2024 Annual Report

Management's Discussion & Analysis Financial Statements

Financial Report for the Year Ended December 31, 2024

CAPSTONE INFRASTRUCTURE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	As at and for the year ended December 31,		
	2024	2023	2022
Revenue	219,275	239,015	255,022
EBITDA	133,033	110,066	186,125
Net income (loss) [(1)]	(4,896)	(29,744)	25,108
Preferred dividends	2,776	2,776	2,776
Total assets	1,656,274	1,648,829	1,550,435
Total long-term liabilities	1,150,096	1,062,172	977,502

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

INSIDE THIS SECTION

LEGAL NOTICE

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements contained within this document are forward-looking and reflect management's expectations regarding the future growth, results of operations, performance and business of the Corporation based on information currently available to the Corporation. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements use forward-looking words, such as "anticipate", "continue", "could", "expect", "may", "will", "intend", "estimate", "plan", "believe", or other similar words, and include, among other things, statements found in "Results of Operations" and "Financial Position Review". These statements are subject to known and unknown risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied by such statements and, accordingly, should not be read as guarantees of future performance or results. The forward-looking statements within this document are based on information currently available and what the Corporation currently believes are reasonable assumptions, including the material assumptions set out in the management's discussion and analysis of the results of operations and the financial condition of the Corporation ("MD&A") for the year ended December 31, 2024 under the headings "Changes in the Business", "Results of Operations" and "Financial Position Review", as updated in subsequently filed MD&A of the Corporation (such documents are available under the Corporation's SEDAR+ profile at www.sedarplus.ca).

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

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

For a comprehensive description of these risk factors, please refer to the "Risk Factors" section of the Corporation's Annual Information Form dated March 21, 2024, as supplemented by disclosure of risk factors contained in any subsequent annual information form, material change reports (except confidential material change reports), business acquisition reports, interim financial statements, interim management's discussion and analysis and information circulars filed by the Corporation with the securities commissions or similar authorities in Canada (which are available under the Corporation's SEDAR+ profile at www.sedarplus.ca).

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

INTRODUCTION

Management's discussion and analysis ("MD&A") summarizes Capstone Infrastructure Corporation's (the "Corporation" or "Capstone") consolidated financial position, operating results and cash flows as at and for the years ended December 31, 2024 and 2023.

This MD&A should be read in conjunction with the accompanying audited consolidated financial statements of the Corporation and notes thereto as at and for the years ended December 31, 2024 and 2023. Additional information about the Corporation, including its Annual Information Form ("AIF") for the year ended December 31, 2023, quarterly financial reports and other public filings of the Corporation are available under the Corporation's profile on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR+") website at www.sedarplus.ca.

This MD&A is dated March 5, 2025, the date on which this MD&A was approved by the Corporation's Board of Directors.

BASIS OF PRESENTATION

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

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

	USD ($)	
As at and for the year ended	**Average**	**Spot**
Dec 31, 2024	**1.37**	**1.44**
Dec 31, 2023	1.35	1.32

SUPPLEMENTAL GAAP PERFORMANCE MEASURES DEFINITIONS

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

CHANGES IN THE BUSINESS

In 2024, Capstone continued to execute on its strategic objectives by achieving commercial operation ("COD") at Buffalo Atlee on June 28, 2024, advancing its development projects, and successfully managing financing activities providing funding for continued growth.

Project Development Activities

Capstone continues to pursue projects at various stages of development, and to build a development pipeline across several jurisdictions. The following table lists the significant development projects:

Name of project	Status	Gross MW	Jurisdiction	Technology
Buffalo Atlee (1), (2)	COD	61	Alberta	Wind
MW added to operating portfolio		**61**		
Wild Rose 2	In Construction	192	Alberta	Wind
Early and mid-stage development projects	Development	>2,750	Canada	Wind/Solar/Storage
MW capacity in Canada		**>2,900**		
Early and mid-stage development projects	Development	>1,100	United States	Wind/Solar/Storage
MW capacity in the United States ("US")		**>1,100**		

(1) Electricity and associated emissions offset credits generated are sold under the terms of power purchase agreement ("PPA") expiring in 2039 for 26MW of the projects. The PPA includes an embedded derivative where the market price is swapped for a fixed price. Refer to "Accounting standards, estimates, and internal controls" in this MD&A.

(2) Electricity is sold at market rates to the Alberta Power Pool and associated emissions offset credits generated are sold to third parties for 35MW of the projects.

Capstone expects to fund these projects from a combination of sources including equity from existing corporate liquidity, government funding, and third party project financing.

Sechelt Creek Facility EPA

On October 30, 2022, Capstone entered into an extension to the Sechelt Creek hydro facility Electricity Purchase Agreement ("EPA") with British Columbia Hydro and Power Authority ("BC Hydro") until January 31, 2023. Following this, on February 1, 2023, Capstone entered into a new 20 year EPA for the Sechelt Creek facility with BC Hydro. British Columbia Utilities Commission ("BCUC") approval was obtained for the EPA on February 27, 2024.

Alberta Reviews Electricity Sector Regulations

In August 2023, the Government of Alberta directed the AUC to conduct a broad inquiry into the development of electricity generation in Alberta. On February 28, 2024, the Government of Alberta announced that it will be issuing new policy guidance and regulatory changes. As a result, Capstone recorded an asset impairment charge related to costs that had previously been capitalized for early stage development projects in Alberta, refer to note 11 Projects Under Development in the consolidated financial statements. Capstone continues to monitor any other potential impacts to our Alberta projects.

Change to Board of Directors

On May 9, 2024, Julia Perrier was appointed to the board of Capstone.

BC Hydro Call for Power EPAs

On December 24, 2024, Capstone, alongside our Indigenous partners, entered into three 30-year EPA's with BC Hydro for the development of three wind facilities, after successfully being selected in the 2024 Call for Power. These projects will have an aggregate nameplate capacity of 537MW. The EPAs remain subject to BCUC approval.

Financing Activities

During the year, Capstone refinanced the corporate credit facility, executed financings for Wild Rose 2 and Buffalo Atlee, increased the US LC facility and extended its term to support ongoing growth through additional capacity and flexibility, and provided a return of capital to the Class A shareholder.

CPC Revolver refinancing

On March 27, 2024, the CPC revolving credit facility was amended and restated, to increase its revolver capacity to $275,000 and to extend its maturity date to March 27, 2027.

Class A shareholder return of capital

In the second quarter of 2024, Capstone paid a return of capital of $75,000 in cash to its Class A common shareholder.

US LC facility extension

On September 11, 2024, the US LC facility was increased to a capacity of $100,723 and now expires on December 23, 2025.

Wild Rose 2 financings

On May 30, 2024, Wild Rose 2 entered into a non-revolving loan which provided $70,707 of variable rate debt and which was repaid on November 8, 2024.

On November 8, 2024, Wild Rose 2 entered into a credit agreement which provided $270,498 of variable rate debt for the construction of the wind facility. The debt consists of a construction and term loan facility, letter of credit facility, an investment tax credit bridge loan facility, and limited capital contribution requirements for Capstone. To mitigate the interest rate risk, swap contracts were executed to convert the floating interest rate obligations to a fixed rate.

Buffalo Atlee project financing

On November 14, 2024, the Buffalo Atlee construction credit facilities converted to term loans, which provides variable rate debt amortizing over 20 years and matures in January 2028. To mitigate the interest rate risk, swap contracts were executed to convert the floating interest rate obligations to a fixed rate.

RESULTS OF OPERATIONS

Overview

In 2024, Capstone's EBITDA and net income were higher than in 2023. Higher EBITDA reflects:

- Higher unrealized gains on fair value changes on derivative financial instruments; partially offset by
- Lower revenue from lower Alberta Power Pool prices, lower emissions offset credits sales and lower production at Whitecourt, partially offset by higher resource at the wind, solar and hydro facilities, more runs at Cardinal, and revenue earned from the addition of Buffalo Atlee; and
- Higher expenses due to adding operating expenses relating to the Buffalo Atlee projects, investment in project development costs, and more runs at Cardinal, partially offset by lower operating expense at Whitecourt.

	For the year ended		
	Dec 31, 2024	Dec 31, 2023	Change
Revenue	219,275	239,015	(19,740)
Expenses	(94,341)	(91,455)	(2,886)
Other income (expenses)	8,099	(37,494)	45,593
EBITDA	133,033	110,066	22,967
Interest expense	(49,062)	(48,752)	(310)
Depreciation and amortization	(97,529)	(97,672)	143
Income tax recovery (expense)	7,522	7,166	356
Net income (loss)	(6,036)	(29,192)	23,156

The remaining significant changes in net income (loss) were:

- Higher income tax recovery in 2024 is primarily attributable to the difference in accounting and tax amortization claimed during the year and an increase in the tax losses carried forward, partially offset by the non-deductible fair value adjustments on financial instruments for the year.

Results by Segment

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

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

Revenue

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

Revenue	For the year ended		
	Dec 31, 2024	Dec 31, 2023	Change
Wind (1), (2)	129,605	117,129	12,476
Solar (2)	37,858	51,970	(14,112)
Gas (3)	28,666	25,881	2,785
Hydro	12,481	11,156	1,325
Biomass (2)	10,665	32,879	(22,214)
Total Revenue	219,275	239,015	(19,740)

(1) Wind includes revenue earned during project commissioning at Buffalo Atlee.
(2) Wind, solar, and biomass facilities include revenue from the generation and sale of electricity at market rates and the sale of emissions offset credits.
(3) Gas revenue at Cardinal consists of fixed payments for providing capacity and availability based on its PPA and other contracts; the remaining revenue is variable based on production.

Power generated (GWh)	For the year ended		
	Dec 31, 2024	Dec 31, 2023	Change
Wind	1,147.7	995.5	152.2
Solar	374.5	371.5	3.0
Gas	80.1	45.6	34.5
Hydro	146.6	132.7	13.9
Biomass (1)	148.5	192.7	(44.2)
Total Power	1,897.4	1,738.0	159.4

(1) Whitecourt began a temporary shutdown to progress its refurbishment project in the second quarter, resulting in lower production, and resumed operations in the third quarter.

Capstone's power segment earns revenue from:

- The wind facilities, in Ontario, Nova Scotia, Québec, Saskatchewan, by selling electricity in accordance with their PPAs and the Buffalo Atlee projects in Alberta, which sell electricity and the associated emissions offset credits under a PPA, and electricity into the Alberta Power Pool. On a megawatt ("MW") weighted-average-basis, there are 9 years remaining on the current PPAs.
- The solar facilities, consisting of:
  - Amherstburg in Ontario, selling its electricity under a long-term PPA expiring in 2031;
  - Projects in Alberta, which sell electricity and the associated emissions offset credits under various contracts including PPAs, into the Alberta Power Pool, and to third parties. On a MW weighted-average-basis, there are 7 years remaining on the current PPAs, with the earliest expiry in 2029.
- Whitecourt, a biomass facility in Alberta, by selling electricity at market rates to the Alberta Power Pool. Whitecourt also earns a portion of its revenue from the sale of emissions offset credits. These are supplemented or offset by a revenue sharing agreement with one of Whitecourt's fuel suppliers, where contractual settlements are included in other gains and losses in the consolidated statement of income.
- Cardinal, a natural gas peaking facility in Ontario, from fixed payments for providing capacity and availability to the IESO with a 2034 power contract expiry and by supplying electricity to the Ontario grid when it is profitable to do so. In addition, Cardinal receives a fixed amount (subject to escalation) to provide operational and maintenance services to Ingredion's 15MW facility.
- The hydro facilities, in Ontario and British Columbia, by selling electricity under long-term PPAs. On a MW weighted-average-basis, there are 18 years remaining on the current PPAs, with the earliest expiry in 2040.

Historically, Capstone has benefited from offsetting resource patterns across geographically disparate jurisdictions. The 2023 year was a historically low wind and hydro resource year across jurisdictions, which yields the result below.

In 2024, Capstone generated approximately 206,500 units of tCO_2e emissions offset credits, which are associated with electricity sold at market rates into the Alberta Power Pool, with 56,500 units sold at Claresholm and the remaining reserved at Buffalo Atlee, Whitecourt, and Kneehill. Emissions offsets can be sold in future periods once they have been serialized, but are not recognized until they are contracted to be sold.

The following table shows the significant changes in revenue from 2023:

Change	Explanations
(16,464)	Lower revenue from Whitecourt due to planned refurbishment shutdown and lower Alberta Power Pool prices.
(12,918)	Lower revenue from the solar facilities due to lower Alberta Power Pool prices and lower emissions offset prices, partially offset by higher production.
(6,944)	Emissions offset credits not sold at Whitecourt and Kneehill in 2024.
2,785	Higher revenue at Cardinal due to more market runs.
4,562	Revenue from adding Buffalo Atlee which achieved commercial operation in June 2024.
9,239	Higher revenue from the wind and hydro facilities, due to higher resource.
(19,740)	Change in revenue.

Seasonality

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

Expenses

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

Expenses	For the year ended Dec 31, 2024	Dec 31, 2023	Change
Wind	(29,402)	(26,219)	(3,183)
Solar	(9,163)	(9,515)	352
Gas	(14,887)	(13,292)	(1,595)
Hydro	(4,334)	(4,327)	(7)
Biomass	(13,009)	(15,177)	2,168
Power operating expenses	(70,795)	(68,530)	(2,265)
Project development costs	(11,576)	(11,594)	18
Administrative expenses	(11,970)	(11,331)	(639)
Total Expenses	(94,341)	(91,455)	(2,886)

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

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

The following table shows the significant changes in expenses from 2023:

Change	Explanations
(4,538)	Higher expenses from adding Michichi and Kneehill, and Buffalo Atlee which achieved commercial operation in March 2023 and June 2024, respectively.
(1,595)	Higher expenses at Cardinal due to more market runs in 2024.
1,950	Lower operating costs at the solar facilities, mainly due to lower variable operating costs at the Alberta solar facilities.
2,168	Lower operating expenses at Whitecourt primarily due to a planned refurbishment shutdown.
(871)	Various other changes.
(2,886)	Change in expenses.

FINANCIAL POSITION REVIEW

Overview

As at December 31, 2024, Capstone's working capital was a $21,931 deficit, compared with a surplus of $13,137 as at December 31, 2023. The decrease results from additions to current debt at SkyGen and Skyway 8 of $17,876, and decreases in cash and cash equivalents, accounts receivable, and current portion of derivative contract assets.

Capstone has adequate financial flexibility to meet liquidity needs and support further growth, including $46,742 of unrestricted cash and cash equivalents, and credit facility capacity of $196,110 available.

Capstone and its subsidiaries continue to comply with all debt covenants, except as noted in note 16b "Long-term Debt" in the consolidated financial statements as at and for the year ended December 31, 2024.

Liquidity

Working capital

As at	Dec 31, 2024	Dec 31, 2023
Power	(19,466)	14,857
Corporate	(2,465)	(1,720)
Working capital (equals current assets, less current liabilities)	(21,931)	13,137

Capstone's working capital was $35,068 lower than December 31, 2023, mainly due to a decrease at the power segment. The power segment decrease was mainly driven by $16,587 lower cash due to more construction and development activities, lower accounts receivable of $11,241 due to timing differences in the receipt of payments and by an increase of $17,876 in current debt at SkyGen and Skyway 8 which are all due within one year. These were partially offset by a decrease in accounts payable driven by the payment of construction invoices associated with achievement of commercial operation at Buffalo Atlee.

Cash and cash equivalents

As at	Dec 31, 2024	Dec 31, 2023
Power	45,986	62,573
Corporate	756	872
Unrestricted cash and cash equivalents	46,742	63,445

These funds are available for operating activities, capital expenditures, and future acquisitions. The $16,703 decrease consists of a decrease of $16,587 at power and a decrease of $116 at corporate, reflecting increased spending for construction and development activities.

Cash at the power segment is comprised of $6,577 at CPC and $39,409 at the projects, which is only periodically accessible by corporate through distributions. The power segment's cash and cash equivalents are accessible through distributions under the terms of the CPC credit facility, which allows for distributions, subject to certain conditions. In turn, CPC receives distributions from its subsidiary power assets, which are subject to the terms of their project-specific credit agreements.

In addition to these funds, the CPC revolving facility has $17,450 of available capacity to be drawn as at December 31, 2024.

Cash flow

Capstone’s consolidated cash and cash equivalents decreased by $16,703 in 2024 compared with a decrease of $61,452 in 2023. The components of the change in cash, as presented in the consolidated statement of cash flows, are summarized as follows:

For the year ended	Dec 31, 2024	Dec 31, 2023
Operating activities	72,927	111,658
Investing activities	(160,501)	(322,489)
Financing activities (excluding dividends to shareholders)	73,647	152,155
Dividends paid to shareholders	(2,776)	(2,776)
Change in cash and cash equivalents	(16,703)	(61,452)

Cash flow from operating activities was $38,731 lower in 2024 due to a $36,140 decrease from the power segment and a $2,591 decrease from corporate. The decrease reflects reduced contributions as noted in the revenue and expense sections.
Cash flow used in investing activities was $161,988 lower in 2024, from decreased spend in projects under development ("PUD") and capital assets. In 2024, $119,597 was used for PUD, mainly to build Buffalo Atlee and Wild Rose 2. Additionally, $32,411 was used for capital assets, mainly at the hydro facilities, Claresholm, Kneehill, Michichi, Erie Shores, and Whitecourt in 2024.
Cash flow from financing activities was $78,508 lower in 2024, driven by a return of capital to the Class A shareholder of $75,000 and $36,404 higher proceeds from long-term debt, mainly due to the CPC refinancing of the revolving credit facility and the Wild Rose 2 project financing. In addition, there was $124,859 lower debt repayments, $27,644 lower government funding received in 2024, and $70,000 lower proceeds received from shareholder contributions.

Long-term Debt

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

	Dec 31, 2023	Additions	Repayments	Other	Dec 31, 2024
Long-term debt (1), (2) and (3)	984,313	311,084	(174,472)	(60)	1,120,865
Deferred financing fees (4)	(16,744)	(15,780)	—	4,283	(28,241)
	967,569	295,304	(174,472)	4,223	1,092,624
Less: current portion of long-term debt (5)	(69,596)	—	—	(22,060)	(91,656)
	897,973	295,304	(174,472)	(17,837)	1,000,968

(1) The power segment has drawn $107,394 for letters of credit, along with $22,762 supported by Capstone's common shareholder.
(2) Additions of $311,084 consist of CPC revolving credit facility draws of $61,500 and Wild Rose 2 project financing of $249,584. See the "Changes in the Business" section in this MD&A for detail.
(3) Repayments of $174,472 include $31,000 on the CPC revolving credit facility, $70,707 on the Wild Rose 2 non-revolving loan and scheduled repayments on the various project debt facilities.
(4) Additions consist of deferred transaction costs on the Wild Rose 2 project financing and Buffalo Atlee term conversion. See the "Changes in the Business" section in this MD&A for detail.
(5) Change to current portion of $22,060 reflects an increase of $20,315 from the SkyGen and Skyway 8 project debts maturing in 2025.

As at December 31, 2024, Capstone's long-term debt consisted of $1,012,865 of project debt and $108,000 for the CPC credit facilities. The current portion of long-term debt was $91,656, consisting of scheduled debt amortization of $71,341 and upcoming 2025 maturities of Skyway 8 and SkyGen of $12,709 and $7,606, respectively. Capstone expects to repay the scheduled amortization from income generated by the power assets and is evaluating readily available options to refinance or extend the project debt maturing in the next twelve months.

CPC is subject to customary covenants, including specific limitations on leverage and interest coverage ratios. All of the power segment's project debt is non-recourse to Capstone, except for certain limited recourse guarantees provided to the lenders of the various facilities. In 2024, the CPC revolving credit facility was amended and restated, to increase its revolver capacity to $275,000 and to extend its maturity date to March 27, 2027.

Equity

Shareholders' equity comprised:

As at	Dec 31, 2024	Dec 31, 2023
Common shares (1)	137,270	212,270
Preferred shares (2)	72,020	72,020
Share capital	209,290	284,290
Accumulated other comprehensive income (loss)	744	—
Retained earnings	55,723	63,476
Equity attributable to Capstone shareholders	265,757	347,766
Non-controlling interests	91,391	96,856
Total shareholders' equity	357,148	444,622

(1) Includes $75,000 paid as a return of capital to the Class A common shareholder in 2024 (2023 - cash capital contributions of $70,000).
(2) Capstone has 3,000 publicly listed Series A preferred shares on the Toronto Stock Exchange.

Contractual Obligations

As at December 31, 2024, Capstone had outstanding contractual obligations with amounts due as follows:

	Within one year	One year to five years	Beyond five years	Total
Long-term debt (1)	123,688	663,016	554,614	1,341,318
Leases	6,638	24,068	64,456	95,162
Asset retirement obligations	—	—	22,362	22,362
Purchase obligations	66,379	37,384	130,072	233,835
Total contractual obligations	196,705	724,468	771,504	1,692,677

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

Long-term debt

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

Leases

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

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

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

- Agreements with the Provinces of Ontario and British Columbia for the lease of certain lands and water rights necessary for the operation of its hydro power facilities. The payments under these agreements vary based on actual power production. The terms of the lease agreements expire in 2025 and 2042.

Asset retirement obligations

Commitments associated with asset retirement obligations for Capstone's power facilities are projected to occur principally over the next 25 years. Some asset retirement obligations could be incurred as early as 2026, but the average asset retirement date is expected to be 2037.

Purchase obligations

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

Capital commitments

- As at December 31, 2024, Capstone had capital purchase obligations of $51,582 for the construction of the Wild Rose 2 wind development project.

O&M agreements

- Cardinal has a maintenance contract with Siemens Energy Canada Limited covering the gas turbine at Ingredion's 15MW facility.
- Capstone has several service and maintenance agreements covering the turbines in operation on various wind facilities. The agreements provide for scheduled and unscheduled maintenance and require annual minimum payments, subject to inflationary increases, as applicable.
- Capstone has an O&M agreement with Regional Power OPCO Inc. ("Regional") to operate and maintain the hydro power facilities. Regional is paid a monthly management fee and is eligible for an annual incentive fee.
- As at December 31, 2024, Capstone has aggregate purchase commitments of $175,306 for the operation and maintenance of various operating facilities and the Wild Rose 2 project.

Other commitments

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

Power Purchase Agreements

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

Management services agreements

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

Wood waste supply agreement

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

Energy savings agreement ("ESA")

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

Guarantees

Capstone has provided certain guarantees relating to the government funding received, as well as limited recourse guarantees on the project debt of certain wind and solar projects totaling $66,366 as at December 31, 2024.

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

Capital Expenditure Program

Capstone's power segment invested $131,939 in capital expenditures during 2024. This consisted of $123,006 of capitalized PUD, less $16,203 of government funding, plus $25,136 of capital asset additions.

Amounts capitalized to PUD in 2024 were primarily for costs for the construction of the Wild Rose 2 wind project ($86,007) and the Buffalo Atlee wind projects prior to COD ($13,770).

The government funding relates to the Wild Rose 2, Buffalo Atlee, Michichi, and Kneehill projects which have agreements with the Government of Canada, and are eligible for funding for a portion of the capital expenditures, subject to certain conditions.

Income Taxes

In 2024, the current income tax expense of $620 (2023 - recovery of $781) primarily relates to the US tax expense from the sale of equipment, partially offset by the reversal of Canadian Renewable and Conservation Expense ("CRCE") reserve as the claim periods have expired.

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

Capstone's net deferred income tax liability decreased by $9,170 primarily due to the difference between accounting and tax amortization claimed during the year, non-deductible fair value adjustments on financial instruments, and an increase in tax losses for the year. Capstone's total deferred income tax assets of $5,257 (2023 - $8,874) primarily relate to unused tax losses carried forward. Deferred income tax liabilities of $80,515 (2023 - $93,302) primarily relate to the differences between amortization of intangible and capital assets for tax and accounting purposes and non-deductible fair value adjustments on financial instruments.

DERIVATIVE FINANCIAL INSTRUMENTS

Capstone has exposure to market, credit and liquidity risks from its use of financial instruments as described in note 7 "Financial Instruments" and note 8 "Financial Risk Management" in the consolidated financial statements as at and for the year ended December 31, 2024. These notes contain further details on the implicit risks and valuation methodology employed for Capstone's financial instruments.

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

As at	Dec 31, 2024	Dec 31, 2023
Derivative contract assets	27,083	24,957
Derivative contract liabilities	(6,693)	(21,381)
Net derivative contract assets	20,390	3,576

Net derivative contract assets increased by $16,814 from December 31, 2023, due to gains of $17,950 in the statement of income and contractual settlements of $1,136 received.

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

For the year ended	Dec 31, 2024	Dec 31, 2023
Interest rate swap contracts (1)	(4,686)	(26,655)
Embedded derivatives (2)	22,636	(9,136)
Gain (losses) on derivatives in comprehensive income	17,950	(35,791)

(1) As of June 28, 2024, the Canadian Overnight Repo Rate Average ("CORRA") is the successor rate for the Canadian Dollar Offered Rate ("CDOR"), and all of Capstone's loans referencing CDOR transitioned to CORRA. The transitions have not had a material financial impact to the Corporation.

(2) The embedded derivatives relate to fuel supply and PPA contracts. Refer to "Accounting policies, estimates, and internal controls" in this MD&A.

The gain reflects generally lower forecasted Alberta Power Pool prices, partially offset by losses from lower forecasted interest rates since December 31, 2023.

RISKS AND UNCERTAINTIES

Introduction

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

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

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

Risk Management Principles and Governance

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

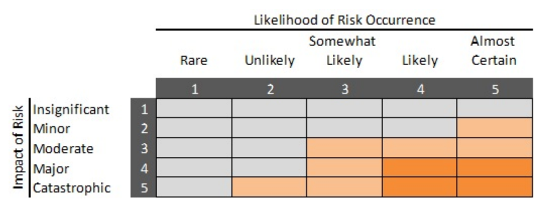
- **Board of Directors and Audit Committee** have overall governance responsibility for setting and overseeing management's implementation of the risk management policy.
- **Internal Audit** reports to the Audit Committee and is responsible for reviewing management's practices to manage risks in specific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

Risk Management Processes

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

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

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



Managing Risk

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

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

Risks Related to the Corporation and its Businesses

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

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

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

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

ENVIRONMENTAL, HEALTH AND SAFETY REGULATION

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

The Facilities are subject to robust and stringent environmental, health and safety regulatory regimes, which focus on:

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

Climate Change, Greenhouse Gas Emissions and Policy Initiatives

Due to the emission of greenhouse gases ("GHGs"), such as carbon dioxide ("CO_2") and nitrous oxides ("NO_x"), some of the Facilities, specifically the Cardinal and Whitecourt facilities, have an ongoing operational impact on the environment. All Facilities comply in all material respects with the applicable Canadian and provincial legislation and guidelines regarding GHGs and other emissions. Capstone monitors the potential impact of future changes to environmental legislation and guidelines by remaining diligent in the operation of the Facilities, including implementing stringent policies and procedures to prevent the contravention of permits and approvals.

The Canadian federal government ratified the Paris Accord, negotiated under the United Nations Framework Convention on Climate Change, in the fall of 2016. Pursuant to the Paris Accord, the parties committed, in a non-binding manner, to accelerate actions and investments needed to limit global average temperatures to below 2°C above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C. In late 2016, Canada and the majority of its provinces agreed to the Pan-Canadian Framework on Clean Growth and Climate Change ("Framework"). Pursuant to the Framework, provincial jurisdictions have the flexibility to implement a variety of carbon regimes ranging from price-based regimes involving a carbon tax, to performance-based emissions regimes involving emissions intensity and cap and trade. As a regulatory backstop, the federal government has also enacted the Greenhouse Gas Pollution Pricing Act ("GGPPA"), which implements a carbon pricing regime in those provinces that fail to implement adequate provincial measures. Pursuant to the GGPPA, the minimum price for carbon for large emitters was $80/tonne in 2024 and is $95/tonne in 2025. As set out in Schedule 4 of the GGPPA, the carbon price will increase by $15/tonne per year over the next several years, resulting in a carbon price of $170/tonne in 2030. The Corporation continues to monitor the federal government's assessment of alternative carbon pricing systems for compliance with the GGPPA.

In Alberta, the Technology Innovation and Emissions Reduction ("TIER") Regulation applies to regulated facilities that emit 100,000 tonnes or more of GHGs per year. TIER has been accepted by the federal government as an alternative to the federal backstop for large emitters. If a large emitter cannot meet its provincial GHG emissions thresholds through operational improvements, it can purchase emission offsets from qualified offset facilities, purchase emission performance credits from other large emitters, or contribute to the Alberta TIER fund. To ensure consistency with the provisions of the GGPPA, the Alberta government has announced the TIER fund price will increase in a manner consistent with the GGPPA for the years 2023 to 2030. In 2025, the price of the Alberta TIER fund is $95/tonne. Capstone's operating Alberta-based wind and solar development projects are all eligible to produce valid emission offsets under TIER, including Claresholm, Whitecourt, Michichi, Kneehill, and Buffalo Atlee, which produced emission offsets in the current year.

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

Cardinal

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

Whitecourt

The Whitecourt facility uses biomass combustion technology to convert the energy content in wood waste into electricity. Biomass is generally considered to be carbon-neutral as the amount of CO_2 arising from combustion is equal to what would be emitted if the biomass were to decompose naturally. Although electricity generated from biomass is regarded as an environmentally friendly form of power generation, the facility is still required to report its GHG emissions under various federal and provincial regulations and programs. Federal and provincial environmental regulations also require for, among other things, the reporting of NO_x emissions, CO_2 emissions, and other particulate matter pollutants as conditions of the facility's operating permits. The Whitecourt facility is in compliance with all federal and provincial GHG and environmental monitoring and reporting requirements.

Hydro Facilities

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

Wind and Solar Facilities

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

Further Information

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

RELATED PARTY TRANSACTIONS

Capstone's 2024 related party transactions and balances are comprised of transactions with iCON Infrastructure LLP and subsidiaries ("iCON") and compensation to key management.

Shared Service Arrangement with iCON

The shared services agreement with iCON Infrastructure North America Inc. ("iCON NA"), a subsidiary of iCON, was terminated in 2024, thus Capstone did not earn any fees from iCON NA (2023 - $139). Prior to the termination, fees earned from iCON NA under such shared service arrangement were reported in the consolidated statements of income as an administrative expense recovery.

Contributions and Credit Support from iCON

In the second quarter of 2024, Capstone paid a return of capital of $75,000 in cash to its Class A common shareholder. No cash contributions were made by Capstone's Class A common shareholder in 2024 (2023 - $70,000).

The Class A common shareholder provides letters of credit issued to the benefit of Capstone under a financing and reimbursement agreement. Capstone reimburses the common shareholder for payments made on its behalf, including fees and draws on the letters of credit. For the year ended December 31, 2024, Capstone reimbursed normal course fees of $1,055 (2023 - $801). As at December 31, 2024, the balance of outstanding letters of credit is $22,762 to support various operating facilities.

Compensation of Key Management

Key management includes the Corporation's directors, Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and Chief Operating Officer ("COO"). Compensation awarded to key management consists of salaries, directors' fees, short-term employee benefits and long-term incentive plans. Key management compensation is described in note 25 "Related Party Transactions" in the consolidated financial statements for the year ended December 31, 2024.

Linking Management Compensation to Performance

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

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

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

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

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

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

SUMMARY OF QUARTERLY RESULTS

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

	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	61,224	45,825	53,989	58,237	64,611	53,618	62,407	58,379
EBITDA	21,977	(2,547)	35,013	78,590	(29,640)	68,163	63,749	7,794
Net income (loss) [(1)]	(13,583)	(26,881)	(902)	36,470	(44,663)	20,483	13,249	(18,813)
Preferred dividends	694	694	694	694	694	694	694	694

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

FOURTH QUARTER HIGHLIGHTS

	Three months ended	
	Dec 31, 2024	Dec 31, 2023
Revenue	61,224	64,611
Operating expenses	(18,786)	(17,639)
Administrative expenses	(2,995)	(3,740)
Project development costs	(4,015)	(2,576)
Equity accounted income (loss)	(1,298)	(644)
Interest income	836	1,986
Other gains and (losses), net	(13,296)	(71,411)
Foreign exchange gains and (losses)	307	(227)
Earnings before interest, taxes, depreciation and amortization	21,977	(29,640)
Interest expense	(12,940)	(10,628)
Depreciation of capital assets	(21,891)	(21,338)
Amortization of intangible assets	(3,833)	(3,398)
Earnings (loss) before income taxes	(16,687)	(65,004)
Income tax recovery (expense)		
Current	(339)	318
Deferred	3,348	13,094
Total income tax recovery (expense)	3,009	13,412
Net income (loss)	(13,678)	(51,592)
Net income (loss) attributable to:		
Shareholders of Capstone	(13,583)	(44,663)
Non-controlling interest	(95)	(6,929)
	(13,678)	(51,592)

In the fourth quarter of 2024, Capstone's EBITDA and net income were higher than in 2023. Higher quarterly net income reflects:

- Lower unrealized losses primarily due to lower forecasted Alberta Power Pool Prices offset by lower future interest rates on financial instruments; partially offset by
- Lower revenue due to lower Alberta Power Pool prices at Whitecourt, Claresholm, and Kneehill, lower emissions offset credits sales, and lower resource at the solar facilities. This is partially offset by wind production from higher resource, the addition of the Buffalo Atlee wind projects, which achieved COD in June 2024 and more runs at Cardinal; and
- Lower deferred income tax recovery is primarily attributable to non-deductible fair value adjustments on financial instruments and the difference in accounting and tax amortization claimed, partially offset by the increase in tax losses.

ACCOUNTING STANDARDS, ESTIMATES AND INTERNAL CONTROLS

Significant Changes in Accounting Standards

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and are consistent with policies for the year ended December 31, 2023, except for the narrow-scope amendments to IAS 1. The IAS 1 amendments clarify how liabilities are disclosed and classified based on the conditions with which an entity must comply within twelve months after the reporting period. Capstone adopted the amendments as required for annual reporting periods beginning on or after January 1, 2024. This change did not have a material impact on the Corporation. Refer to note 16b "Long-term Debt" in the consolidated financial statements for the year ended December 31, 2024.

Refer to note 2 "Summary of Material Accounting Policies" in the consolidated financial statements for the year ended December 31, 2024.

Future Accounting Changes

The International Accounting Standards Board ("IASB") has not issued any significant accounting standard changes that impact the Corporation. The IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements,* which replaces IAS 1, *Presentation of Financial Statements,* to enhance the reporting of financial performance, while retaining many of its requirements. This new standard will be effective for annual reporting periods starting on or after January 1, 2027, with earlier adoption permitted. Capstone is evaluating the impact that the adoption will have on disclosure in the consolidated financial statements.

The IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* to enhance the accounting for contracts referencing nature-dependent electricity, such as those involving renewable energy sources. These amendments aim to provide clearer guidance on the 'own-use' exemption for net-purchasers of energy and the application of hedge accounting for such contracts. Key aspects of the amendments include clarifying the application of the 'own-use' requirements, modifying and increasing flexibility in the effectiveness requirements for qualifying hedges, and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. The amendments will be effective for annual reporting periods starting on or after January 1, 2026, with earlier application permitted. Capstone is evaluating the impact that the adoption will have to the consolidated financial statements.

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

Accounting Estimates

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

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

Area of Significance	Critical Estimates and Judgments
Capital assets, projects under development and intangible assets:	
• 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 and intangible assets.	• 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	• Future cash flows, discount rates, realizable forward Alberta Power Pool prices, volatility, credit spreads, and production projections.

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

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

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

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

The CEO and CFO have concluded that Capstone's DC&P were effective as at December 31, 2024 to ensure that information required to be disclosed in reports that Capstone files or submits under Canadian securities legislation is recorded, processed, summarized and reported within applicable time periods.

As at December 31, 2024, Capstone's management had assessed the effectiveness of Capstone's internal control over financial reporting using the criteria set forth by COSO of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on this assessment, management has determined that Capstone's internal control over financial reporting was effective as at December 31, 2024.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

Management is also responsible for designing, maintaining and testing a system of internal controls over the financial reporting processes. Internal controls have been designed to provide reasonable assurance that the financial records are reliable, accurate and form a proper basis for the preparation of the consolidated financial statements. As of December 31, 2024, management reviewed and tested the internal controls over financial reporting and concluded that they were effective to provide reasonable assurance over the consolidated financial statements.

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

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

David Eva
Chief Executive Officer

Andrew Kennedy
Chief Financial Officer

Toronto, Canada
March 5, 2025

Independent auditor's report

To the Shareholders of Capstone Infrastructure Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Capstone Infrastructure Corporation and its subsidiaries (together, the Corporation) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of Whitecourt Power Limited Partnership's (Whitecourt) embedded derivative *Refer to note 2 – Summary of Material Accounting Policies and note 7 – Financial Instruments to the consolidated financial statements.* The Company has entered into a fuel supply agreement which includes power price support and revenue sharing mechanisms that reduce Whitecourt's, a subsidiary of the Company, exposure to	Our approach to addressing the matter included the following procedures, among others: • With the assistance of professionals with specialized skill and knowledge in the field of valuation: – Developed an independent point estimate of the fair value of the embedded derivative based on assumptions applied by management; and

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

Key audit matter	How our audit addressed the key audit matter
merchant price risk in Alberta. The price support and revenue sharing mechanisms are an embedded derivative that is measured at fair value. 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 the realizable forward Alberta Power Pool prices, volatility, credit spreads and production projections. We considered this a key audit matter due to the significant judgments made by management when determining the fair value of the Whitecourt embedded derivative and the high degree of complexity in assessing audit evidence related to the estimates and assumptions used by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	– Developed independent calculations of the credit spread and volatility based on external data. • Evaluated the reasonableness of significant assumptions, which included the following: – Compared the realizable forward Alberta Power Pool prices to third party reports; and – Compared production projections to past performance of Whitecourt. • Tested the underlying data used in developing the independent point estimate. • Compared the independent point estimate to management's estimate to evaluate the reasonableness of management's fair value of the embedded derivative.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Philip Hagel.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario

March 5, 2025

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	Notes	Dec 31, 2024	Dec 31, 2023
Current assets			
Cash and cash equivalents	3	46,742	63,445
Restricted cash	3	32,094	26,507
Accounts receivable	4	38,332	49,646
Other assets	5	5,949	4,892
Current portion of derivative contract assets	7	3,982	10,682
		127,099	155,172
Non-current assets			
Loans receivable	6	21,791	21,435
Derivative contract assets	7	23,101	14,275
Equity accounted investments	9	7,018	4,121
Capital assets	10	980,802	947,406
Projects under development	11	380,632	373,053
Intangible assets	12	110,574	124,493
Deferred income tax assets	13	5,257	8,874
Total assets		1,656,274	1,648,829
Current liabilities			
Accounts payable and other liabilities	14	54,189	61,130
Current portion of derivative contract liabilities	7	1,474	10,100
Current portion of lease liabilities	15	1,711	1,209
Current portion of long-term debt	16	91,656	69,596
		149,030	142,035
Long-term liabilities			
Derivative contract liabilities	7	5,219	11,281
Deferred income tax liabilities	13	80,515	93,302
Lease liabilities	15	47,689	45,599
Long-term debt	16	1,000,968	897,973
Liability for asset retirement obligation	17	15,705	14,017
Total liabilities		1,299,126	1,204,207
Equity attributable to shareholders' of Capstone		265,757	347,766
Non-controlling interest	19	91,391	96,856
Total liabilities and shareholders’ equity		1,656,274	1,648,829
Commitments and contingencies	24		

See accompanying notes to these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Notes	Equity attributable to shareholders of Capstone				
		Share Capital	AOCI (1)	Retained Earnings (Deficit)	NCI (2)	Total Equity
Balance, December 31, 2022		214,290	—	95,984	97,473	407,747
Capital contribution (3)		70,000	—	—	—	70,000
Net income (loss) for the period		—	—	(29,744)	552	(29,192)
Dividends declared to preferred shareholders of Capstone (4)	18	—	—	(2,764)	—	(2,764)
Dividends declared to NCI	19	—	—	—	(13,326)	(13,326)
Net contributions from NCI	19	—	—	—	12,157	12,157
Balance, December 31, 2023		284,290	—	63,476	96,856	444,622
Return of Capital (3)		(75,000)	—	—	—	(75,000)
Other comprehensive income (loss)		—	744	—	—	744
Net income (loss) for the period		—	—	(4,896)	(1,140)	(6,036)
Dividends declared to preferred shareholders of Capstone (4)	18	—	—	(2,857)	—	(2,857)
Dividends declared to NCI	19	—	—	—	(4,790)	(4,790)
Net contributions from NCI	19	—	—	—	465	465
Balance, December 31, 2024		209,290	744	55,723	91,391	357,148

(1) Accumulated other comprehensive income (loss) ("AOCI").
(2) Non-controlling interest ("NCI").
(3) Includes $75,000 paid as a return of capital to the Class A common shareholder in 2024 (2023 - cash capital contributions of $70,000).
(4) Dividends declared to preferred shareholders of Capstone include current and deferred income taxes expense of $81 (2023 - recovery of $12).

See accompanying notes to these consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

		For the year ended	
	Notes	Dec 31, 2024	Dec 31, 2023
Revenue	21	219,275	239,015
Operating expenses	22	(70,795)	(68,530)
Administrative expenses	22	(11,970)	(11,331)
Project development costs	22	(11,576)	(11,594)
Asset impairment charges	11	(3,046)	—
Equity accounted income (loss)	9	(6,015)	(1,712)
Interest income	7	4,595	6,889
Other gains and (losses), net	23	12,003	(42,656)
Foreign exchange gain (loss)	7	562	(15)
Earnings before interest expense, taxes, depreciation and amortization		133,033	110,066
Interest expense	7	(49,062)	(48,752)
Depreciation of capital assets	10	(83,599)	(84,298)
Amortization of intangible assets	12	(13,930)	(13,374)
Earnings before income taxes		(13,558)	(36,358)
Income tax recovery (expense)			
Current		(620)	781
Deferred		8,142	6,385
Total income tax recovery (expense)	13	7,522	7,166
Net income (loss)		(6,036)	(29,192)
Attributable to:			
Shareholders of Capstone		(4,896)	(29,744)
Non-controlling interest	19	(1,140)	552
		(6,036)	(29,192)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the year ended	
	Notes	Dec 31, 2024	Dec 31, 2023
Cumulative differences on translation of foreign operations	2	744	—
Other comprehensive income (loss)		744	—
Net income (loss)		(6,036)	(29,192)
Total comprehensive income (loss)		(5,292)	(29,192)
Comprehensive income (loss) attributable to:			
Shareholders of Capstone		(4,152)	(29,744)
Non-controlling interest	19	(1,140)	552
		(5,292)	(29,192)

See accompanying notes to these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the year ended Dec 31, 2024	Dec 31, 2023
Operating activities:			
Net income (loss)		(6,036)	(29,192)
Deferred income tax expense	13	(8,142)	(6,385)
Depreciation and amortization		97,529	97,672
Asset impairment charges	11	3,046	—
Non-cash other (gains) and losses, net		(10,867)	38,796
Transaction costs on debt		(17,027)	(2,393)
Amortization of deferred financing costs and non-cash financing costs		5,097	3,540
Equity accounted (income) loss		6,015	1,712
Change in non-cash working capital and foreign exchange		3,312	7,908
Total cash flows from operating activities		72,927	111,658
Investing activities:			
Investment in projects under development	11	(119,597)	(293,469)
Investment in capital assets	10	(32,411)	(31,787)
Contributions to equity accounted investments	9	(8,913)	(1,488)
Decrease (increase) in restricted cash		(5,587)	2,108
Proceeds from disposal of capital assets and projects under development		6,007	—
Distribution from equity accounted investments	9	—	2,147
Total cash flows used in investing activities		(160,501)	(322,489)
Financing activities:			
Proceeds from issuance of long-term debt	16	311,084	347,488
Proceeds from government funding		20,740	48,384
Repayment of long-term debt		(174,472)	(299,331)
Return of capital to Class A common shareholder		(75,000)	—
Dividends paid to non-controlling interests	19	(4,790)	(11,387)
Dividends paid to preferred shareholders		(2,776)	(2,776)
Settlement of hedging instruments		(1,969)	—
Lease principal payments		(1,210)	(1,553)
Advances on loans receivable to partner	6	(736)	(1,446)
Proceeds from Class A common shareholder capital contribution		—	70,000
Total cash flows from financing activities		70,871	149,379
Increase (decrease) in cash and cash equivalents		(16,703)	(61,452)
Cash and cash equivalents, beginning of year		63,445	124,897
Cash and cash equivalents, end of year		46,742	63,445
Supplemental information:			
Interest paid		45,885	47,919
Taxes paid		1,949	993

See accompanying notes to these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. CORPORATE INFORMATION

Capstone is incorporated in British Columbia, domiciled in Canada, and located at 155 Wellington Street West, Suite 2930, Toronto, Ontario, M5V 3H1. All of Capstone's Class A common shares are owned by Irving Infrastructure Corp. ("Irving"), a subsidiary of iCON Infrastructure Partners III, LP ("iCON III"), the ultimate parent and a fund advised by London, UK-based iCON Infrastructure LLP ("iCON"). Capstone Infrastructure Corporation and its subsidiaries' (together, the "Corporation" or "Capstone") mission is to drive the energy transition forward through creative thinking, strong partnerships, and a commitment to quality and integrity in how it does business. As at December 31, 2024, Capstone develops, owns, and operates clean and renewable energy projects across North America with an approximate net installed capacity of 885 megawatts across 35 facilities in Canada, including wind, solar, biomass, hydro, and natural gas power plants.

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

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

Basis of Preparation

Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 5, 2025.

Basis of measurement

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

Consolidation

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

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

Name of entity	Principal place of business and country of incorporation	Ownership at December 31, 2024	Ownership at December 31, 2023	Principal activity
Buffalo Atlee 1 Wind LP, Buffalo Atlee 2 Wind LP, Buffalo Atlee 3 Wind LP, Buffalo Atlee 4 Wind LP (collectively, "Buffalo Atlee")	Canada	75%	75%	Power generation
Capstone Power Corp. ("CPC")	Canada	100%	100%	Power holding company
Cardinal Power of Canada, L.P. ("Cardinal")	Canada	100%	100%	Power generation
Chi-Wiikwedong Holdings LP	Canada	100%	100%	Power holding company
Chi-Wiikwedong LP ("Goulais")	Canada	51%	51%	Power generation
Claresholm Solar LP ("Claresholm")	Canada	51%	51%	Power generation
Erie Shores Wind Farm Limited Partnership ("Erie Shores")	Canada	100%	100%	Power generation
Glace Bay Lingan Wind Power Ltd. ("Glace Bay")	Canada	100%	100%	Power generation
Glen Dhu Wind Energy LP ("Glen Dhu")	Canada	100%	100%	Power generation
Grey Highlands Clean Energy Development LP ("Grey Highlands Clean")	Canada	100%	100%	Power generation
Helios Solar Star A-1 Partnership ("Amherstburg")	Canada	100%	100%	Power generation
Kneehill Solar LP ("Kneehill")	Canada	75%	75%	Power generation
Michichi Solar LP ("Michichi")	Canada	75%	75%	Power generation
MPT Hydro LP ("Hydro")	Canada	100%	100%	Power generation
Parc Éolien Saint-Philémon S.E.C. ("Saint-Philémon")	Canada	51%	51%	Power generation
Riverhurst Wind Farm LP ("Riverhurst")	Canada	100%	100%	Power generation
Sky Generation L.P. ("SkyGen")	Canada	100%	100%	Power generation
SLGR Wind LP ("SLGR")	Canada	51%	51%	Power generation
SP Amherst Wind Power LP ("Amherst")	Canada	51%	51%	Power generation
SWNS Wind LP ("SWNS")	Canada	100%	100%	Power generation
Watford Wind LP ("Watford")	Canada	100%	100%	Power generation
Whitecourt Power Limited Partnership ("Whitecourt")	Canada	100%	100%	Power generation
Wild Rose 2 Wind Inc. ("Wild Rose 2") (1)	Canada	100%	100%	Development
Capstone Power United States, LLC	United States	100%	100%	Development holding company
Obra Maestra Renewables, LLC ("Obra Maestra")	United States	50%	50%	Development holding company

(1) On July 29, 2024, Wild Rose 2 Wind LP was reorganized to Wild Rose 2 Wind Inc. All assets and liabilities of the LP were transferred at their book value to Wild Rose 2 Wind Inc.

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

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

Equity Accounted Investments

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

Business Combinations

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

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

Foreign Currency Translation

Functional and presentation currency

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

	USD ($)	
As at and for the year ended	Average	Spot
Dec 31, 2024	**1.37**	**1.44**
Dec 31, 2023	1.35	1.32

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

Transactions and balances

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

Cash and Cash Equivalents and Restricted Cash

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

Loans Receivable

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

Capitalized Interest

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

Grants and Contributions

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

Capital Assets

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

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

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

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

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

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

Leases

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

Leased (ROU) Assets

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

Lease Liabilities

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

Projects Under Development ("PUD")

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

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

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

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

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

Intangible Assets

Identifiable intangible assets

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

	Power
Computer software	3 to 7 years
Electricity supply, gas purchase and other contracts	9 to 25 years
Water rights	35 years

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

Impairment of Non-financial Assets

The capital assets, projects under development and intangible assets with finite lives are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. The recoverable amount is the higher of an asset's fair value less costs to sell the assets and the value in use (being the present value of the expected future cash flows of the relevant assets or Cash Generating Unit ("CGU")). An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The Corporation evaluates impairment losses, for potential reversals when events or circumstances warrant such consideration.

Provisions

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

Asset Retirement Obligations

The Corporation recognizes a provision for the future retirement obligations associated with its operating plants. These obligations are initially measured at the present value, which is the discounted future cost of the liability. A reassessment of the expected costs associated with these liabilities is performed annually with changes in the estimates of timing or amount of cash flows added or deducted from the cost of the related asset. The liability grows until the date of expected settlement of the retirement obligations.

Share Capital

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

Preferred Shares

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

Dividends

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

Revenue Recognition

Revenue from Contracts with Customers

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

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

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

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

Interest Income Recognition

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

Expense Recognition

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

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

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

Long-term Incentive Plans

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

Income Taxes

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

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

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

Comprehensive Income

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

Financial Instruments

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

Classification and Measurement

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

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

IFRS 9 Classification	Significant Categories	Measurement
Amortized cost assets	• Cash and cash equivalents • Restricted cash • Accounts receivable • Loans receivable at amortized cost	• At amortized cost using the effective interest method
Financial assets and liabilities at fair value through profit and loss	• Derivative contract assets • Derivative contract liabilities	• At fair value with changes in fair value recognized in the consolidated statement of income
Other liabilities	• Accounts payable and other liabilities • Long-term debt	• At amortized cost using the effective interest method

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

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

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

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

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

Derivative Financial Instruments

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

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

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

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

Impairment of Financial Assets

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

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

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

Segment Reporting

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

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

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

Significant Changes in Accounting Standards

Capstone's accounting policies are consistent with those disclosed in the notes to the December 31, 2023 consolidated financial statements, except for the narrow-scope amendments to IAS 1. The IAS 1 amendments clarify how liabilities are disclosed and classified based on the conditions with which an entity must comply within twelve months after the reporting period. Capstone adopted the amendments as required for annual reporting periods beginning on or after January 1, 2024, in note 16b. This change did not have a material impact on the Corporation.

Future Accounting Changes

The International Accounting Standards Board ("IASB") has not issued any significant accounting changes that impact the Corporation. The IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which replaces IAS 1, *Presentation of Financial Statements*, to enhance the reporting of financial performance while retaining many of its requirements. This new standard will be effective for annual reporting periods starting on or after January 1, 2027, with earlier adoption permitted. Capstone is evaluating the impact that the adoption will have on disclosure in the consolidated financial statements.

The IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures,* to enhance the accounting for contracts referencing nature-dependent electricity, such as those involving renewable energy sources. These amendments aim to provide clearer guidance on the 'own-use' exemption for net-purchasers of energy and the application of hedge accounting for such contracts. Key aspects of the amendments include clarifying the application of the 'own-use' requirements, modifying and increasing flexibility in the effectiveness requirements for qualifying hedges, and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. The amendments will be effective for annual reporting periods starting on or after January 1, 2026, with earlier application permitted. Capstone is evaluating the impact that the adoption will have to the consolidated financial statements.

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

Critical Accounting Estimates and Judgments

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

Area of Significance	Critical Estimate	Critical Judgments & Key Assumptions
Capital assets, projects under development and intangible assets – carrying values Fair value estimates are required in the determination of the net assets acquired in a business combination and in the impairment assessment for our capital assets and the assignment of amounts to the asset retirement obligations, as well as assessing capitalization criteria for project development costs.	• Estimates are based on assumptions that are sensitive to change, which may have a significant impact on the valuations performed. • Impairment reviews of the carrying value of capital and other long-lived assets along with the asset retirement obligations require management to estimate fair value based on future cash flows, discount rates and business performance.	• Initial fair value of net assets • Estimated useful lives and residual value • Expected settlement date, amount and discount rate • Future cash flows and discount rate
Deferred income taxes Estimates in the determination of deferred income taxes affect asset and liability balances.	• The determination of the deferred income tax balances of the Corporation requires management to make estimates of the reversal of existing temporary differences between the accounting and tax bases of assets and liabilities in future periods.	• Timing of reversal of temporary differences • Tax rates • Current and future taxable income
Financial instrument fair value measurements When observable prices are not available, fair values are determined by using valuation techniques that refer to observable market data. This is specifically related to Capstone's financial instruments.	• Management's valuation techniques include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. • For embedded derivatives, fair values are determined from valuation techniques using non-observable market data or transaction processes. • A number of factors such as bid-offer spread, credit profile and model uncertainty are taken into account, as appropriate.	• Estimates of realizable forward Alberta Power Pool prices, discount rates, volatility, credit spreads and production projections

NOTE 3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Dec 31, 2024	Dec 31, 2023
Debt service and maintenance reserves	23,200	21,806
Construction holdbacks	—	1,226
Construction escrow	5,589	—
Other reserves	3,305	3,475
Restricted cash	32,094	26,507
Unrestricted cash and cash equivalents	46,742	63,445
	78,836	89,952

Restricted cash is primarily cash that is held by the Corporation's subsidiaries in support of segregated bank accounts to support debt service reserves, operating and maintenance reserves in support of specific long-term debt and/or proceeds from construction facilities used for specific project costs. Capstone has also provided letters of credit to back other reserve requirements (refer to note 16), and the Class A common shareholder provided letters of credit issued to the benefit of Capstone (refer to note 25).

NOTE 4. ACCOUNTS RECEIVABLE

	Dec 31, 2024	Dec 31, 2023
Power [(1)]	38,321	49,562
Corporate	11	84
	38,332	49,646

(1) Power accounts receivable balance includes government funding receivable of $8,879 (2023 - $13,295) held back subject to conditions.

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

NOTE 5. OTHER ASSETS

	Dec 31, 2024	Dec 31, 2023
Prepaid expenses	3,496	2,605
Inventory of spare parts and consumable supplies, net [(1)]	2,242	2,076
Other	211	211
	5,949	4,892

(1) No inventory obsolescence provision is required as at December 31, 2024 (2023 - nil).

The cost of inventories recognized in operating expenses for the year ended December 31, 2024 was $1,100 (2023 - $744).

NOTE 6. LOANS RECEIVABLE

	Dec 31, 2024	Dec 31, 2023
Loans to partners [(1)]	21,791	21,435

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

NOTE 7. FINANCIAL INSTRUMENTS

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

Amortized Cost Assets

Cash and cash equivalents, restricted cash	Balances are invested in financial instruments of highly rated financial institutions and government securities with original maturities of 90 days or less. As at December 31, 2024, the carrying values of cash and cash equivalents and restricted cash are considered to approximate their fair values due to their short-term nature.
Accounts receivable	Trade receivables with carrying values that approximate their fair values.
Loans receivable at amortized cost	According to the conditions met under IFRS 9, loans carried at amortized cost are measured using the effective interest rate method. The fair value of the Corporation's loans receivable may differ from the carrying value due to changes in interest rates and the underlying risk associated with the debtor.

Other Liabilities

Accounts payable and other liabilities	Short-term liabilities with carrying values that approximate their fair values.
Long-term debt	Balances are recorded at amortized cost using the effective interest rate method. The fair value of the Corporation's long-term debt is determined using level 2 inputs as follows: • Floating rate debt approximates its carrying value. • Fixed-rate debt is determined through the use of a discounted cash flow analysis using relevant risk-free bond rates plus an estimated margin.

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

Embedded derivatives

Fuel Supply embedded derivative

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

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

Virtual Power Purchase Agreements ("VPPA") embedded derivatives

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

During 2024, there were four VPPA contracts at the Corporation's Alberta facilities, which range from 15-20 years from COD, and have fixed prices, with some variable or escalating components.

Interest rate swaps

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

Fair value determination

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

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

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

Capstone, with the assistance of third-party experts, is responsible for performing the valuation of financial instruments, including level 3 fair values. The valuation processes and results are reviewed and approved each reporting period.

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

Recurring measurements:	**Level 1** Quoted prices in active markets for identical assets	**Level 2** Significant other observable inputs	**Level 3** Significant unobservable inputs	**Dec 31, 2024**	**Dec 31, 2023**
Derivative contract assets:					
Embedded derivatives (1)	—	—	12,404	12,404	—
Interest rate swap contracts (2)	—	14,679	—	14,679	24,957
Less: current portion	—	(3,037)	(945)	(3,982)	(10,682)
	—	11,642	11,459	23,101	14,275
Derivative contract liabilities:					
Embedded derivatives (2)	—	—	—	—	9,096
Interest rate swap contracts	—	6,693	—	6,693	12,285
Less: current portion	—	(1,474)	—	(1,474)	(10,100)
	—	5,219	—	5,219	11,281

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

(2) As of June 28, 2024, the Canadian Overnight Repo Rate Average (“CORRA”) is the successor rate for the Canadian Dollar Offered Rate (“CDOR”), and all of Capstone's loans referencing CDOR transitioned to CORRA. The transitions have not had a material financial impact to the Corporation.

Fair value continuity for Level 3 inputs

	2024	**2023**
Opening balance, January 1,	(9,096)	(3,819)
Change in value of the VPPA embedded derivatives included in other gains and (losses) in net income	19,180	(8,500)
Change in value of the Whitecourt embedded derivative included in other gains and (losses) in net income	3,103	6,730
Whitecourt derivative settlements during the period	(1,136)	(3,860)
Amortization of Whitecourt derivative inception value included in other gains and (losses) in net income	353	353
Closing balance, December 31,	12,404	(9,096)

Income and Expenses from Financial Instruments

	Dec 31, 2024	Dec 31, 2023
Amortized cost assets:		
Interest income on cash and cash equivalents, restricted cash	3,763	5,021
Interest income on loans receivable	832	1,868
	4,595	6,889
Other liabilities:		
Interest expense on long-term debt [(1)]	(49,062)	(48,752)
Financial instruments at FVTPL (refer to note 23):		
Embedded derivatives	22,636	(9,136)
Interest rate swap contracts	(4,686)	(26,655)
Changes in derivative financial instruments fair value	17,950	(35,791)

(1) Interest expense on the long-term debt for 2024 of $49,062 includes amortization of deferred financing fees, interest expense on lease liabilities and accretion on liability for asset retirement obligations of $4,283, $2,759 and $815, respectively (2023 - $2,843, $2,537 and $698).

NOTE 8. FINANCIAL RISK MANAGEMENT

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

(A) Market Risk

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

Commodity price risk

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

In 2024, the following projects revenues were exposed to price risk as follows:

(i) Cardinal earns a portion of its revenue by supplying electricity to the Ontario grid only when profitable to do so.

(ii) Whitecourt sells all electricity generated into the Alberta Power Pool. Whitecourt's fuel supply agreement includes sharing mechanisms regarding the price received for electricity sold by Whitecourt.

(iii) Claresholm sells a portion of electricity generated into the Alberta Power Pool.

(iv) Kneehill and Buffalo Atlee 1 and 3 sell all electricity generated into the Alberta Power Pool.

Interest rate and inflation risk

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

The terms of the interest rate swap contracts are:

Entity	Maturity Date	Notional Amount	Swap Fixed Rate	Credit Margin	Effective Interest Rate
Wild Rose 2	Mar 31, 2050	180,793	3.20 %	2.82 %	6.01 %
Wild Rose 2	Dec 31, 2026	125,862	3.02 %	2.69 % - 2.82 %	5.71 % - 5.83 %
SLGR	Dec 31, 2036	105,129	2.93 %	1.55 %	4.48 %
SWNS	Dec 31, 2036	71,394	1.09 %	1.68 %	2.77 %
Buffalo Atlee	Dec 31, 2043	66,415	3.26 % - 4.10 %	1.82 %	5.08 % - 5.92 %
Cardinal	Jun 30, 2034	57,620	2.12 % - 2.49 %	1.57 %	3.69 % - 4.06 %
GHC	Sep 30, 2036	53,015	1.09 %	1.68 %	2.77 %
Riverhurst	Dec 10, 2041	44,754	3.10 %	1.68 %	4.78 %
Claresholm Solar LP	Sep 27, 2030	38,840	0.73 %	3.07 %	3.81 %
Claresholm Solar LP	Sep 29, 2032	4,494	2.84 %	3.07 %	5.91 %
Kneehill	Mar 31, 2043	22,385	3.35 %	1.82 %	5.17 %
Michichi	Mar 31, 2043	15,904	3.35 %	1.82 %	5.17 %

(1) Interest rate swap settlement receipts of $11,036 (2023 - $11,678) have been included within interest expense on the consolidated statement of income.

Foreign currency exchange risk

The Corporation's exposure to foreign currency exchange risk is primarily related to the investment in US development activity. The power segment also has expenses and capital commitments exposed to foreign currency exchange risk.

Changes in the Canadian dollar and US dollar currency rates impact the carrying value of assets, liabilities, and components of the consolidated statement of income. The US entities have a foreign functional currency requiring movements in the US dollar to be reflected by the Corporation on consolidation.

As at December 31, 2024, Capstone did not hold any foreign exchange contracts to hedge this risk (December 31, 2023 - none).

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

(B) Credit Risk

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

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

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

Credit risk concentration with respect to power trade receivables is limited due to the Corporation's customer base being predominantly investment grade counterparties. The table below summarizes power trade receivables from the sale of electricity and government incentive programs by credit quality:

	Dec 31, 2024		Dec 31, 2023	
As at	$	%	$	%
Investment grade [1]	36,474	95 %	48,387	97 %
Other	1,858	5 %	1,259	3 %
	38,332	100 %	49,646	100 %

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

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

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

(C) Economic Dependence

Economic dependence arises when an enterprise relies on a significant volume of business with another party that cannot be easily transferred at similar terms and conditions, or is abnormal relative to expectations of similar entities. Revenue from transactions with a single external customer that amount to 10% or more of total revenue include revenue earned by Capstone's power facilities in Ontario (59% or $128,769), Capstone's power facilities in Nova Scotia (12% or $26,256), and Capstone's power facilities in Alberta (11% or $23,312). The table below summarizes revenue from the sale of electricity by credit quality for the power segment:

	Dec 31, 2024		Dec 31, 2023	
For the year ended	$	%	$	%
Investment grade [1]	219,179	100 %	238,703	100 %
Other	96	— %	312	— %
	219,275	100 %	239,015	100 %

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

(D) Liquidity Risk

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

Compliance with debt covenants

The Corporation has financial liabilities in its power operating segments and at corporate. Refer to notes 14 and 16 for further details on financial liabilities. These financial liabilities contain a number of standard financial and other covenants.

Failure to comply with terms and covenants of the Corporation's credit agreements could result in a default, which, if not cured or waived, could result in accelerated repayment or the suspension of preferred dividends.

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

(i) Generate sufficient cash flow from operations in amounts sufficient to pay outstanding indebtedness, or to fund any other liquidity needs; or

(ii) Pay future preferred dividends; or

(iii) Refinance these credit agreements or obtain additional financing on commercially reasonable terms, if at all. The credit agreements, and future borrowings may be at variable rates of interest, which exposes the Corporation to the risk of increased interest rates.

Contractual maturities

The contractual undiscounted maturities of the Corporation's financial liabilities as at December 31, 2024 were as follows:

Financial Liabilities	Within one year	One year to five years	Beyond five years	Total
Accounts payable and other liabilities	54,189	—	—	54,189
Lease liabilities [1]	3,584	17,986	101,412	122,982
Long-term debt				
Principal payments	91,656	563,326	465,883	1,120,865
Interest payments	32,032	99,690	88,731	220,453
	123,688	663,016	554,614	1,341,318

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

(E) Sensitivity Analysis

The sensitivity analysis provided below discloses the effect on net income for the year ended December 31, 2024, assuming that a reasonably possible change in the relevant risk variable has occurred during the year, and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes. The changes in market variables used in the sensitivity analysis were determined based on implied volatilities, where available, or historical data.

The sensitivity analysis has been prepared based on December 31, 2024 balances and on the basis that the balances, the ratio of fixed to floating rates of debt and derivatives, and the energy contracts that are financial instruments in place at December 31, 2024 are all constant. Excluded from this analysis are all non-financial assets and liabilities that are not classified as financial instruments under IFRS 9.

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

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

Dec 31, 2024	Unobservable inputs	Estimated input	Relationship of input to fair value
$12,404	Realizable forward Alberta Power Pool prices	From $16/MWh to $105/ MWh over the contract terms.	A reasonably possible increase in estimated realizable forward Alberta Power Pool prices of 5% or a decrease of 5%, would cause fair value to decrease by $11,835 and increase by $11,833, respectively.

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

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

	Carrying	Interest Rate Risk	
Dec 31, 2024	Amount	(0.5)%	0.5%
Financial assets and (liabilities) (1):			
Interest rate swap assets (liabilities), net	7,986	(17,650)	30,001

(1) Financial liabilities in long-term debt are not included as all long-term debt is either fixed-rate debt or variable rate debt that is covered by a swap contract for fixed-rate debt. The outstanding balance on the CPC revolving credit facility was $108,000.

NOTE 9. EQUITY ACCOUNTED INVESTMENTS

(A) Equity Accounted Investments

As at		Dec 31, 2024	Dec 31, 2023
	Ownership %	Carrying Value	Carrying Value
Obra Maestra	50%	7,018	4,121
		7,018	4,121

Capstone's December 31, 2024 consolidated financial statements include its 50% interest as an equity accounted investment adjusted by contributions, distributions and share of net income (loss), subsequent to the initial contribution on June 7, 2022.

The change in Capstone's equity accounted investment for the period ended December 31, 2024 was:

For the year ended	Opening balance	Contributions	Distributions	Equity accounted income (loss)	Ending balance
December 31, 2024	4,121	8,913	—	(6,016)	7,018
December 31, 2023	6,492	1,488	(2,147)	(1,712)	4,121

(B) Summarized Information for Equity Accounted Investments

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

As at Summarized Statements of Financial Position	Dec 31, 2024 Obra Maestra	Dec 31, 2023 Obra Maestra
Assets		
Current	3,130	4,417
Non-current	12,186	3,702
Liabilities		
Current	(2,381)	(980)
Equity before fair value increments on purchase and NCI	12,935	7,139
Fair value increments	1,101	1,103
Equity including fair value increments on purchase	14,036	8,242
Capstone's interest	50 %	50 %
Carrying value of investment	7,018	4,121

For the year ended Summarized Statements of Income	Dec 31, 2024 Obra Maestra	Dec 31, 2023 Obra Maestra
Revenue	—	—
Net income (loss)	(12,031)	(3,423)
Capstone's interest	50 %	50 %
Net income (loss) to Capstone	(6,016)	(1,712)

NOTE 10. CAPITAL ASSETS

(A) Continuity

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

(1) Disposals of $4,926 were offset by proceeds of $994, resulting in a $3,932 loss (refer to note 23).
(2) Transfers of $92,983 on COD of Buffalo Atlee from projects under development (refer to note 11).

	Jan 1, 2023	Additions	Disposals (1)	Transfers (2)	Dec 31, 2023
Cost					
Land	1,411	—	—	—	1,411
ROU assets	40,547	11,672	—	—	52,219
Equipment and vehicles	13,519	1,282	(196)	—	14,605
Property and plant	1,590,967	14,050	(2,913)	50,809	1,652,913
	1,646,444	27,004	(3,109)	50,809	1,721,148
Accumulated depreciation					
ROU assets	(7,513)	(2,181)	—	—	(9,694)
Equipment and vehicles	(8,751)	(378)	196	—	(8,933)
Property and plant	(675,258)	(81,739)	1,882	—	(755,115)
	(691,522)	(84,298)	2,078	—	(773,742)
Net carrying value	954,922	(57,294)	(1,031)	50,809	947,406

(1) Disposals of $1,031 were offset by proceeds of $110, resulting in a $921 loss (refer to note 23).
(2) Transfers of $50,809 on COD of Michichi and Kneehill from projects under development (refer to note 11).

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

For the year ended	Dec 31, 2024	Dec 31, 2023
Additions	28,938	27,004
Adjustment for non-cash ROU asset additions	(3,802)	(11,672)
Adjustment for change in capital asset additions included in accounts payable and accrued liabilities	7,275	16,455
Cash additions	32,411	31,787

NOTE 11. PROJECTS UNDER DEVELOPMENT

(A) Continuity

	2024	2023
As at January 1	373,053	162,018
Capitalized costs during the period	123,006	315,604
Asset impairment charge [(1)]	(3,046)	—
Transferred to capital assets [(2)]	(92,983)	(50,809)
Disposals	(3,195)	—
Government funding	(16,203)	(53,760)
As at December 31 [(3), (4)]	380,632	373,053

(1) The asset impairment charge of $3,046 relates to a write-off of early stage development projects in Alberta.
(2) Amounts were transferred on achievement of COD of Buffalo Atlee (refer to note 10).
(3) Includes $10,340 and $3,746 of capitalized borrowing costs during the development of Wild Rose 2 and Buffalo Atlee, respectively.
(4) The balance primarily includes costs to develop the Wild Rose 2 project ($299,882), early and mid-stage US development projects ($9,432), and other early and mid-stage development projects ($13,385).

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

For the year ended	Dec 31, 2024	Dec 31, 2023
Additions	123,006	315,604
Adjustment for change in additions to PUD included in accounts payable and accrued liabilities	(3,409)	(22,135)
Cash additions	119,597	293,469

NOTE 12. INTANGIBLE ASSETS

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

	Jan 1, 2023	Additions	Disposals	Dec 31, 2023
Assets				
Computer software	668	56	(63)	661
Electricity supply and other contracts	203,628	—	—	203,628
Water rights	73,018	—	—	73,018
	277,314	56	(63)	277,307
Accumulated amortization				
Computer software	(393)	(137)	63	(467)
Electricity supply and other contracts	(106,275)	(11,121)	—	(117,396)
Water rights	(32,835)	(2,116)	—	(34,951)
	(139,503)	(13,374)	63	(152,814)
Net carrying value	137,811	(13,318)	—	124,493

NOTE 13. INCOME TAXES

(A) Deferred Income Tax

As at	Dec 31, 2024	Dec 31, 2023
Deferred income tax assets	5,257	8,874
Deferred income tax liabilities	(80,515)	(93,302)
Net deferred income tax liability	(75,258)	(84,428)

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

As at	Dec 31, 2024	Dec 31, 2023
Non-capital loss carry forwards	39,469	33,956
Asset retirement obligations	3,720	3,297
Financial Instruments	—	1,158
Other	8,967	6,441
Deferred income tax assets	52,156	44,852
Capital assets	(94,887)	(99,332)
Intangible assets	(25,366)	(28,281)
Financial instruments	(5,711)	—
Loan premium and deferred financing costs	(1,450)	(1,667)
Deferred income tax liabilities	(127,414)	(129,280)
Net deferred income tax liability	(75,258)	(84,428)

A continuity of the net deferred income tax liability follows:

	2024	2023
Net deferred income tax liability as at January 1	(84,428)	(91,807)
Recorded in earnings	8,142	6,385
Recorded in equity	1,029	989
Other	(1)	5
Net deferred income tax liability as at December 31	(75,258)	(84,428)

(B) Timing of Deferred Income Tax Reversal

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

As at	Dec 31, 2024	Dec 31, 2023
Within 12 months	16,890	7,159
After more than 12 months	(92,148)	(91,587)
Net deferred income tax liability	(75,258)	(84,428)

(C) Tax Loss Carry Forwards

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

	Expiry	Recognized	Unrecognized	Dec 31, 2024	Dec 31, 2023
Canadian – non-capital losses	2026 – 2043	113,670	79,064	192,734	226,853
Canadian – other losses	No expiry	42,728	—	42,728	5,727
US – non-capital losses	2025 – 2029	—	28,431	28,431	28,002

The Corporation also has $13,645 of unrecognized deferred tax assets, which have not been recognized as at December 31, 2024 (2023 - $11,185).

(D) Rate Reconciliation

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

For the year ended	Dec 31, 2024	Dec 31, 2023
Income (loss) before income taxes	(13,558)	(36,358)
Statutory income tax rate	25.44 %	25.06 %
Income tax expense based on statutory income tax rate	(3,449)	(9,111)
Permanent differences	(138)	(739)
Tax rate differentials	405	271
Change in unrecognized deferred tax assets	(3,195)	3,435
Other	(1,145)	(1,022)
Total income tax expense (recovery)	(7,522)	(7,166)

The statutory income tax rate of 25.44% (2023 - 25.06%) changes in response to Capstone's allocation of taxable income to different tax jurisdictions.

(E) Current Income Taxes

Current income taxes payable of $193 are included in accounts payable and other liabilities on the statement of financial position (refer to note 14) (2023 - $414).

NOTE 14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	Dec 31, 2024	Dec 31, 2023
Dividends payable	463	463
Income taxes payable	193	414
Other accounts payable and accrued liabilities	53,533	60,253
	54,189	61,130

Income taxes payable	Dec 31, 2024	Dec 31, 2023
Taxes payable on preferred share dividends	185	29
Current income taxes payable	8	56
Canadian Renewable and Conservation Expense ("CRCE") penalties	—	329
	193	414

NOTE 15. LEASE LIABILITIES

	2024	2023
As at January 1	46,808	36,689
Interest expense	2,759	2,537
Additions [(1)]	3,802	11,672
Lease payments	(3,969)	(4,090)
Lease liabilities	49,400	46,808
Less: current portion	(1,711)	(1,209)
As at December 31	47,689	45,599

(1) Includes $3,773 for the revision of estimates of various leases and $89 of additions for Buffalo Atlee subsequent to COD (2023 - $9,058 for Michichi and Kneehill, and $2,614 at Corporate).

Capstone has the following known lease payments:

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

Capstone's leases with no minimum payments required were:

- Agreements with the Provinces of Ontario and British Columbia for the lease of certain lands and water rights necessary for the operation of its hydro power facilities. The payments under these agreements vary based on actual power production. The terms of the lease agreements expire in 2025 and 2042.

NOTE 16. LONG-TERM DEBT

(A) Power

As at	Dec 31, 2024		Dec 31, 2023	
	Fair Value	Carrying Value	Fair Value	Carrying Value
CPC credit facilities	108,000	108,000	77,500	77,500
Project debt				
Wind	704,884	708,219	581,745	577,452
Solar	187,091	185,453	202,684	203,132
Hydros	62,029	62,784	62,557	64,814
Gas	56,409	56,409	61,355	61,355
Other	—	—	60	60
Power	1,118,413	1,120,865	985,901	984,313
Less: deferred financing costs		(28,241)		(16,744)
Long-term debt		1,092,624		967,569
Less: current portion		(91,656)		(69,596)
		1,000,968		897,973

The power segment has drawn $107,394 for letters of credit, as well as $22,762 which are supported by the common shareholder. Refer to note 25.

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

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

(i) CPC Credit Facilities

	Interest Rate	Maturity	Dec 31, 2024	Dec 31, 2023
Available credit				
Revolving credit facility (1)		Mar 27, 2027	275,000	220,000
US LC facility (2)		Dec 23, 2025	100,723	52,904
Total available credit - all facilities			375,723	272,904
Amount drawn				
Revolving loan	6.94%		108,000	77,500
Letters of credit - revolving credit facility (3)	2.33%		42,015	23,227
Letters of credit - US LC facility	1.88%		29,598	39,997
Remaining available credit			196,110	132,180

(1) In 2024, the CPC revolving credit facility was amended and restated, to increase its revolver capacity to $275,000 and to extend its maturity date to March 27, 2027. The new revolving credit facility supports Capstone's ongoing operating, development, and construction needs. The effective rate on the revolving credit facility was 6.94% in 2024 (2023 - 6.74%) based on a variable rate plus an applicable margin.

(2) In 2024, the US LC facility was increased and extended to December 23, 2025. The US LC Facility has $29,598 of letters of credit to support the development and construction facilities.

(3) As at December 31, 2024, Capstone had 22 letters of credit authorized under the revolving credit facility.

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

(ii) Wind

Project debt	Dec 31, 2024	Dec 31, 2023
Wild Rose 2	178,877	—
SWNS and Grey Highlands Clean	121,137	131,017
SLGR	102,853	109,776
Buffalo Atlee	68,086	69,811
Goulais	48,696	52,415
Glen Dhu	46,063	52,959
Riverhurst	44,335	45,469
Saint-Philémon	37,288	39,883
Amherst	21,055	23,661
Erie Shores	14,638	23,693
Skyway 8	12,709	13,602
SkyGen	7,606	9,281
Glace Bay	4,876	5,885
	708,219	577,452

Wild Rose 2	Interest Rate (2)	Maturity	Dec 31, 2024	Dec 31, 2023
Construction facility	5.27%	Feb 1, 2026	93,581	—
ITC bridge loan facility	4.59%	Mar 31, 2027	85,296	—
			178,877	—

(1) On November 8, 2024 Wild Rose 2 entered into a credit agreement which provided $270,498 of variable rate debt for the construction of the wind facility. Upon achieving commercial operation, the debt converts to a term loan, amortizing over twenty-five years. Interest during construction is capitalized to projects under development, which included $10,340 as at December 31, 2024.
(2) As at December 31, 2024, Wild Rose 2 had swap contracts to convert interest to a fixed rate (see note 8a).

SWNS and Grey Highlands Clean (1)	Interest Rate (4)	Maturity	Dec 31, 2024	Dec 31, 2023
SWNS - Term Loan	2.77%	Dec 31, 2036	69,472	75,409
Grey Highlands Clean - Term Loan	2.77%	Dec 31, 2036	51,665	55,608
			121,137	131,017

(1) SWNS and Grey Highlands Clean are financed together under a co-borrowing agreement.
(2) SWNS and Grey Highlands Clean are required to set aside $5,200 and $3,500, respectively, as letters of credit to cover the debt service reserve.
(3) SWNS and Grey Highlands Clean are required to set aside $375 and $743, respectively, as restricted cash to fund the operating and maintenance reserves (see note 3).
(4) As at December 31, 2024, SWNS and Grey Highlands Clean had swap contracts to convert interest to a fixed rate (see note 8a).

SLGR	Interest Rate (3)	Maturity	Dec 31, 2024	Dec 31, 2023
Term loan	4.48%	Dec 31, 2036	102,853	109,776

(1) SLGR is required to set aside $7,300 as letters of credit to cover the debt service reserve.
(2) SLGR is required to set aside $831 as restricted cash to fund the operating and maintenance reserve (see note 3).
(3) As at December 31, 2024, SLGR had swap contracts to convert interest to a fixed rate (see note 8a).

Buffalo Atlee	Interest Rate (4)	Maturity	Dec 31, 2024	Dec 31, 2023
Term Loan	5.33%	Jan 27, 2028	68,086	69,811

(1) On November 14, 2024, the construction credit facility of Buffalo Atlee converted to term loan, amortizing over 20 years and maturing on January 27, 2028.
(2) Buffalo Atlee has a $60,366 limited recourse guarantee provided to the lender of the Buffalo Atlee project debt.
(3) Interest during construction is capitalized to projects under development, which included $3,746 as at December 31, 2024.
(4) As at December 31, 2024, Buffalo Atlee had swap contracts to convert interest to a fixed rate (see note 8a).

Goulais	Interest Rate	Maturity	Dec 31, 2024	Dec 31, 2023
Term loan	5.16%	Sep 30, 2034	48,696	52,415

(1) Goulais is required to set aside $3,453 as restricted cash to cover the debt service reserve (see note 3).
(2) Goulais is required to set aside $461 as letters of credit against the borrowing capacity of the CPC revolving credit facility to cover the operating and maintenance reserve.

Glen Dhu	Interest Rate	Maturity	Dec 31, 2024	Dec 31, 2023
Term loan	5.33%	Dec 31, 2030	46,063	52,959

(1) Glen Dhu is required to set aside $5,039 as letters of credit supported by the common shareholder to cover the debt service reserve.

Riverhurst	Interest Rate (2)	Maturity	Dec 31, 2024	Dec 31, 2023
Term loan	4.78%	Dec 31, 2041	44,335	45,469

(1) Riverhurst is required to set aside $2,500 as letters of credit to cover the debt service reserve.
(2) As at December 31, 2024, Riverhurst had swap contracts to convert interest to a fixed rate (see note 8a).

Saint-Philémon	Interest Rate	Maturity	Dec 31, 2024	Dec 31, 2023
Term loan	5.49%	May 31, 2034	37,288	39,883

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

Amherst	Interest Rate	Maturity	Dec 31, 2024	Dec 31, 2023
Term loan	6.20%	Apr 30, 2032	21,055	23,661

(1) Amherst's project debt has a $1,000 limited recourse guarantee provided by CPC to the lenders of the Amherst project debt.
(2) Amherst is required to set aside $1,842 as letters of credit against the borrowing capacity of the CPC revolving credit facility to cover the debt service and maintenance reserves.

Erie Shores (3)	Interest Rate	Maturity	Dec 31, 2024	Dec 31, 2023
Tranche A	5.96%	Apr 1, 2026	8,805	14,257
Tranche C	6.15%	Apr 1, 2026	5,833	9,436
			14,638	23,693

(1) Erie Shores project debt has a $5,000 limited recourse guarantee provided by CPC to the lenders of the Erie Shores project debt.
(2) Erie Shores is required to set aside $5,156 as restricted cash and $550 as letters of credit against the borrowing capacity of the CPC revolving credit facility to cover the debt service and maintenance reserves (see note 3).
(3) Tranche B matured on April 1, 2016.

Skyway 8	Interest Rate	Maturity	Dec 31, 2024	Dec 31, 2023
Term loan	7.00%	Mar 17, 2025	12,709	13,602

(1) Skyway 8 is required to set aside $766 as restricted cash to cover the debt service reserve (see note 3).

SkyGen	Interest Rate	Maturity	Dec 31, 2024	Dec 31, 2023
Term loans	7.00%	Mar 23, 2025	7,606	9,281

(1) SkyGen is required to set aside $1,334 as restricted cash to cover the debt service reserve (see note 3).

Glace Bay	Interest Rate	Maturity	Dec 31, 2024	Dec 31, 2023
Term loan	5.99%	Mar 15, 2027	2,087	2,875
Term loan	4.72%	Oct 1, 2032	2,789	3,010
			4,876	5,885

(1) Glace Bay is required to set aside $2,169 as restricted cash to cover the debt service and operating and maintenance reserves (see note 3).

(iii) Solar

Project debt	Dec 31, 2024	Dec 31, 2023
Claresholm	85,881	93,627
Amherstburg	59,726	68,005
Michichi and Kneehill	39,846	41,500
	185,453	203,132

Claresholm	Interest Rate (2)	Maturity	Dec 31, 2024	Dec 31, 2023
Term loan - variable	3.81%	Mar 24, 2026	44,807	48,849
Term loan - fixed	5.70%	Mar 24, 2033	41,074	44,778
			85,881	93,627

(1) Claresholm is required to set aside $5,034 and $2,612 as letters of credit to cover the debt service reserve and operating and maintenance reserve, respectively.
(2) As at December 31, 2024, Claresholm had swap contracts to convert floating interest to a fixed rate (see note 8a).

Amherstburg	Interest Rate	Maturity	Dec 31, 2024	Dec 31, 2023
Senior term loan	3.49%	Dec 31, 2030	40,489	46,729
Subordinated term loan	3.78%	Jun 30, 2031	19,237	21,276
			59,726	68,005

(1) Amherstburg is required to set aside $6,626 as letters of credit supported by the common shareholder to cover the debt service and maintenance reserves.

Michichi and Kneehill	Interest Rate (2)	Maturity	Dec 31, 2024	Dec 31, 2023
Kneehill - Term loan	5.17%	Dec 22, 2027	23,295	24,262
Michichi - Term loan	5.17%	Dec 22, 2027	16,551	17,238
			39,846	41,500

(1) As at December 31, 2024, Michichi and Kneehill had swap contracts to convert interest for Kneehill and Michichi to a fixed rate (see note 8a).

(iv) Gas

	Interest Rate (2)	Maturity	Dec 31, 2024	Dec 31, 2023
Term loan	3.69%	Apr 1, 2026	39,204	42,620
Term loan	4.02%	Apr 1, 2026	17,205	18,735
			56,409	61,355

(1) Cardinal is required to set aside $2,211 as restricted cash to cover the operating and maintenance reserves and $4,000 as letters of credit to cover the debt service reserve (see note 3).
(2) As at December 31, 2024, Cardinal had swap contracts to convert interest to a fixed rate (see note 8a).

(v) Hydros

	Interest Rate	Maturity	Dec 31, 2024	Dec 31, 2023
Senior secured bonds	4.56%	Jun 30, 2040	45,597	47,256
Subordinated secured bonds	7.00%	Jun 30, 2041	17,187	17,558
			62,784	64,814

(1) The hydro facilities are required to set aside $11,097 as letters of credit supported by the common shareholder to cover the debt service and maintenance reserves.

(B) Long-term Debt Covenants

The Corporation and its subsidiaries have financial liabilities containing a number of covenants. Failure to comply with the terms and covenants of these agreements could result in a default which, if not cured or waived, could lead to accelerated repayment. As at December 31, 2024, Capstone and its subsidiaries continue to comply with all debt covenants, except as noted below.

Some of Capstone's credit facilities have debt covenants which could cause the debt to become repayable within twelve months of the reporting period if the project fails to meet them. Capstone maintains a forecasting process for the upcoming twelve months to ensure an understanding of the covenant compliance on a forward-looking basis, subject to a number of significant assumptions which could change materially from those assumed in their respective forecasts.

As at December 31, 2024, the following summarizes the covenant forecasts:

- The CPC credit facilities include leverage ratio and interest coverage ratio covenants on a quarterly basis.
- Some project debt facilities are required to comply with operating income to debt service ratio covenants on a quarterly or annual basis ($76,724 of debt). The debt could become repayable if the covenants are breached, and the default is not cured within the required time period.
- Glace Bay's project debt of $4,876 currently has a waiver of a debt covenant in place until January 31, 2025. This project has consistently paid the outstanding debt balances and received waivers of the debt covenant from lenders.

(C) Long-term Debt Repayments

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

Year of Repayment	Within one year	One year to five years	Beyond five years	Total
Power	91,656	563,326	465,883	1,120,865

NOTE 17. LIABILITY FOR ASSET RETIREMENT OBLIGATION

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

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

	Dec 31, 2024	Dec 31, 2023
Assumptions:		
Expected settlement date	2026-2062	2026-2062
Inflation rate	2.0 %	2.0 %
Credit adjusted discount rate	4.75% - 8.00%	4.75% - 7.75%
Balance, beginning of year	14,017	12,682
Revision of estimates	(309)	(9)
Liabilities incurred (1)	1,182	646
Accretion expense	815	698
Balance, end of year	15,705	14,017

(1) Liabilities incurred related to Wild Rose 2 were recorded as at December 31, 2024 as construction had progressed significantly by the end of the year.

NOTE 18. SHAREHOLDERS' EQUITY

The following table summarizes the Corporation's share capital:

As at	Dec 31, 2024	Dec 31, 2023
Common and Class A shares [(1)]	137,270	212,270
Preferred shares	72,020	72,020
	209,290	284,290

(1) Includes $75,000 paid as a return of capital to the Class A common shareholder in 2024 (2023- cash capital contributions of $70,000).

(A) Common and Class A Shares

Capstone is authorized to issue an unlimited number of common and Class A shares, all of which have the same rights and attributes. As at December 31, 2024 and 2023, there were 304,609 common and Class A shares issued and outstanding.

(B) Preferred Shares

Capstone is authorized to issue preferred shares equal to 50% of the outstanding common shares. As at December 31, 2024 and 2023, there were 3,000 series A preferred shares issued and outstanding.

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

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

(C) Dividends

No dividends were declared in 2024 or 2023 in respect of the Corporation's common shareholders.

For the year ended	Dec 31, 2024	Dec 31, 2023
Preferred shares declared [(1), (2)]	2,857	2,764

(1) Includes $81 of deferred income taxes expenses for the year ended December 31, 2024 (2023 - recovery of $12).
(2) Capstone has included $463 of accrued preferred dividends as declared on November 14, 2024 (2023 - $463).

(D) Capital Management

The Corporation manages its capital to achieve the following objectives:

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

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

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

The Corporation is not subject to any external capital requirements and is in compliance with all debt covenants, except as described in note 16b.

NOTE 19. NON-CONTROLLING INTERESTS

(A) Non-controlling Interests

Non-controlling interests represent ownership interests by third parties in businesses consolidated by Capstone. Capstone's entities with non-controlling interests and Capstone's partners as at December 31, 2024 were:

Partner(s)	Obton A/S ("Obton")	Sawridge First Nation ("SFN")	Batchewana First Nation ("BFN")	One West Holdings Ltd. ("Concord")	Firelight Infrastructure Partners LP ("Firelight")	Municipal interests
Project(s) and Ownership	Claresholm 49%	SFN Projects 25% [(1)]	Goulais 49%	SLGR 49%	Amherst 49%	Saint-Philémon 49% [(2)]

(1) The SFN Projects are comprised of Buffalo Atlee, Michichi, and Kneehill.
(2) Saint-Philémon is 48.9% owned by Municipalité Régionale de Comté de Bellechasse and 0.1% owned by Municipalité de Saint-Philémon.

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

The balances and changes in non-controlling interests are:

	Obton's interest in Claresholm	Sawridge's interest in SFN Projects[(1)]	BFN's interest in Goulais [(2)]	Concord's interest in SLGR	Firelight's interest in Amherst	Municipal interest in Saint-Philémon	Total
January 1, 2023	57,927	(117)	17,700	15,314	8,752	(2,103)	97,473
NCI portion of net income	894	(1,065)	1,226	(1,030)	454	73	552
Dividends declared	(2,575)	(7,339)	(1,265)	(723)	(490)	(934)	(13,326)
Net contributions from NCI	—	12,034	—	—	123	—	12,157
As at December 31, 2023	56,246	3,513	17,661	13,561	8,839	(2,964)	96,856
NCI portion of net income	(2,417)	(115)	552	(52)	645	247	(1,140)
Dividends declared	(490)	(1,269)	(1,265)	(756)	(441)	(569)	(4,790)
Net contributions from NCI	—	465	—	—		—	465
As at December 31, 2024	53,339	2,594	16,948	12,753	9,043	(3,286)	91,391

(1) The SFN Projects are comprised of Buffalo Atlee, Michichi, and Kneehill. Refer to note 2.
(2) Net income is allocated based on pro-rata share of distributions.

(B) Summarized Information for Material Partly Owned Subsidiaries

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

As at	December 31, 2023					
Summarized Statements of Financial Position	**Claresholm**	**SFN Projects**	**Goulais**	**SLGR**	**Amherst**	**Saint-Philémon**
Assets						
Current	12,106	62,135	2,147	26,889	1,918	1,241
Non-current	207,059	128,674	—	106,722	43,512	38,143
Liabilities						
Current	(11,521)	(15,824)	(601)	3,588	(3,126)	(2,830)
Non-current	(93,171)	(112,854)	(2,833)	(101,259)	(21,926)	(38,677)
Total equity	114,473	62,131	(1,287)	35,940	20,378	(2,123)
Attributable to:						
Shareholders of Capstone	58,227	58,618	(18,948)	22,379	11,539	841
NCI	56,246	3,513	17,661	13,561	8,839	(2,964)
	114,473	62,131	(1,287)	35,940	20,378	(2,123)

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

For the year ended			December 31, 2023			
Summarized Statements of Income	Claresholm	SFN Projects	Goulais	SLGR	Amherst	Saint-Philémon
Revenue	24,372	12,151	3,072	17,446	6,939	8,023
Net income (loss)	1,496	3,788	364	(2,103)	925	149
Attributable to:						
Shareholders of Capstone	602	4,853	(862)	(1,073)	471	76
NCI	894	(1,065)	1,226	(1,030)	454	73
	1,496	3,788	364	(2,103)	925	149

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

For the year ended			December 31, 2023			
Summarized Statements of Cash Flows	Claresholm	SFN Projects	Goulais	SLGR	Amherst	Saint-Philémon
Operating	11,181	4,687	2,617	9,923	4,101	3,738
Investing	(1,382)	(85,666)	—	(225)	(1,182)	(13)
Financing	(13,446)	61,638	(2,700)	(9,571)	(2,969)	(4,185)
Net increase / (decrease) in cash and equivalents	(3,647)	(19,341)	(83)	127	(50)	(460)

NOTE 20. SHARE-BASED COMPENSATION

Share Appreciation Rights Plan

On April 1, 2017, a share appreciation rights ("SAR") plan was approved by the board. The SAR plan allows up to 15,230,457 SAR units, or 5% of the number of shares issued, to be granted. At the beginning of 2024 and as at December 31, 2024, there were 15,230,457 units outstanding. A SAR unit entitles the holder to the appreciation in value of one unit over a period of time. The SAR units have a maximum life of 13 years and vest upon a sale transaction, defined as more than 50% of the equity securities of Capstone being sold to a third party. The sale price will determine the ultimate fair value of the SAR units on the vesting date. The SAR units will be settled in cash for individuals who meet the vesting conditions on the vesting date. No liability has been recorded as a sale transaction is not currently probable.

NOTE 21. REVENUE BY NATURE

Capstone's power segment generates revenue through long-term power contracts which vary in nature as disaggregated below. The corporate activities do not generate revenue.

	For the year ended	
	Dec 31, 2024	Dec 31, 2023
Wind (1), (2)	129,605	117,129
Solar (2)	37,858	51,970
Gas (3)	28,666	25,881
Hydro	12,481	11,156
Biomass (2)	10,665	32,879
Total Revenue	219,275	239,015

(1) Wind includes revenue earned during project commissioning at Buffalo Atlee.
(2) Wind, solar, and biomass facilities include revenue from the generation and sale of electricity at market rates and the sale of emissions offset credits.
(3) Gas revenue at Cardinal consists of fixed payments for providing capacity and availability based on its PPA and other contracts; the remaining revenue is variable based on production.

As at December 31, 2024, Capstone has trade receivable balances of $24,131 (2023 - $33,698).

NOTE 22. EXPENSES BY NATURE

For the year ended	Dec 31, 2024				Dec 31, 2023			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Wages and benefits (1)	17,132	9,161	3,528	29,821	16,209	7,753	2,424	26,386
Maintenance & supplies	23,376	—	—	23,376	24,177	—	—	24,177
Property expenses (2)	10,226	472	517	11,215	8,317	606	294	9,217
Professional fees (3)	2,418	491	6,568	9,477	2,237	1,131	4,447	7,815
Fuel and transportation	8,106	—	—	8,106	8,809	—	—	8,809
Insurance	4,737	164	—	4,901	4,295	156	—	4,451
Power facility administration	2,779	—	—	2,779	2,476	—	—	2,476
Contract termination costs	—	—	—	—	—	—	2,873	2,873
Other	2,021	1,682	963	4,666	2,010	1,685	1,556	5,251
Total	70,795	11,970	11,576	94,341	68,530	11,331	11,594	91,455

(1) Wages and benefits include project development direct staff costs.
(2) Property expenses include leases, utilities, and property taxes.
(3) Professional fees include legal, audit, tax and other advisory services.

NOTE 23. OTHER GAINS AND LOSSES

	For the year ended	
	Dec 31, 2024	Dec 31, 2023
Changes in derivative financial instruments fair value (1)	17,950	(35,791)
Losses on debt modification or extinguishment (2)	(3,726)	(4,512)
Gains (losses) on disposal of capital assets	(3,932)	(921)
Gain on disposal of PUD	2,813	—
Other	(1,102)	(1,432)
Other gains and (losses), net	12,003	(42,656)

(1) The gain of $17,950 on derivatives includes an increase in the embedded derivatives, which consist of the fuel supply and PPA contracts, partially offset by losses from the interest rate swap contracts. Refer to note 7.
(2) Relates to the CPC revolver financing, which was recorded as a debt extinguishment, and the Wild Rose 2 non-revolving loan. Refer to note 16.

NOTE 24. COMMITMENTS AND CONTINGENCIES

The Corporation, either directly or indirectly through its subsidiaries, has entered into various contracts and commitments in addition to the commitments described in notes 7, 8, 16, and 17 as at December 31, 2024, as follows:

(A) Capital Commitments

Capstone enters into capital commitments in the normal course of operations. As part of Capstone's power development operations, Capstone enters into various construction and purchase agreements. As at December 31, 2024, Capstone has capital purchase obligations of $51,582 for the construction of the Wild Rose 2 wind development project.

(B) Power Purchase Agreements

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

(C) Management Services Agreements

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

(D) Wood Waste Supply Agreement

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

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

Cardinal has a maintenance contract with Siemens Energy Canada Limited covering the gas turbine at Ingredion's 15MW facility.

Capstone has several service and maintenance agreements covering the turbines in operation on various wind facilities. The agreements provide for scheduled and unscheduled maintenance and require annual minimum payments, subject to inflationary increases, as applicable.

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

As at December 31, 2024, Capstone has aggregate purchase commitments of $175,306 for the operation and maintenance of various operating facilities and the Wild Rose 2 project.

(F) Energy Savings Agreement ("ESA")

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

(G) Guarantees

Capstone has provided certain guarantees relating to the government funding received, as well as limited recourse guarantees on the project debt of certain wind and solar projects totaling $66,366 as at December 31, 2024.

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

NOTE 25. RELATED PARTY TRANSACTIONS

(A) Shared Service Arrangement with iCON Infrastructure LLP and subsidiaries ("iCON")

The shared services agreement with iCON Infrastructure North America Inc. ("iCON NA"), a subsidiary of iCON, was terminated in 2024, thus Capstone did not earn any fees from iCON NA (2023 - $139). Prior to the termination, fees earned from iCON NA under such shared service arrangement were reported in the consolidated statements of income as an administrative expense recovery. As at December 31, 2024, accounts receivable due from iCON NA was nil.

(B) Contributions and Credit Support from iCON

In the second quarter of 2024, Capstone paid a return of capital of $75,000 in cash to its Class A common shareholder. No cash contributions were made by Capstone's Class A common shareholder in 2024 (2023 - $70,000).

The Class A common shareholder provides letters of credit issued to the benefit of Capstone under a financing and reimbursement agreement. Capstone reimburses the common shareholder for payments made on its behalf, including fees and draws on the letters of credit. For the year ended December 31, 2024, Capstone reimbursed normal course fees of $1,055 (2023 - $801). As at December 31, 2024, the balance of outstanding letters of credit is $22,762 to support various operating facilities.

(C) Compensation of Key Management

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

Key Management Compensation for the year ended	Dec 31, 2024	Dec 31, 2023
Salaries, directors' fees and short-term employee benefits (1)	2,416	2,324
	2,416	2,324

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

NOTE 26. SEGMENTED INFORMATION

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

For the year ended	Dec 31, 2024			Dec 31, 2023		
	Power	Corporate	Total	Power	Corporate	Total
Revenue	219,275	—	219,275	239,015	—	239,015
Expenses	(79,337)	(15,004)	(94,341)	(78,367)	(13,088)	(91,455)
EBITDA	147,316	(14,283)	133,033	121,423	(11,357)	110,066
Interest expense	(49,062)	—	(49,062)	(48,752)	—	(48,752)
Income tax recovery (expense)	5,369	2,153	7,522	5,350	1,816	7,166
Net income (loss)	6,364	(12,400)	(6,036)	(19,291)	(9,901)	(29,192)
Additions to capital assets, net	28,938	—	28,938	24,366	2,638	27,004
Additions to PUD (1)	123,006	—	123,006	315,604	—	315,604

(1) Refer to note 11.

INVESTOR INFORMATION

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

CONTACT INFORMATION

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

Contact:

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