662	343,012	321,395
Wind - Development (2)	2021	2.59 - 2.68%	64,873	64,873	30,234	30,234
Hydros	2040 - 2041	4.56 - 7.00%	88,427	84,113	88,159	85,196
Solar	2030	3.49%	93,254	91,620	93,140	92,386
Gas	2023	2.87%	70,000	70,000	—	—
			658,160	617,268	554,545	529,211
Less: non-controlling interest			(90,450)	(83,644)	(90,391)	(84,754)
Capstone share of long-term debt			567,710	533,624	464,154	444,457

(1) Wind - Operating project debt consists of Erie Shores, Amherst, SkyGen, Skyway 8, Glace Bay, Saint-Philémon and Goulais.
(2) Wind - Development project debt consists of GHG and Grey Highlands Clean construction facilities (2015 - GHG).

As at March 31, 2016, approximately 100% of the power segment's long-term debt was scheduled to amortize over the term of the facilities' respective PPAs. All of the power segment's project debt is non-recourse to Capstone, except for limited recourse guarantees provided to the lenders of the various wind projects ($9,000).

During the quarter, the carrying value of the power segment's long-term debt increased by $88,057, primarily because $70,000 and $18,253 was received from the Cardinal gas cogeneration plant and the Grey Highlands Clean wind development project financings, respectively. In addition, the power segment made draws of $16,386 on the GHG project debt to continue to construct the Grey Highlands ZEP and Ganaraska wind projects. The remaining variance is attributed to repayments of debt, including the $9,966 SkyGen promissory notes.

Utilities – Water

The composition of the utilities – water segment's long-term debt was:

As at	Maturity	Interest Rate	Mar 31, 2016 Fair Value	Mar 31, 2016 Carrying Value	Dec 31, 2015 Fair Value	Dec 31, 2015 Carrying Value
Bank loans	2017 - 2019	1.29 - 5.73%	127,901	130,189	139,247	142,381
Term loans (1)	2032 - 2041	4.00 - 6.01%	602,068	489,152	647,005	534,366
Debentures	Irredeemable	3.50 – 4.25%	2,986	2,451	3,137	2,676
Cumulative preferred shares	Irredeemable	8.75%	35,789	30,310	37,753	33,161
Consolidated long-term debt			768,744	652,102	827,142	712,584
Less: non-controlling interest			(384,372)	(326,051)	(413,571)	(356,292)
Capstone share of long-term debt			384,372	326,051	413,571	356,292

(1) Certain of the term loans are index-linked debt. The effective interest rate disclosed in the table is the sum of the real interest rates on the debt (2.701% - 3.635%) plus the Retail Price Index ("RPI"). Bristol Water pays interest on these loans based on the real interest rate, and the principal amount of the loan is indexed to RPI.

As at March 31, 2016, approximately 78% of the utilities – water segment's long-term debt had a maturity date greater than 10 years. The earliest maturity is on December 7, 2017 for $37,304.

Long-term debt for the utilities – water segment is used to fund the ongoing capital expenditures to expand Bristol Water's network. In the first three months of 2016, the carrying value of Bristol Water's debt decreased by $60,482, primarily due to foreign currency translation. As at March 31, 2016, $130,564 of undrawn credit capacity remained available to fund future capital expenditures.

The preferred shares are classified as long-term debt on the basis that they are irredeemable. All Bristol Water debt is non-recourse to Capstone.

Corporate

The composition of Capstone's corporate long-term debt was:

			Mar 31, 2016		Dec 31, 2015	
As at	Maturity	Interest Rate	Fair Value	Carrying Value	Fair Value	Carrying Value
Corporate credit facility	2018	3.17%	—	—	47,000	47,000
Convertible debentures	2016	6.50%	43,181	42,279	42,835	42,278
Convertible debentures	2017	6.75%	29,567	27,566	27,976	27,591
			72,748	69,845	117,811	116,869

The balance outstanding on Capstone's corporate credit facility decreased by $47,000 since December 31, 2015, as proceeds from the Cardinal financing were used to increase financial flexibility. In addition, the total available credit capacity was reduced to $60,000 by March 31, 2016. Refer to page 4, "Subsequent Events" in the MD&A for details.

Equity

Shareholders' equity comprised:

As at	Mar 31, 2016	Dec 31, 2015
Common shares [(1)]	716,606	715,989
Class B exchangeable units [(1)]	26,710	26,710
Preferred shares [(1)]	72,020	72,020
Share capital	815,336	814,719
Other equity items [(2)]	9,284	9,284
Accumulated other comprehensive income (loss)	25,849	51,151
Deficit	(370,734)	(354,619)
Equity attributable to Capstone shareholders	479,735	520,535
Non-controlling interests	241,028	261,545
Total shareholders' equity	720,763	782,080

(1) Refer to page 4, the "Subsequent events" section of the MD&A for details relating to the arrangement agreement with iCON
(2) Other equity items include the equity portion of convertible debentures.

Capstone is authorized to issue an unlimited number of common shares as well as a limited number of preferred shares equal to 50% of the outstanding common shares. The increase in common shares outstanding was:

(000s of shares and $000s)	Shares	Amount
Opening balance	94,396	715,989
Dividend reinvestment plan (DRIP)	136	617
Ending balance	94,532	716,606

The composition of shareholders' equity at fair value was:

As at		Mar 31, 2016			Dec 31, 2015	
($000s, except per share amounts)	Market price per share	Outstanding amount	Fair Value	Market price per share	Outstanding amount	Fair Value
Common shares	$4.86	94,532	459,426	$3.63	94,396	342,658
Class B units	$4.86	3,249	15,792	$3.63	3,249	11,795
Preferred shares	$11.65	3,000	34,950	$12.99	3,000	38,970
			510,168			393,423

The deficit reflects the aggregate of Capstone's net income (loss) since formation of the Corporation less cumulative dividends paid to shareholders and cumulative distributions paid to Class B exchangeable unitholders.

Contractual Obligations

Capstone enters into contractual commitments in the normal course of business, summarized as follows:

- long-term debt, financial instruments and leases, including finance and operating leases;
- purchase obligations, including capital expenditure commitments, natural gas purchase contracts, operations and management agreements; and
- Other commitments, including management services agreements, wood waste agreements, electricity savings agreements and guarantees.

Generally, there have been no significant changes to the specified contractual obligations that are outside the ordinary course of business, aside from the iCON transaction and related changes. Refer to page 4, "Subsequent Events" in the MD&A for details. In addition, Capstone is not engaged in any off-balance sheet financing transactions.

Equity Accounted Investments

Capstone's equity accounted investments are summarized as follows:

Name of entity	Principal place of business and country of incorporation	Ownership at Mar 31, 2016	Ownership at Dec 31, 2015	Principal activity
Värmevärden AB ("Värmevärden") [1]	Sweden	33.3%	33.3%	District heating
Glen Dhu Wind Energy Limited Partnership ("Glen Dhu") [2]	Canada	49%	49%	Power generation
Fitzpatrick Mountain Wind Energy Inc. ("Fitzpatrick")	Canada	50%	50%	Power generation
Chapais Électrique Limitée ("Chapais") [3]	Canada	31.3%	31.3%	Power generation

(1) Capstone no longer records equity accounted income (losses) for Värmevärden, as the cumulative equity accounted losses and distributions exceeded the carrying value. Capstone has cumulative unrecognized losses of $96, relating to Värmevärden. Until cumulative unrecognized losses and dividends become positive, Capstone will carry its investment at nil and record dividends received as other gains in the statement of income. Additional information about Capstone's investment in Värmevärden is included in the results of operations on page 14 of this MD&A.
(2) Under the limited partnership agreement, Capstone has the option to acquire an additional 1% interest from November 2017 to November 2018 at a price based on a predetermined calculation.
(3) No income has been recorded on the investment since its acquisition. Capstone does not expect to earn any future equity accounted income from this investment.

Capital Asset Expenditure Program

Capstone's $48,199 of capital expenditures include $13,509 and $34,690 of additions to capital assets and projects under development, respectively. The breakdown of additions by operating segment was:

	Three months ended Mar 31, 2016	Three months ended Mar 31, 2015
Power	35,547	35,187
Utilities – water	12,652	22,694
	48,199	57,881

In 2016, capital expenditures for the power segment mainly related to $23,826 and $10,844 to develop and construct the Wind Works and Grey Highlands Clean development projects, respectively.

Capital expenditures for the utilities – water segment included both growth and maintenance activities as planned in Bristol Water's regulatory capital expenditure program.

Retirement Benefit Plans

Defined Contribution Plans

Bristol Water and Cardinal have separate defined contribution plans for their respective employees. The total defined contribution pension expense recorded in the consolidated statement of income for the three months ended March 31, 2016 was $605. The expense comprised $556 for Bristol Water and $49 for Cardinal.

Defined Benefit Plan

During the first quarter of 2016, Bristol Water curtailed the defined benefit plan resulting in a $39,134 decrease to the retirement benefit surplus to $59,424 as at March 31, 2016. The decrease primarily reflects a $33,706 valuation allowance based on accessibility of the surplus to Bristol Water, a $5,734 decrease in the fair value of plan assets and a $6,839 decrease due to foreign exchange, partially offset by a $6,050 reversal of past service costs.

The surplus is subject to a number of critical accounting estimates that can materially impact the balances, including foreign exchange translation. The fair values included in the surplus are calculated by an actuary while management assesses the reasonability of the assumptions used.

Employer contributions paid for Bristol Water in the three months ended March 31, 2016 to the defined benefit plan were $947.

Income Taxes

The first quarter current income tax recovery of $92 primarily related to Bristol Water. The deferred tax expense, of $331, reflected the $29,128 decrease in deferred income tax liabilities net of the $31,997 reclassified against the retirement benefit surplus and $3,200 recognized through other comprehensive income or a component of equity.

Deferred income tax assets of $69 (December 31, 2015 - $220) for Capstone's Canadian operations primarily represented recognized tax loss carry forwards.

Deferred income tax liabilities of $174,846 (December 31, 2015 - $204,125) represented $62,805 (December 31, 2015 - $64,619) for Capstone's Canadian operations and $112,041 (December 31, 2015 - $139,506) for Bristol Water. Deferred income tax liabilities primarily represent historical tax depreciations in excess of accounting depreciation for intangible and capital assets.

DERIVATIVE FINANCIAL INSTRUMENTS

Capstone has exposure to market, credit and liquidity risks from its use of financial instruments as described in notes 7 (Financial Instruments) and 8 (Financial Risk Management) in the consolidated annual financial statements for the year ended December 31, 2015. These notes contain further details on the implicit risks and valuation methodology employed for Capstone's financial instruments and are updated in the subsequent interim financial statements, if necessary.

To manage certain financial risks inherent in the business, Capstone enters into derivative contracts to mitigate the economic impact of the fluctuations in interest rates, foreign exchange rates and gas commodity prices. The fair value of these contracts, as reported in Capstone's interim consolidated statements of financial position, were:

As at	Mar 31, 2016	Dec 31, 2015
Derivative contract assets	672	166
Derivative contract liabilities	(16,305)	(6,540)
Net derivative contract liabilities	(15,633)	(6,374)

Net derivative contract liabilities increased by $9,259 from December 31, 2015, mainly due to comprehensive losses of $7,378 and contractual settlement payments of $1,881 received from Millar Western, in accordance with Whitecourt's fuel supply agreement.

In March 2016, Cardinal and Grey Highlands Clean entered into swap agreements to convert floating interest rate obligations under the respective credit agreements to a fixed rate. The swap agreements are effective until 2034 for Cardinal and Grey Highlands Clean, covering the remaining periods of the non-utility generator contract and PPA, respectively.

The gains (losses) attributable to fair value changes of derivatives in the interim consolidated statements of income and comprehensive income comprised:

	Three months ended	
	Mar 31, 2016	Mar 31, 2015
Interest rate swap contracts	(4,627)	(2,868)
Whitecourt embedded derivative	(1,280)	(467)
Foreign currency contracts	86	(470)
Forward gas sale and purchase contracts	—	(3,329)
Cardinal gas purchase agreement	—	3,709
Cardinal embedded derivatives	—	127
Gains (losses) on derivatives in net income	(5,821)	(3,298)
Interest rate swap contracts in OCI	(1,557)	(568)
Gains (losses) on derivatives in comprehensive income	(7,378)	(3,866)

The comprehensive losses on derivatives are primarily attributable to increases in liabilities relating to the interest rate swap contracts, attributable to decreases in the long-term interest rates, as well as a higher embedded derivative liability at Whitecourt. The fair value change on the Whitecourt embedded derivative was primarily due to the passage of time and a decrease in interest rates and credit spreads.

FOREIGN EXCHANGE

The foreign exchange loss in 2016 was primarily due to unrealized translation of Capstone's SEK - denominated shareholder loan receivable with Värmevärden. Capstone's foreign exchange loss was $588 higher than the first quarter loss in 2015. The loss reflects depreciation of the Swedish krona against the Canadian dollar in 2016, thereby decreasing the carrying value of the loan in Canadian dollars.

RISKS AND UNCERTAINTIES

Capstone is subject to a variety of risks and uncertainties. These risks and uncertainties could impact future operating results and financial condition, which could adversely affect Capstone's ability to pay dividends to shareholders and/or the price of Capstone's securities.

For a comprehensive description of risks, please refer to the disclosure in the Corporation's Annual Report for the year ended December 31, 2015 and the "Risk Factors" section of the Annual Information Form dated March 29, 2016 as supplemented by risk factors contained in any material change reports (except confidential material change reports), business acquisition reports, interim financial statements, interim MD&A and information circulars filed by the Corporation with securities commissions or similar authorities in Canada, which are available on the SEDAR website at www.sedar.com.

ENVIRONMENTAL, HEALTH AND SAFETY REGULATION

Capstone monitors developments with respect to environmental, health and safety regulation. Please refer to the Corporation's prior environmental, health and safety regulation disclosure in its Annual Report for the year ended December 31, 2015 and "Environmental, Health and Safety Matters" section of the Corporation's Annual Information Form dated March 29, 2016, which are available on the SEDAR website at www.sedar.com.

SUMMARY OF QUARTERLY RESULTS

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

($000s, except for per share amounts)	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	88,469	89,201	84,140	81,403	90,239	116,683	104,085	106,413
Net income (loss) (1)	(4,507)	8,885	301	(9,273)	222	(7,599)	532	2,097
Adjusted EBITDA	29,929	30,327	26,657	28,768	29,549	47,017	32,159	39,492
AFFO	2,257	1,888	1,949	932	6,464	19,022	5,384	12,133
Common dividends (2)	—	7,324	7,308	7,288	7,273	7,261	7,252	7,244
Preferred dividends	938	938	938	938	938	938	938	938
Earnings Per Share – Basic (3)	(0.056)	0.081	(0.007)	(0.105)	(0.008)	(0.089)	(0.005)	0.012
Earnings Per Share – Diluted (3)	(0.056)	0.080	(0.007)	(0.105)	(0.008)	(0.089)	(0.005)	0.012
AFFO per share	0.023	0.019	0.020	0.010	0.067	0.196	0.056	0.126
Dividends declared per common share	nil	0.075	0.075	0.075	0.075	0.075	0.075	0.075

(1) Net income (loss) attributable to the common shareholders of Capstone, which excludes non-controlling interests.
(2) Common dividends include amounts declared for both the common shares of the Corporation and the Class B exchangeable units.
(3) Earnings Per Share (EPS) is calculated using net income attributable to common shareholders of Capstone. Refer to note 21 of the consolidated financial statements for the calculation of EPS.

ACCOUNTING POLICIES AND INTERNAL CONTROLS

Significant Changes in Accounting Standards

Capstone's accounting policies are consistent with those disclosed in the notes to the December 31, 2015 consolidated financial statements included in the Annual Report.

Future Accounting Changes

The International Accounting Standards Board ("IASB") has not issued any significant accounting changes that impact the Corporation since the standards described in the most recent annual financial statements for the year ended December 31, 2015. Capstone continues to monitor changes to IFRS and has implemented applicable IASB changes to standards, new interpretations and annual improvements, none of which had an impact in 2016.

Accounting Estimates

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

Refer to note 2 (Summary of Significant Accounting Policies) in the most recent annual financial statements for the year ended December 31, 2015 for greater detail of the areas of significance and the related critical estimates and judgments.

The following accounting estimates included in the preparation of the interim 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:	
• Purchase price allocations	• Initial fair value of net assets.
• Depreciation on capital assets	• Estimated useful lives and residual value.
• Amortization on intangible assets	• Estimated useful lives.
• Asset retirement obligations	• Expected settlement date, amount and discount rate.
• Impairment assessments of capital assets, projects under development, intangibles and goodwill	• Future cash flows and discount rate.
Retirement benefits	• Future cash flows and discount rate.
Deferred income taxes	• Timing of reversal of temporary differences, tax rates and current and future taxable income.
Financial instruments and fair value measurements	• Forward Alberta power pool prices, volatility, credit spreads, cost and inflation escalators and fuel supply volumes and electricity sales.
Accounts receivable	• Probability of failing to recover amounts when they fall into arrears.
Accounting for investments in non-wholly owned subsidiaries	• Determine how relevant activities are directed (either through voting rights or contracts); • Determine if Capstone has substantive or protective rights; and • Determine Capstone's ability to influence returns.

Management's estimates are based on historical experience, current 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

Since December 31, 2015, no material changes have occurred in Capstone's policies and procedures and other processes that comprise its internal controls over financial reporting and disclosure controls and procedures.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	Notes	Mar 31, 2016	Dec 31, 2015
Current assets			
Cash and cash equivalents		68,878	74,392
Restricted cash		34,740	29,064
Accounts receivable		79,267	77,175
Other assets		6,139	10,904
Current portion of derivative contract assets	6	164	58
		189,188	191,593
Non-current assets			
Loans receivable	5	36,452	37,271
Derivative contract assets	6	508	108
Equity accounted investments	7	22,907	23,392
Capital assets	8	1,635,539	1,702,233
Projects under development	9	107,519	106,200
Intangible assets	10	345,332	362,514
Retirement benefit surplus	11	59,424	98,558
Deferred income tax assets		69	220
Total assets		2,396,938	2,522,089
Current liabilities			
Accounts payable and other liabilities		122,823	143,903
Current portion of derivative contract liabilities	6	651	254
Current portion of finance lease obligations		777	813
Current portion of long-term debt	12	96,822	101,203
		221,073	246,173
Long-term liabilities			
Derivative contract liabilities	6	15,654	6,286
Deferred income tax liabilities		174,846	204,125
Deferred revenue		31,771	32,063
Finance lease obligations		3,010	3,261
Long-term debt	12	1,224,872	1,243,334
Liability for asset retirement obligation		4,949	4,767
Total liabilities		1,676,175	1,740,009
Equity attributable to shareholders' of Capstone		479,735	520,535
Non-controlling interest		241,028	261,545
Total liabilities and equity		2,396,938	2,522,089
Commitments and contingencies	19		
Subsequent events	20		

See accompanying notes to these interim consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Equity attributable to shareholders of Capstone					
	Notes	Share Capital (1)	Other Equity Items (2)	AOCI (3)	Deficit	NCI (4)	Total Equity
Balance, December 31, 2014		812,142	9,284	19,994	(324,714)	190,073	706,779
Other comprehensive income (loss)		—	—	9,417	1,676	8,453	19,546
Net income for the period		—	—	—	222	5,215	5,437
Dividends declared to common shareholders of Capstone	13a&b	481	—	—	(7,273)	—	(6,792)
Dividends declared to preferred shareholders of Capstone (5)	13b	—	—	—	(980)	—	(980)
Dividends declared to NCI		—	—	—	—	(2,434)	(2,434)
Balance, March 31, 2015		812,623	9,284	29,411	(331,069)	201,307	721,556

		Equity attributable to shareholders of Capstone					
	Notes	Share Capital (1)	Other Equity Items (2)	AOCI (3)	Deficit	NCI (4)	Total Equity
Balance, December 31, 2015		814,719	9,284	51,151	(354,619)	261,545	782,080
Other comprehensive income (loss)		—	—	(25,302)	(10,641)	(29,501)	(65,444)
Net income for the period		—	—	—	(4,507)	6,967	2,460
Dividends declared to common shareholders of Capstone	13a&b	617	—	—	—	—	617
Dividends declared to preferred shareholders of Capstone (5)	13b	—	—	—	(967)	—	(967)
Dividends declared to NCI		—	—	—	—	(1,060)	(1,060)
Convertible debenture advances		—	—	—	—	3,077	3,077
Balance, March 31, 2016		815,336	9,284	25,849	(370,734)	241,028	720,763

(1) Share capital includes common and preferred shares and class B exchangeable units.
(2) Other equity items include the equity portion of Capstone's 2016 convertible debentures.
(3) Accumulated other comprehensive income (loss) ("AOCI").
(4) Non-controlling interest ("NCI").
(5) Dividends declared to preferred shareholders of Capstone include $31 of deferred income taxes (2015 - $42).

See accompanying notes to these interim consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

($000s, except per share amounts)	Notes	Three months ended Mar 31, 2016	Mar 31, 2015
Revenue		88,469	90,239
Operating expenses	16	(33,426)	(43,785)
Administrative expenses	16	(5,322)	(3,038)
Project development costs	16	(5,324)	(2,170)
Equity accounted income (loss)	7	592	852
Interest income		891	1,081
Net pension interest income		884	751
Other gains and (losses), net		(5,949)	(3,433)
Foreign exchange gain (loss)		(850)	(262)
Earnings before interest expense, taxes, depreciation and amortization		39,965	40,235
Interest expense		(15,955)	(14,328)
Depreciation of capital assets	8	(18,414)	(16,603)
Amortization of intangible assets	10	(3,375)	(3,074)
Income before income taxes		2,221	6,230
Income tax recovery (expense)			
Current		(92)	1,125
Deferred		331	(1,918)
Total income tax recovery (expense)		239	(793)
Net income		2,460	5,437
Net income attributable to:			
Shareholders of Capstone		(4,507)	222
Non-controlling interest		6,967	5,215
		2,460	5,437
Earnings per share	14		
Basic		(0.056)	(0.008)
Diluted		(0.056)	(0.008)

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Three months ended Mar 31, 2016	Mar 31, 2015
Cumulative differences on translation of foreign operations		(42,544)	16,816
Other comprehensive income on equity accounted investments	7	—	(164)
Gains (losses) on financial instruments designated as cash flow hedges (net of tax in 2016 - $332 recovery, 2015 - $89 recovery, respectively)		(1,618)	(458)
Total of items that may subsequently be reclassified to net income		(44,162)	16,194
Actuarial gains (losses) recognized in respect of retirement benefit obligations (net of tax in 2016 - $15,547 expense, 2015 - $838 expense, respectively) - will not be reclassified to net income		(21,282)	3,352
Other comprehensive income (loss)		(65,444)	19,546
Net income		2,460	5,437
Total comprehensive income		(62,984)	24,983
Comprehensive income attributable to:			
Shareholders of Capstone		(40,450)	11,315
Non-controlling interest		(22,534)	13,668
		(62,984)	24,983

See accompanying notes to these interim consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended	Notes	Mar 31, 2016	Mar 31, 2015
Operating activities:			
Net income		2,460	5,437
Deferred income tax expense		(331)	1,918
Depreciation and amortization		21,789	19,677
Non-cash other gains and losses (net)		7,830	4,324
Amortization of deferred financing costs and non-cash financing costs		1,646	1,154
Equity accounted (income) loss	7	(592)	(852)
Unrealized foreign exchange (gain) loss on loan receivable	5	819	296
Change in non-cash working capital	18	(25,827)	10,309
Total cash flows from operating activities		7,794	42,263
Investing activities:			
Investment in projects under development	9	(28,990)	(28,576)
Investment in capital assets and intangibles	8	(14,587)	(35,895)
Increase (decrease) in restricted cash		(6,736)	31,650
Distributions received from equity accounted investments	7	1,077	1,470
Repayments of loan receivable		—	326
Total cash flows used in investing activities		(49,236)	(31,025)
Financing activities:			
Proceeds from long-term debt		111,639	—
Convertible debenture advances		3,077	—
Repayment of long-term debt and finance lease obligations		(70,550)	(5,222)
Transaction costs on debt issuance		(4,606)	—
Dividends paid to non-controlling interests		(1,060)	(2,434)
Dividends paid to common and preferred shareholders		(321)	(7,729)
Total cash flows from (used in) financing activities		38,179	(15,385)
Effect of exchange rate changes on cash and cash equivalents		(2,251)	651
Increase (decrease) in cash and cash equivalents		(5,514)	(3,496)
Cash and cash equivalents, beginning of year		74,392	58,842
Cash and cash equivalents, end of period		68,878	55,346
Supplemental information:			
Interest paid		18,371	17,193
Taxes paid (recovery)		375	1,314

See accompanying notes to these interim consolidated financial statements

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Capstone is incorporated and domiciled in Canada and principally located at 155 Wellington Street West, Suite 2930, Toronto, Ontario, M5V 3H1. The mission of Capstone Infrastructure Corporation and its subsidiaries (together the "Corporation" or "Capstone") is to provide investors with an attractive total return from responsibly managed long-term investments in core infrastructure in Canada and internationally. As at March 31, 2016, Capstone has investments in utilities businesses in Europe and owns, operates and develops thermal and renewable power generation facilities in Canada with a total installed net capacity of 473 megawatts.

2. BASIS OF PREPARATION

Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard ("IAS") 34 Interim Financial Reporting ("IAS 34") on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the year ended December 31, 2015. Certain information and footnote disclosures included in the annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These unaudited interim consolidated financial statements should be read in conjunction with the audited 2015 annual consolidated financial statements.

These interim condensed consolidated financial statements were approved by the Board of Directors for issue on May 11, 2016.

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

3. SEASONALITY

The seasonality of wind speed and density, volume of water flows, sunlight, ambient temperatures and pricing provisions within the power purchase agreements ("PPA") with counterparties may result in fluctuations in revenue and net income during the period.

Operating expenses of the regulated water utility in the United Kingdom can fluctuate depending on the availability of water from various sources, the quantity of water requiring treatment as a result of dry weather, and pipe bursts, which are more common in periods when freezing and thawing occur leading to higher repairs and maintenance.

Warm weather reduces demand for heat from the Swedish district heating business.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to Capstone's accounting policies during the first three months of 2016.

Basis of Measurement

The interim consolidated financial statements have been prepared on a going concern basis of accounting and primarily under the historical cost basis, except for the revaluation of certain financial instruments, which are measured at fair value.

Future Accounting Changes

The IASB has not issued any significant new accounting standards that impact the Corporation since the standards described in the most recent annual financial statements for the year ended December 31, 2015.

Capstone is assessing the material standards described in the annual financial statements, which include IFRS 15, "Revenue from Contracts with Customers" and IFRS 9, "Financial Instruments" which both have an effective date beginning on January 1, 2018, and IFRS 16, "Leases" which has an effective date beginning on January 1, 2019.

Capstone continues to monitor changes to IFRS and has implemented applicable IASB changes to standards, new interpretations and annual improvements, none of which had an impact in 2016.

5. LOANS RECEIVABLE

Capstone's loan receivable from Värmevärden and changes during the period were:

Three months ended	Mar 31, 2016		Mar 31, 2015	
	SEK	$	SEK	$
As at January 1, 2016	227,541	37,271	227,541	33,744
Unrealized foreign exchange gain (loss)	—	(819)	—	(296)
As at March 31, 2016	227,541	36,452	227,541	33,448

6. FINANCIAL INSTRUMENTS

(A) Classification by Level

The following table summarizes the Corporation's financial instruments that have been recorded at fair value:

Recurring measurements	Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs	Mar 31, 2016	Dec 31, 2015
Derivative contract assets:					
Interest rate swap contracts [2]	—	420	—	420	—
Foreign currency contracts	—	252	—	252	166
Less: Current portion	—	(164)	—	(164)	(58)
	—	508	—	508	108
Derivative contract liabilities:					
Whitecourt embedded derivative [1]	—	—	6,309	6,309	3,148
Interest rate swap contracts [2]	—	6,168	—	6,168	1,121
Interest rate swap contracts for hedging	—	3,828	—	3,828	2,271
Less: Current portion	—	(651)	—	(651)	(254)
	—	9,345	6,309	15,654	6,286

(1) Whitecourt's embedded derivative consists of a $1,454 fair value liability and $4,855 amortized contra-asset, set up on inception.
(2) In March 2016, Cardinal and Grey Highlands Clean entered into interest rate swap contracts (2015 - GHG Wind Development LP ("GHG") entered into interest rate swap contracts).

Financial instruments not recorded at fair value

Accounts receivable, loans receivable, accounts payable, finance lease obligations and long-term debt are reported at carrying value on the statement of financial position. The fair values of these items approximate their carrying values, except for finance lease obligations and long-term debt, which are summarized in the following table:

	Fair value	Carrying value
Finance lease obligations	3,758	3,787
Long-term debt	1,499,652	1,321,694

(B) Fair Value Determination

The Corporation has determined the fair value of Level 2 and 3 financial instruments as follows:

Foreign currency contracts	• Fair value of foreign currency contracts fluctuate with changes in the relative currencies to the Canadian dollar. • A Black-Scholes model, based on the current spot price, discount rate, volatility in the underlying currency and time to maturity, is used to determine fair value.
Interest rate swap	• The interest rate swap contract's fair value fluctuates with changes in market interest rates. • A discounted cash flow analysis based on a forward interest rate curve was used to determine its fair value.
Whitecourt embedded derivative	• The determination of the fair value of the embedded derivative requires the use of option pricing models involving significant judgment based on management's estimates and assumptions, including estimates on the forward Alberta power pool prices, volatility, credit spreads, cost and inflation escalators and fuel supply volumes and electricity sales.

The Corporation, with the assistance of third-party experts, determines the fair value of financial instruments, including Level 3 fair values. The valuation processes and results are reviewed and approved each reporting period. These critical estimates are discussed as part of the Audit Committee's quarterly review of the financial statements.

(C) Significant Assumptions

The Whitecourt embedded derivative is classified as a Level 3 financial instrument because it uses unobservable inputs to determine fair value. The impact on fair value of changes in the significant unobservable input was:

Fair value as at Mar 31, 2016	Unobservable input	Estimated input	Relationship of input to fair value
(6,309)	Forward Alberta power pool prices	From $23/MWh to $134/MWh until 2029.	A reasonably possible increase in estimated forward prices of 5% or a decrease of 5%, would cause fair value to decrease by $4,890 and increase by $4,952, respectively.

(D) Level 3 Fair Value Continuity

	Net, level 3 derivatives
As at January 1, 2016	(3,148)
Change in value of the Whitecourt embedded derivative included in other gains and (losses) in net income	(1,368)
Settlement of Whitecourt embedded derivative during the period	(1,881)
Amortization of Whitecourt embedded derivative inception value included in other gains and (losses) in net income	88
As at March 31, 2016	(6,309)

7. EQUITY ACCOUNTED INVESTMENTS

As at	Ownership %	Mar 31, 2016 Carrying value	Dec 31, 2015 Carrying value
Värmevärden [(1)]	33.3%	—	—
Glen Dhu [(2)]	49.0%	22,338	22,814
Fitzpatrick	50.0%	569	578
		22,907	23,392

(1) Capstone no longer records equity accounted income (losses) for Värmevärden, as the cumulative equity accounted losses and distributions exceeded the carrying value. As at March 31, 2016, Capstone had cumulative unrecognized losses of $96, relating to Värmevärden. Until cumulative unrecognized losses and dividends become positive, Capstone will carry its investment at nil and record dividends received as other gains in the statement of income. See note 5 for detail on loans receivable with Värmevärden.

(2) Under the limited partnership agreement, Capstone has the option to acquire an additional 1% interest in Glen Dhu from November 2017 to November 2018 at a price based on a predetermined calculation.

The change in the Corporation's total equity accounted investments for the periods ended March 31 was:

Three months ended	Opening balance	Equity accounted income (loss)	Equity share of OCI	Distributions	Ending balance
March 31, 2016	23,392	592	—	(1,077)	22,907
March 31, 2015	29,056	852	(164)	(1,470)	28,274

8. CAPITAL ASSETS

As at January 1, 2016	1,702,233
Additions	13,509
Disposals	(205)
Transfers [(1)]	28,873
Depreciation	(18,414)
Foreign exchange	(90,457)
As at March 31, 2016	1,635,539

(1) Includes transfers from projects under development of $29,110 for Grey Highlands ZEP, upon reaching the commercial operation date ("COD"), less transfer to intangibles of $237. Refer to notes 9 and 10, respectively.

The reconciliation of capital asset additions from an accrual basis to a cash basis on the consolidated statement of cash flows was:

	Three months ended	
	Mar 31, 2016	Mar 31, 2015
Additions	13,509	38,368
Adjustment for change in capital amounts included in accounts payable and accrued liabilities	2,458	(7,437)
Adjustment for change in capital amounts included in accounts receivable	—	4,254
Net foreign exchange difference	(1,380)	710
Cash additions	14,587	35,895

9. PROJECTS UNDER DEVELOPMENT

As at January 1, 2016	106,200
Capitalized costs during the period [1]	34,690
Transferred to capital assets [2] (refer to note 8)	(29,110)
Transferred to intangibles [2] (refer to note 10)	(4,261)
As at March 31, 2016	107,519

(1) Includes $272 of capitalized borrowing costs during the construction of the Grey Highlands ZEP and Ganaraska wind development projects using the interest rate of the long-term debt (2015 - $853 during the construction of Goulais).
(2) Amounts were transfered on COD of Grey Highlands ZEP.

The reconciliation of additions to projects under development ("PUD") from an accrual basis to a cash basis on the consolidated statement of cash flow was:

	Three months ended	
	Mar 31, 2016	Mar 31, 2015
Additions	34,690	19,513
Adjustment for change in PUD included in accounts payable and accrued liabilities	(5,700)	9,063
Cash additions	28,990	28,576

10. INTANGIBLE ASSETS

As at January 1, 2016	362,514
Transfers [1]	4,498
Amortization	(3,375)
Foreign exchange	(18,305)
As at March 31, 2016	345,332

(1) Includes transfers of $237 from capital assets and $4,261 from projects under development. Refer to notes 8 and 9 respectively.

11. RETIREMENT BENEFIT PLANS

Employees of the Corporation’s operating businesses participate in various retirement benefit plans as follows.

Defined Contribution Plan

The total expense recorded in the consolidated statement of income for the three months ended March 31, 2016 was $605 (March 31, 2015 - $596). The expense is composed of $556 for Bristol Water and $49 for Cardinal.

Defined Benefit Plan

On March 31, 2016, Bristol Water's defined benefit pension plan members ceased earning additional pension benefits as the plan was curtailed. All eligible employees were offered membership in the defined contribution pension plan.

As at March 31, 2016, the retirement benefit surplus was $59,424 and was updated by the actuary using a consistent method of calculation as at December 31, 2015 and assumptions updated to reflect market conditions and expectations (December 31, 2015 - $98,558).

On curtailment, Capstone recognized a reversal of past service costs included in operating expenses of $6,050, which increased the surplus. The reversal consists of a gain on curtailment of the plan, partially offset by an increase in the obligation, due to discretionary benefits provided to plan members.

IFRS restricts the value of a retirement benefit surplus to the present value of economic benefits available in the form of plan refunds or reductions in future contributions. For Bristol Water, the benefit is only available as a plan refund as no additional defined pension benefits will be earned. In the UK, a withholding tax of 35% is applicable to a refund of a defined benefit surplus and is applied regardless of the company's tax position. This amount has therefore been treated as an expense that arises on any future refund and, in accordance with IFRIC 14, this expense has been netted against the gross value of the retirement benefit surplus. Accordingly, the surplus recorded in respect of Bristol Water is a gross surplus of $93,130,reduced by a 35% withholding tax of $33,706.

Bristol Water's employer contributions paid in the three months ended March 31, 2016 to the defined benefit plan were $947 (March 31, 2015 - $1,032).

12. LONG-TERM DEBT

(A) Components of Long-term Debt

As at	Mar 31, 2016	Dec 31, 2015
Project debt		
Wind - Operating [1], [2]	306,662	321,395
Wind - Development [3]	64,873	30,234
Hydros	84,113	85,196
Solar	91,620	92,386
Gas	70,000	—
Power	617,268	529,211
Bank loans	130,189	142,381
Term loans	489,152	534,366
Debentures	2,451	2,676
Irredeemable cumulative preferred shares	30,310	33,161
Utilities – water	652,102	712,584
Corporate credit facility	—	47,000
Convertible debentures - 2016	42,279	42,278
Convertible debentures - 2017	27,566	27,591
Corporate	69,845	116,869
	1,339,215	1,358,664
Less: deferred financing costs	(17,521)	(14,127)
Long-term debt	1,321,694	1,344,537
Less: current portion	(96,822)	(101,203)
	1,224,872	1,243,334

(1) Wind - Operating project debt consists of Erie Shores, Amherst, SkyGen, Skyway 8, Glace Bay, Saint-Philémon and Goulais.
(2) On February 8, 2016, SkyGen $9,966 promissory notes were settled.
(3) Wind - Development project debt consists of the GHG and Grey Highlands Clean construction facilities in 2016 (2015 - GHG).

(B) Financing Changes - Corporate facility, Cardinal and Grey Highlands Clean

On January 31, 2016, the corporate credit facility capacity decreased by $35,000, reducing its capacity to $90,000. Concurrent with the Cardinal financing, the capacity was further decreased to $60,000.

On March 18, 2016, Capstone, through a wholly owned subsidiary, reached financial close on an approximately $83,000 financing for the Cardinal gas cogeneration plant, consisting of a $70,000 term loan and a $13,000 letter of credit facility, which are non-recourse to Capstone. The proceeds were used to increase the financial flexibility of Capstone by repaying the drawn portion of the corporate credit facility, as well as funding Cardinal's ongoing reserve requirements and transaction costs for arranging the financing. The new project debt amortizes over a period of 18½ years, maturing in 2023 with a variable, annual interest rate of CDOR plus 1.625%. Cardinal has entered into a swap contract to convert its floating interest rate obligations under the credit agreement to a fixed rate. The effective fixed interest rate on the loan will be 2.866% from inception to December 31, 2022.

On March 24, 2016, Capstone, through a subsidiary that controls the Grey Highlands Clean wind project, entered into a credit agreement that provides up to $55,100 for the construction of the project. The construction term of the facility is expected to mature in the fourth quarter of 2016 and has a variable interest rate based on CDOR plus 1.625%. Upon maturity, the facility will convert to a term loan, which matures no later than 2021 with a five-year variable annual interest rate of CDOR plus 1.625% (which increases to CDOR plus 1.875% commencing on the day following the third anniversary of the term conversion date). Grey Highlands Clean has entered into swap contracts to convert its floating interest rate obligations under the credit agreement to a fixed rate. The effective fixed interest rate on the loan will be 2.68% pre-term conversion, stepping up to 2.865%for the first three years of the term loan, and to 3.11% for years four and five. Interest during construction is capitalized to projects under development.

13. SHAREHOLDERS' EQUITY

The share capital of the Corporation was:

As at	Mar 31, 2016	Dec 31, 2015
Common shares	716,606	715,989
Class B exchangeable units	26,710	26,710
Preferred shares	72,020	72,020
	815,336	814,719

(1) Refer to Note 20 "Subsequent Events" for details relating to the arrangement agreement with iCON.

(A) Common Shares

	Three months ended Mar 31, 2016	
($000s and 000s shares)	Shares	Carrying Value
Opening balance	94,396	715,989
Dividend reinvestment plan	136	617
Ending balance	94,532	716,606

(B) Dividends Declared

	Three months ended	
	Mar 31, 2016	Mar 31, 2015
Common shares (1)	—	7,029
Class B exchangeable units (1)	—	244
	—	7,273
Preferred shares (2)	967	980

(1) No dividends were declared in respect of the Corporation's common shareholders, nor for Class B Exchangeable Units of MPT LTC Holding LP, which is a subsidiary entity of the Corporation, in light of the arrangement agreement entered into with iCON Infrastructure Partners III. Refer to Note 29 "Subsequent Events" to the consolidated financial statements for the year ended December 31, 2015 for detail.
(2) Includes $31 of deferred income taxes (2015 - $42).

14. EARNINGS PER SHARE ("EPS")

	Three months ended	
	Mar 31, 2016	Mar 31, 2015
Net income	2,460	5,437
Non-controlling interest	(6,967)	(5,215)
Dividends declared on preferred shares	(967)	(980)
Net income available to common shareholders	(5,474)	(758)
Weighted average number of common shares (including Class B exchangeable units) outstanding	97,738	96,923
Basic and Diluted EPS (1)	(0.056)	(0.008)

(1) The 2016 and 2017 convertible debentures were anti-dilutive for all periods in the table above.

15. SHARE-BASED COMPENSATION

(A) Deferred Share Units ("DSU")

Capstone granted DSUs to directors of the Corporation during 2016 as follows:

Grants during the Three months ended March 31, 2016:	DSUs
Number of units granted at a 4.74 dollar five-day VWAP on January 27, 2016	9,233

(1) Volume weighted average price ("VWAP")

As at March 31, 2016, the carrying value of all outstanding DSUs was $813 based on a market price of 4.86 dollars.

(B) Long-term Incentive Plan ("LTIP")

Corporate LTIP

Capstone granted Restricted Stock Units ("RSU") and Performance Share Units ("PSU"), during 2016 as follows:

Grants during the Three months ended March 31, 2016:	RSUs	PSUs
Number of units granted at a 4.74 dollar five-day VWAP on January 27, 2016	130,706	130,706
Number of units granted at a 4.85 dollar five-day VWAP on March 15, 2016	59,337	—

As at March 31, 2016, the carrying value of all outstanding RSUs was $1,351 and $715 for the PSUs based on a VWAP of 4.86 dollars.

Power Development LTIP

On January 2, 2016 Capstone granted 4,246 RSUs, based on milestones reached for power development projects.

As at March 31, 2016, the carrying value of all outstanding RSUs was $59 based on a VWAP of 4.86 dollars.

16. EXPENSES BY NATURE

	Three months ended Mar 31, 2016				Three months ended Mar 31, 2015			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Raw materials, chemicals and supplies	20,383	—	—	20,383	25,263	—	—	25,263
Wages and benefits	9,949	3,959	1,028	14,936	7,774	2,391	270	10,435
Pension closure recovery	(6,050)	—	—	(6,050)	—	—	—	—
Professional fees (1)	2,146	338	3,824	6,308	3,135	422	1,723	5,280
Maintenance	1,777	—	—	1,777	2,291	—	—	2,291
Bad debts	744	—	—	744	1,396	—	—	1,396
Leases	556	115	—	671	437	91	—	528
Insurance	615	38	—	653	550	37	—	587
Utilities	608	—	—	608	515	—	—	515
Fuel	509	—	—	509	728	—	—	728
Property taxes	466	—	—	466	417	—	—	417
Manager fees	443	—	—	443	436	—	—	436
Other	1,280	872	472	2,624	843	97	177	1,117
Total	33,426	5,322	5,324	44,072	43,785	3,038	2,170	48,993

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

17. SEGMENTED INFORMATION

Management has organized the Corporation's business into three reportable segments in order to assess performance and to allocate capital. Cash generating units within each reportable 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 environment.

Management evaluates the performance of these segments primarily on revenue and cash flows from operations.

Infrastructure segments consist of:	Geographical Location
Power The Corporation's investments in gas cogeneration, wind, hydro, biomass and solar power, as well as project development.	Canada
Utilities – water The regulated water services business (Bristol Water), in which the Corporation holds a 50% indirect interest.	United Kingdom
Utilities – district heating ("DH") The district heating business (Värmevärden), in which the Corporation holds a 33.3% indirect interest.	Sweden

	Three months ended Mar 31, 2016					Three months ended Mar 31, 2015				
		Utilities					Utilities			
	Power	Water	DH	Corporate	Total	Power	Water	DH	Corporate	Total
Revenue	34,175	54,294	—	—	88,469	28,750	61,489	—	—	90,239
Depreciation of capital assets	(9,739)	(8,657)	—	(18)	(18,414)	(7,911)	(8,660)	—	(32)	(16,603)
Amortization of intangible assets	(2,374)	(1,001)	—	—	(3,375)	(2,121)	(939)	—	(14)	(3,074)
Interest income	49	83	731	28	891	359	39	663	20	1,081
Interest expense	(6,414)	(7,008)	—	(2,533)	(15,955)	(6,408)	(6,241)	—	(1,679)	(14,328)
Income tax recovery (expense)	1,119	(1,074)	(3)	197	239	1,438	(2,327)	21	75	(793)
Net income (loss)	614	13,506	733	(12,393)	2,460	723	9,858	1,387	(6,531)	5,437
Cash flow from operations	2,223	11,333	(789)	(4,973)	7,794	22,909	20,625	(2,807)	1,536	42,263
Additions to capital assets	857	12,652	—	—	13,509	15,674	22,694	—	—	38,368
Additions to PUD	34,690	—	—	—	34,690	19,513	—	—	—	19,513

	As at Mar 31, 2016					As at Dec 31, 2015				
		Utilities					Utilities			
	Power	Water	DH	Corporate	Total	Power	Water	DH	Corporate	Total
Total assets	1,026,937	1,312,764	37,351	19,886	2,396,938	1,010,669	1,465,683	39,795	5,942	2,522,089
Total liabilities	734,971	864,363	—	76,841	1,676,175	649,625	965,335	—	125,049	1,740,009

Certain comparative figures for the period ended March 31, 2015 have been adjusted to conform with the presentation in the current year.

18. NON-CASH WORKING CAPITAL

The change in non-cash working capital comprised the following:

	Three months ended	
	Mar 31, 2016	Mar 31, 2015
Accounts receivable	(6,078)	16,583
Other assets	(2,767)	(1,121)
Accounts payable and other liabilities	(16,982)	(5,153)
	(25,827)	10,309

19. COMMITMENTS AND CONTINGENCIES

Commitments

The Corporation, either directly or indirectly through its subsidiaries, has entered into various material contracts and commitments as disclosed in the annual consolidated financial statements for the year ended December 31, 2015. Generally, there have been no significant changes to the specified contractual obligations that are outside the ordinary course of business, aside from the iCON transaction and related changes. Refer to Note 20 "Subsequent Events" for detail.

20. SUBSEQUENT EVENTS

Acquisition of Capstone by iCON Infrastructure

On April 29, 2016, Capstone completed the previously announced plan of arrangement under which a subsidiary of a fund advised by London, UK-based iCON Infrastructure LLP ("iCON") acquired all issued and outstanding common shares of Capstone and Class B exchangeable units of Capstone's subsidiary MPT LTC Holding LP for $4.90 cash per share or unit, as applicable. In addition, Capstone's convertible debentures were redeemed or converted to common shares and acquired as part of the transaction in accordance with the arrangement agreement.

In addition, concurrent with the acquisition, Capstone Power Corp. reached financial close on credit facilities totalling approximately $125,000 which were used to replace Capstone's existing credit facility and repay the outstanding convertible debentures. At the same time, Capstone issued $316,225 of demand promissory notes to the purchaser.

Contingent Asset

On April 19, 2016, the Court of Appeal for Ontario dismissed an appeal by the Ontario Electricity Financial Corporation ("OEFC") of a March 12, 2015 decision of the Ontario Superior Court of Justice, as disclosed in the Annual Information Form dated March 29, 2016. The Corporation estimates that the Court's decision would result in a net receipt of approximately $25,000 representing retroactive adjustments for revenue claimed from OEFC. OEFC has 60 days to seek leave to appeal the decision to the Supreme Court of Canada.

Capstone does not recognize contingent assets such as this claim until it is virtually certain the asset is recoverable.

PORTFOLIO*

UTILITIES

POWER INFRASTRUCTURE

Utilities

REGULATED WATER UTILITY
UK • Bristol Water

DISTRICT HEATING
SE • Värmevärden

Operating

WIND
ON • Erie Shores
• Skyway 8
• Goulais
• Ganaraska
• Grey Highlands ZEP
• Three other facilities
PQ • Saint-Philémon
NS • Glace Bay
• Amherst
• Glen Dhu

BIOMASS
AB • Whitecourt
QC • Chapais

HYDRO
BC • Sechelt
• Hluey Lakes
ON • Wawatay
• Dryden

GAS COGENERATION
ON • Cardinal

SOLAR
ON • Amherstburg

Development projects

WIND
ON • Three other projects
SK • Riverhurst

* As of May 11, 2016.

POWER

Type of Facility	Province	Year Built	Ownership Interest	Total Net Capacity (MW)	PPA Counterparty	PPA Expiry	Fuel Supply Counterparty	Fuel Supply Expiry	Employees
Gas Cogeneration									
Cardinal	ON	1994	100%	156	IESO	2034	n/a	n/a	18
Wind									
Operating	ON	2002 - 2016	50% - 100%	148	IESO	2026 - 2036	n/a	n/a	12
	NS	2007 - 2012	49% - 100%	67	NSPI	2021 - 2037	n/a	n/a	2
	PQ	2015	51%	12	Hydro Québec	2035	n/a	n/a	n/a
Development	ON	2016E - 2017E	50% - 100%	36	IESO	2036E - 2037E	n/a	n/a	n/a
	SK	2019E	100%	10	SaskPower	2039E	n/a	n/a	n/a
Biomass									
Whitecourt [(1)]	AB	1994	100%	33.8	(2)	(2)	Millar Western	2030	28
Hydro									
Sechelt and Hluey Lakes	BC	1997 and 2000	100%	19	BC Hydro	2017 and 2020	n/a	n/a	n/a
Wawatay and Dryden[(3)]	ON	1992 and 1986	100%	17	OEFC	2042 and 2020	n/a	n/a	n/a
Solar									
Amherstburg	ON	2011	100%	20	IESO	2031	n/a	n/a	n/a

(1) Whitecourt total net capacity includes Capstone's 31.3% equity accounted interest in Chapais.
(2) Effective March 2, 2015, Millar Western and Whitecourt completed a new fuel supply agreement which replaces the existing agreement and has a term of 15 years, extendable to 20 years. The new agreement also includes a power price support and revenue sharing mechanisms regarding the price received for electricity sold by Whitecourt.
(3) Year built for Wawatay and Dryden represent the date of significant refurbishments.

UTILITIES

Business	Ownership Interest	Capacity	Counterparties	Length of Network	Approximate Population Served	Regulated	Employees
Värmevärden	33.3%	Heat production capacity of 639 MWth	Mix of industrial and retail customers.	300 kilometres	163,000	No	92
Bristol Water	50%	Average daily supply of 263 million litres	Mix of commercial and residential customers.	6,716 kilometres	1.2 million	Ofwat	428

CONTACT INFORMATION

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

Contacts:

Michael Smerdon
Executive Vice President and Chief Financial Officer
Tel: 416-649-1331
Email: msmerdon@capstoneinfra.com

Aaron Boles
Senior Vice President, Communications
Tel: 416-649-1325
Email: aboles@capstoneinfra.com