First Quarter 2024

Management's Discussion & Analysis
Financial Statements

Financial Report for the Quarter Ended March 31, 2024

CAPSTONE INFRASTRUCTURE

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LEGAL NOTICE

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements contained within this document are forward-looking and reflect management's expectations regarding the future growth, results of operations, performance and business of 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, 2023 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.sedar.com).

Other potential material factors or assumptions that were applied in formulating the forward-looking statements contained herein include or relate to the following: that the business and economic conditions affecting the Corporation's operations will continue substantially in their current state, including, with respect to industry conditions, general levels of economic activity, regulations, weather, taxes, 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 each of the Buffalo Atlee Wind Facilities, 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.sedar.com).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Management's discussion and analysis ("MD&A") summarizes Capstone Infrastructure Corporation's (the "Corporation" or "Capstone") consolidated operating results and cash flows for the three months ended March 31, 2024 with the comparative prior period and financial position as at March 31, 2023 and December 31, 2023, respectively.

This MD&A should be read in conjunction with the accompanying unaudited interim consolidated financial statements of the Corporation and notes thereto as at, and for the three months ended March 31, 2024, and the financial statements and MD&A for the year ended December 31, 2023. Additional information about the Corporation can be found in its other public filings, specifically the Corporation's Annual Information Form dated March 21, 2024 and its MD&A and audited annual financial statements for the year ended December 31, 2023. These filings are available under the Corporation's profile on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

This MD&A is dated May 8, 2024, 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.

ADDITIONAL 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 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)	In Construction	61	Alberta	Wind
Wild Rose 2 (3)	Development	192	Alberta	Wind
Early-stage development projects	Development	>1,550	Canada	Wind/Solar/Storage
MW capacity in Canada		**>1,800**		
Early-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 a power purchase agreement ("PPA") expiring in 2039. The PPA includes an embedded derivative where the market price is swapped for a fixed price. Refer to "Accounting policies, 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.
(3) The Alberta Utilities Commission (“AUC”) is holding a hearing with respect to amendments to the Wild Rose 2 project’s existing approval. An AUC decision on these matters is expected later this year.

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 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.

Financing Activities

Capstone refinanced the corporate credit facility to support ongoing growth through additional capacity and flexibility.

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 extend its maturity date to March 27, 2027.

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, as described below. Capstone continues to monitor any other potential impacts to our Alberta projects.

RESULTS OF OPERATIONS

Overview

In 2024, Capstone's EBITDA and net income were both higher in the first quarter compared to the same period in the prior year.

Higher EBITDA primarily reflects:

- Other gains from unrealized fair value changes on derivative financial instruments, partially offset by;
- Higher expenses from increasing project development costs, additional operating expenses from new projects, and more runs at Cardinal; and
- Lower revenue from lower Alberta Power Pool prices, partially offset by revenue earned pre-commercial operation at Buffalo Atlee.

	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Change
Revenue	58,237	58,379	(142)
Expenses	(21,520)	(19,534)	(1,986)
Other income and expenses	41,873	(31,051)	72,924
EBITDA	78,590	7,794	70,796
Interest expense	(12,024)	(12,207)	183
Depreciation and amortization	(24,795)	(23,691)	(1,104)
Income tax recovery (expense)	(3,010)	5,212	(8,222)
Net income	38,761	(22,892)	61,653

The remaining change in net income primarily reflects:

- Higher depreciation and amortization due to the addition of Michichi and Kneehill in March 2023;
- Higher taxable income in 2024 offset by the recognition of previously unrecognized tax losses.

Seasonality

Overall, the results for Capstone's power segment fluctuate during the year because of seasonal factors that affect the 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.

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, British Columbia, Québec, and Saskatchewan.

Corporate activities primarily comprise 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	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Change
Wind [1], [2]	37,316	35,643	1,673
Solar [2]	6,826	7,237	(411)
Gas [3]	5,682	5,449	233
Biomass [2]	5,192	7,288	(2,096)
Hydro	3,221	2,762	459
Total Revenue	58,237	58,379	(142)

(1) Wind includes revenue earned during project commissioning at Buffalo Atlee.
(2) Wind, Solar and Biomass 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)	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Change
Wind	321.9	304.3	17.6
Solar	70.2	64.9	5.3
Gas	1.8	—	1.8
Biomass	51.0	49.9	1.1
Hydro	35.9	29.3	6.6
Total Power	480.8	448.4	32.4

Capstone's power segment earns revenue from:

- The wind facilities, in Ontario, Nova Scotia, Québec, and Saskatchewan, by selling electricity in accordance with their PPAs. On a megawatt ("MW") weighted-average-basis, there are 8 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;
  - Various 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 following table shows the significant changes in revenue from 2023:

Three months	Explanations
(2,308)	Lower revenue from Whitecourt due to lower Alberta Power Pool prices.
1,581	Higher revenue from the wind and hydro facilities, due to higher resources.
551	Revenue earned during project commissioning at Buffalo Atlee.
34	Various other changes.
(142)	Change in revenue.

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	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Change
Wind	(7,031)	(6,646)	(385)
Solar	(1,514)	(1,142)	(372)
Gas	(3,137)	(2,819)	(318)
Biomass	(3,169)	(3,546)	377
Hydro	(1,156)	(1,026)	(130)
Power operating expenses	(16,007)	(15,179)	(828)
Administrative expenses	(3,192)	(2,655)	(537)
Project development costs	(2,321)	(1,700)	(621)
Total Expenses	(21,520)	(19,534)	(1,986)

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:

Three months	Explanations
(621)	Higher project development costs associated with early-stage development in 2024.
(465)	Operating expenses from adding Michichi and Kneehill which achieved commercial operations in March 2023.
(318)	Higher expenses at Cardinal due to more market runs in 2024.
(236)	Higher expenses during project commissioning at Buffalo Atlee.
(346)	Various other changes.
(1,986)	Change in expenses.

FINANCIAL POSITION REVIEW

Overview

As at March 31, 2024, Capstone's working capital was $11,332, compared with $13,137 as at December 31, 2023. The decrease is driven by the SkyGen and Skyway 8 debt becoming current, offset by lower accounts payable and movements in derivative contract liabilities.

Capstone has adequate financial flexibility to meet liquidity needs and support further growth, including $64,425 of unrestricted cash and cash equivalents, and credit facility capacity of $172,810 available.

Capstone and its subsidiaries continue to comply with all debt covenants.

Liquidity

Working capital

As at	Mar 31, 2024	Dec 31, 2023
Power	12,312	14,857
Corporate	(980)	(1,720)
Working capital (equals current assets, less current liabilities)	11,332	13,137

Capstone's working capital was $1,805 lower than December 31, 2023, mainly due to the power segment. The power segment's movement is driven by an increase of $19,687 relating to the SkyGen and Skyway 8 debt becoming current offset by decreases in accounts payable of $8,473 and the current portion of derivative contract liabilities of $8,324.

Cash and cash equivalents

As at	Mar 31, 2024	Dec 31, 2023
Power	63,214	62,573
Corporate	1,211	872
Unrestricted cash and cash equivalents	64,425	63,445

These funds are available for operating activities, capital expenditures, and future acquisitions. The $980 increase consists of a $641 higher balance at power and a $339 higher balance at corporate.

Cash at the power segment includes $5,300 at CPC and $57,914 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 revolving 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 credit facility has $89,485 of available capacity to be drawn as at March 31, 2024.

Cash flow

Capstone's consolidated cash and cash equivalents for the quarter increased by $980 in 2024 compared with a decrease of $7,371 in 2023. The components of the change in cash, as presented in the consolidated statement of cash flows, are summarized as follows:

Three months ended	Mar 31, 2024	Mar 31, 2023
Operating activities	21,917	26,855
Investing activities	(17,396)	(26,770)
Financing activities (excluding dividends to shareholders)	(2,847)	(6,762)
Dividends paid to shareholders	(694)	(694)
Change in cash and cash equivalents	980	(7,371)

Cash flow from operating activities was $4,938 lower in 2024 as a result of a decrease of $4,134 from the power segment offset by an increase of $804 from corporate. The power segment decrease reflects higher expenses from operating assets and the increase in the corporate segment reflects changes in working capital.

Cash flow used in investing activities was comparatively $9,374 lower in 2024 resulting from decreased net spend in projects under development ("PUD") and capital assets. In 2024, $16,958 was used for PUD, mainly to build Buffalo Atlee and to advance Wild Rose 2. Additionally, $4,126 was used for capital assets, mainly at Claresholm, Hydros, Kneehill, Michichi, and Whitecourt in 2024.

Cash flow used in financing activities was $3,915 lower in 2024, driven by $102,500 proceeds from long-term debt, partially offset by $81,753 higher repayments of debt, mainly due to the CPC refinancing of the revolving credit facility. In addition, there was $17,197 lower government funding in 2024.

Long-term Debt

Capstone's long-term debt continuity for the three months ended was:

	Dec 31, 2023	Additions	Repayments	Other	Mar 31, 2024
Long-term debt (1), (2), and (3)	984,313	102,500	(104,673)	(60)	982,080
Deferred financing fees	(16,744)	(5)	—	1,017	(15,732)
	967,569	102,495	(104,673)	957	966,348
Less: current portion of long-term debt (4)	(69,596)	—	—	(19,896)	(89,492)
	897,973	102,495	(104,673)	(18,939)	876,856

(1) The power segment has drawn $115,111 for letters of credit for project securities, along with $36,995 supported by the common shareholder.
(2) Additions of $102,500 consist of CPC revolving credit facility draws.
(3) Repayments of $104,673 include $87,500 on the CPC revolving credit facility, and scheduled repayments.
(4) Change to current portion reflects an increase of $19,686 for the current maturity of the SkyGen and Skyway 8 project financing extensions.

As at March 31, 2024, Capstone's long-term debt consisted of $889,580 of project debt and $92,500 for the CPC credit facility. The current portion of long-term debt was $89,492, consisting of $22,255 for SkyGen and Skyway 8 maturing in 2025 and scheduled debt amortization. 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, CPC refinanced and extended the revolving credit facility, which now matures on March 27, 2027.

Equity

Shareholders' equity comprised:

As at	Mar 31, 2024	Dec 31, 2023
Common shares [1]	212,270	212,270
Preferred shares [2]	72,020	72,020
Share capital	284,290	284,290
Retained earnings	99,250	63,476
Equity attributable to Capstone shareholders	383,540	347,766
Non-controlling interests	98,314	96,856
Total shareholders' equity	481,854	444,622

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

Capital Expenditure Program

Capstone's power segment incurred $16,017 of capital expenditures during the three months ended March 31, 2024, which included $14,219 of costs capitalized to PUD, less $1,203 of government funding, plus $3,001 of capital asset additions, excluding right-of-use ("ROU") asset additions.

Amounts capitalized to PUD in 2024 were primarily for costs to advance the Wild Rose 2 and Buffalo Atlee wind projects ($5,644 and $6,490, respectively).

The government funding relates to the Buffalo Atlee 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.

Asset Impairment

During the first quarter of 2024, Capstone recorded an asset impairment charge of $3,046 related to costs that had previously been capitalized for early stage development projects in Alberta. These non-cash charges have no impact on the Corporation's liquidity.

Contractual Obligations

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

- Long-term debt, financial instruments, and leases;
- Purchase obligations, including capital expenditure commitments, operations, and management agreements; and
- Other commitments, including management services agreements, wood waste agreements, and guarantees.

As at March 31, 2024, Capstone's capital purchase obligations for development projects are $35,066 for the Wild Rose 2 wind project, and $5,540 for the Buffalo Atlee wind project.

There are no other significant changes to the specified contractual obligations that are outside the ordinary course of business.

In addition, Capstone is not engaged in any off-balance sheet financing transactions or material contingent liabilities from asset operations.

Income Taxes

The deferred income tax expense relates to the taxable temporary differences on financial instruments and capital assets.

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 deferred income tax assets primarily relate to unused tax losses carried forward. Capstone's deferred income tax liabilities primarily relate to the differences between the amortization of capital assets and fair value adjustments on financial instruments for tax and accounting purposes.

DERIVATIVE 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, foreign exchange, or electricity market prices. The fair values of these contracts included in the consolidated statement of financial position, were:

As at	Mar 31, 2024	Dec 31, 2023
Derivative contract assets	53,427	24,957
Derivative contract liabilities	(6,080)	(21,381)
Net derivative contract assets (liabilities)	47,347	3,576

Net derivative contract assets increased by $43,771 from December 31, 2023, due to gains of $43,278 in the statement of income and by contractual settlements of $493 paid.

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

	Three months ended	
	Mar 31, 2024	Mar 31, 2023
Interest rate swap contracts [(1), (2)]	17,475	(21,790)
Embedded derivatives [(3)]	25,803	(10,887)
Gains (losses) on derivatives in net income and comprehensive income	43,278	(32,677)

(1) The interest rate swap contracts include a contingent interest rate swap in anticipation of financing the Wild Rose 2 project.
(2) In Canada, regulators have announced that the Canadian Overnight Repo Rate Average (“CORRA”) will be the successor rate for the Canadian Dollar Offered Rate (“CDOR”), and all loans referencing CDOR will transition to CORRA by June 28, 2024. Management has a CORRA transition plan, which will be completed prior to June 28, 2024. The transitions have not and are not expected to have a material financial impact to the Corporation.
(3) The embedded derivatives relate to fuel supply and PPA contracts. Refer to "Accounting policies, estimates, and internal controls" in this MD&A.

The gains reflect generally lower forecasted Alberta Power Pool prices and higher forecasted interest rates during the swap periods since December 31, 2023.

RISKS AND UNCERTAINTIES

Capstone is subject to a variety of risks and uncertainties. These risks and uncertainties could impact future operating results and financial condition, which could adversely affect Capstone's ability to pay preferred dividends. For a comprehensive description of risks, please refer to the disclosure in the Corporation's MD&A for the year ended December 31, 2023 and the "Risk Factors" section of the Annual Information Form ("AIF") dated March 21, 2024 as supplemented by risk factors contained in any material change reports (except confidential material change reports), business acquisition reports, interim financial statements, interim MD&A, and information circulars filed by the Corporation with securities commissions or similar authorities in Canada, which are available on the SEDAR website at www.sedar.com.

ENVIRONMENTAL, HEALTH, AND SAFETY REGULATION

Capstone monitors developments with respect to environmental, health, and safety regulation. Refer to the Corporation's prior environmental, health, and safety regulation disclosure in its MD&A for the year ended December 31, 2023 and the "Environmental, Health, and Safety" section of the Corporation's Annual Information Form dated March 21, 2024, which are available on the SEDAR website at www.sedar.com.

SUMMARY OF QUARTERLY RESULTS

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

	2024	2023				2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	**58,237**	64,611	53,618	62,407	58,379	76,261	59,624	59,937
EBITDA	**78,590**	(29,640)	68,163	63,749	7,794	42,956	33,604	46,367
Net income (loss) [(1)]	**36,470**	(44,663)	20,483	13,249	(18,813)	2,193	(2,281)	5,854
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.

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. Refer to note 9c) "Long-term Debt" in the interim consolidated financial statements.

Future Accounting Changes

The International Accounting Standards Board ("IASB") has not issued any significant accounting changes that impact the Corporation. Capstone continues to monitor changes to IFRS Accounting Standards including new interpretations, and annual improvements.

Accounting Estimates

The interim 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.

Refer to note 2 "Summary of Significant Accounting Policies" in the most recent annual financial statements for the year ended December 31, 2023 for greater details of the areas of significance and the related critical estimates and judgments.

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

Area of Significance	Critical Estimates and Judgments
Capital assets, projects under development and intangible assets:	
• Purchase price allocations.	• Initial fair value of net assets.
• Depreciation on capital assets.	• Estimated useful lives and residual value.
• Amortization on intangible assets.	• Estimated useful lives.
• Asset retirement obligations.	• Expected settlement date, amount and discount rate.
• Impairment assessments of capital assets, projects under development 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	• Discount rates, realizable forward Alberta Power Pool prices, volatility, credit spreads and production projections. • Future cash flows and discount rate.

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 unaudited interim consolidated financial statements. The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

The CEO and CFO have concluded that Capstone's DC&P were effective as at March 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. Since December 31, 2023, no material changes have occurred in Capstone's policies and procedures and other processes that comprise its ICFR and DC&P.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	Notes	Mar 31, 2024	Dec 31, 2023
Current assets			
Cash and cash equivalents		64,425	63,445
Restricted cash		25,327	26,507
Accounts receivable		48,001	49,646
Other assets		5,373	4,892
Current portion of derivative contract assets	5	12,962	10,682
		156,088	155,172
Non-current assets			
Loans receivable	4	21,479	21,435
Derivative contract assets	5	40,465	14,275
Equity accounted investments	6	6,098	4,121
Capital assets	7	928,895	947,406
Projects under development	8	379,828	373,053
Intangible assets		121,137	124,493
Deferred income tax assets		1,007	8,874
Total assets		1,654,997	1,648,829
Current liabilities			
Accounts payable and other liabilities		52,186	61,130
Current portion of derivative contract liabilities	5	1,776	10,100
Current portion of lease liabilities		1,302	1,209
Current portion of long-term debt	9	89,492	69,596
		144,756	142,035
Long-term liabilities			
Derivative contract liabilities	5	4,304	11,281
Deferred income tax liabilities		88,204	93,302
Lease liabilities		44,813	45,599
Long-term debt	9	876,856	897,973
Liability for asset retirement obligation		14,210	14,017
Total liabilities		1,173,143	1,204,207
Equity attributable to shareholders of Capstone		383,540	347,766
Non-controlling interest		98,314	96,856
Total liabilities and shareholders' equity		1,654,997	1,648,829
Commitments and contingencies	15		

See accompanying notes to these consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Equity attributable to shareholders of Capstone			
		Share Capital	Retained Earnings	NCI [1]	Total Equity
Balance, December 31, 2022		214,290	95,984	119,040	429,314
Capital contribution	10	—	—	—	—
Net income (loss) for the period		—	(18,813)	(4,079)	(22,892)
Dividends declared to preferred shareholders of Capstone [2]	10	—	(682)	—	(682)
Dividends declared to NCI		—	—	(878)	(878)
Net contributions from NCI [3]		—	—	362	362
Balance, March 31, 2023		214,290	76,489	114,445	405,224

	Notes	Equity attributable to shareholders of Capstone			
		Share Capital	Retained Earnings	NCI [1]	Total Equity
Balance, December 31, 2023		284,290	63,476	96,856	444,622
Capital contribution	10	—	—	—	—
Net income (loss) for the period		—	36,470	2,291	38,761
Dividends declared to preferred shareholders of Capstone [2]	10	—	(696)	—	(696)
Dividends declared to NCI		—	—	(891)	(891)
Net contributions from NCI [3]		—	—	58	58
Balance, March 31, 2024		284,290	99,250	98,314	481,854

(1) Non-controlling interest ("NCI").
(2) Dividends declared to preferred shareholders of Capstone include current and deferred income tax expense of $2 (2023 - recovery of $12).
(3) Includes contributions from Sawridge First Nation ("Sawridge") to Buffalo Atlee, Michichi, and Kneehill.

See accompanying notes to these consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Notes	Three months ended Mar 31, 2024	Three months ended Mar 31, 2023
Revenue	11	58,237	58,379
Operating expenses	12	(16,007)	(15,179)
Administrative expenses	12	(3,192)	(2,655)
Project development costs	12	(2,321)	(1,700)
Asset impairment charges	8	(3,046)	—
Equity accounted income (loss)	6	(1,522)	(274)
Interest income		1,293	1,632
Other gains and (losses), net	13	44,926	(32,369)
Foreign exchange gain (loss)		222	(40)
Earnings before interest expense, taxes, depreciation and amortization		78,590	7,794
Interest expense		(12,024)	(12,207)
Depreciation of capital assets	7	(21,440)	(20,485)
Amortization of intangible assets		(3,355)	(3,206)
Earnings before income taxes		41,771	(28,104)
Income tax recovery (expense)			
Current		1	(1)
Deferred		(3,011)	5,213
Total income tax recovery (expense)		(3,010)	5,212
Net income (loss) and total comprehensive income (loss)		38,761	(22,892)
Attributable to:			
Shareholders of Capstone		36,470	(18,813)
Non-controlling interest		2,291	(4,079)
		38,761	(22,892)

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended	Notes	Mar 31, 2024	Mar 31, 2023 [1]
Operating activities:			
Net income (loss)		38,761	(22,892)
Deferred income tax expense (recovery)		3,011	(5,213)
Depreciation and amortization		24,795	23,691
Asset impairment charges	8	3,046	—
Non-cash other gains and (losses), net		(45,419)	30,739
Transaction costs on debt		(1,875)	(124)
Amortization of deferred financing costs and non-cash financing costs		1,211	933
Equity accounted (income) loss		1,522	274
Change in non-cash working capital and foreign exchange		(3,135)	(553)
Total cash flows from operating activities		21,917	26,855
Investing activities:			
Investment in projects under development	8	(16,958)	(21,906)
Investment in capital assets	7	(4,126)	(4,858)
Contributions to equity accounted investments		(3,499)	—
Proceeds from disposal of capital assets and projects under development		6,007	—
Decrease (increase) in restricted cash		1,180	(6)
Total cash flows used in investing activities		(17,396)	(26,770)
Financing activities:			
Proceeds from issuance of long-term debt		102,500	—
Proceeds from government funding		1,083	18,280
Repayment of long-term debt		(104,673)	(22,920)
Dividends paid to non-controlling interests		(891)	(612)
Dividends paid to preferred shareholders		(694)	(694)
Lease principal payments		(694)	(922)
Advances on loans receivable to partner	4	(172)	(588)
Total cash flows used in financing activities		(3,541)	(7,456)
Increase (decrease) in cash and cash equivalents		980	(7,371)
Cash and cash equivalents, beginning of year		63,445	124,897
Cash and cash equivalents, end of period		64,425	117,526
Supplemental information:			
Interest paid		11,065	9,095
Taxes paid		275	645

(1) Refer to note 2.

See accompanying notes to these consolidated financial statements

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 March 31, 2024, Capstone develops, owns, and operates clean and renewable energy projects across North America with an approximate net installed capacity of 824 megawatts across 31 facilities in Canada, including wind, solar, hydro, biomass, and natural gas power plants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS AND ESTIMATES

There have been no material changes to Capstone's accounting standards during the first three months of 2024.

Basis of Preparation

Statement of compliance

The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), including International Accounting Standard ("IAS") 34 Interim Financial Reporting ("IAS 34") on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the year ended December 31, 2023. In accordance with IAS 34, certain information and footnote disclosures included in the annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These unaudited interim consolidated financial statements should be read in conjunction with the audited 2023 annual consolidated financial statements.

For a comprehensive description of risks, please refer to the disclosure in the Corporation's MD&A for the year ended December 31, 2023 and the "Risk Factors" section of the Annual Information Form ("AIF") dated March 21, 2024, which are available on the SEDAR website at www.sedar.com.

These interim condensed consolidated financial statements were approved by the Board of Directors for issue on May 8, 2024. All amounts are in Canadian thousands of dollars or thousands of share amounts unless otherwise indicated.

Basis of measurement

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

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 in note 9c).

Change to Comparative Figures

The Corporation made adjustments to the 2023 comparative figures in the Statement of Cash Flows related to the presentation of loans receivable resulting in the following changes compared with amounts presented in the financial statements for the quarter ended March 31, 2023:

- a $266 reclassification between line items within financing activities (decrease in proceeds received for repayment of loans to partner, with an offsetting increase to dividends paid to non-controlling interests)

Future Accounting Changes

The IASB has not issued any significant accounting changes that impact the Corporation. Capstone continues to monitor changes to IFRS Accounting Standards including new interpretations, and annual improvements.

3. SEASONALITY

The seasonality of environmental factors such as water flows, solar irradiance, wind speeds, air density, ambient temperature, and humidity, and scheduled maintenance, which affect the amount of electricity generated, may result in fluctuations in power segment revenue and net income during the period.

4. LOANS RECEIVABLE

	Mar 31, 2024	Dec 31, 2023
Loans to partners (1)	21,479	21,435

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

5. FINANCIAL INSTRUMENTS

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	Mar 31, 2024	Dec 31, 2023
Derivative contract assets:					
Embedded derivatives (1)	—	—	20,701	20,701	—
Interest rate swap contracts (2), (3)	—	32,726	—	32,726	24,957
Less: current portion	—	(10,762)	(2,200)	(12,962)	(10,682)
	—	21,964	18,501	40,465	14,275
Derivative contract liabilities:					
Embedded derivatives (1)	—	—	3,500	3,500	9,096
Interest rate swap contracts	—	2,580	—	2,580	12,285
Less: current portion	—	(1,776)	—	(1,776)	(10,100)
	—	804	3,500	4,304	11,281

(1) The embedded derivatives relate to fuel supply and power purchase agreement ("PPA") contracts.
(2) The interest rate swap contracts include a contingent interest rate swap in anticipation of financing the Wild Rose 2 project.
(3) In Canada, regulators have announced that the Canadian Overnight Repo Rate Average ("CORRA") will be the successor rate for the Canadian Dollar Offered Rate ("CDOR"), and all loans referencing CDOR will transition to CORRA by June 28, 2024. Management has a CORRA transition plan, which will be completed prior to June 28, 2024. The transitions have not and are not expected to have a material financial impact to the Corporation.

Financial instruments not recorded at fair value

Accounts receivable, loans receivable, accounts payable and long-term debt are reported at carrying value on the statement of financial position. The fair values of these items approximate their carrying values with the exception of long-term debt, which has a fair value of $974,939 compared to a carrying value of $966,348.

Fair value determination

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

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.
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.
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.

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.

Sensitivity Analysis

The sensitivity analysis provided below discloses the effect on net income for the three months ended March 31, 2024, assuming that a reasonably possible change in the relevant risk variable has occurred, 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 March 31, 2024 balances and on the basis that the balances and the energy contracts that are financial instruments in place at March 31, 2024 are all constant.

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, 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:

Mar 31, 2024	Unobservable inputs	Estimated input	Relationship of input to fair value
$17,201	Realizable forward Alberta Power Pool prices (1)	From $37/MWh to $269/MWh over the contract terms.	A reasonably possible increase in estimated realizable forward Alberta Power Pool prices of 5% or a decrease of 5%, would cause fair value to decrease by $12,476 and increase by $12,599, respectively.

(1) Realizable forward Alberta Power Pool prices include estimates of the increase or decrease in power prices received by the Corporation relative to the average power pool prices for wind or solar.

6. EQUITY ACCOUNTED INVESTMENTS

As at	Ownership %	Mar 31, 2024 Carrying Value	Dec 31, 2023 Carrying Value
Obra Maestra	50%	6,098	4,121

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

The change in Capstone's equity accounted investment for the periods ended March 31 were:

Three months ended	Opening Balance	Equity accounted income (loss)	Contributions	Ending balance
March 31, 2024	4,121	(1,522)	3,499	6,098
March 31, 2023	6,492	(274)	—	6,218

7. CAPITAL ASSETS

(A) Continuity

	2024
As at January 1	947,406
Additions	3,001
Disposals	(72)
Depreciation	(21,440)
As at March 31	928,895

(B) Reconciliation to Cash Additions

The reconciliation of capital asset additions to cash basis included in consolidated statement of cash flow was:

	Three months ended	
	Mar 31, 2024	Mar 31, 2023
Additions	3,001	11,448
Adjustment for non-cash ROU asset additions	—	(9,058)
Adjustment for change in capital asset additions included in accounts payable and accrued liabilities	1,125	2,468
Cash additions	4,126	4,858

8. PROJECTS UNDER DEVELOPMENT ("PUD")

(A) Continuity

	2024
As at January 1	373,053
Capitalized costs during the period	14,219
Less impairment charge (1)	(3,046)
Disposals	(3,195)
Less government funding	(1,203)
As at March 31 (2), (3)	379,828

(1) The asset impairment charge of $3,046 relates to the write-off of early stage development projects in Alberta.
(2) Includes $4,001 of capitalized borrowing costs during the construction of Wild Rose 2.
(3) The balance primarily includes costs to develop the Wild Rose 2 project ($276,637), Buffalo Atlee projects ($85,703), early-stage US development projects ($9,391), and other early-stage development projects ($8,097).

(B) Reconciliation to Cash Additions

The reconciliation of additions to PUD to cash basis included in consolidated statement of cash flow was:

	Three months ended	
	Mar 31, 2024	Mar 31, 2023
Capitalized costs during the period	14,219	106,734
Adjustment for change in additions to PUD included in accounts payable and accrued liabilities	2,739	(84,828)
Cash additions	16,958	21,906

9. LONG-TERM DEBT

(A) Components of Long-term Debt

As at	Mar 31, 2024	Dec 31, 2023
CPC credit facilities	92,500	77,500
Project debt		
Wind [1]	563,680	577,452
Solar [2]	201,196	203,132
Gas	60,004	61,355
Hydro	64,700	64,814
Other	—	60
Power [3]	982,080	984,313
Less: deferred financing costs	(15,732)	(16,744)
Long-term debt	966,348	967,569
Less: current portion	(89,492)	(69,596)
	876,856	897,973

(1) Wind project debt consists of Amherst, Erie Shores, Glace Bay, Glen Dhu, Goulais, Grey Highlands Clean, Saint-Philémon, SkyGen, Skyway8, SLGR, SWNS, and Riverhurst term facilities, and the Buffalo Atlee construction facility.
(2) Solar project debt consists of Claresholm, Amherstburg, Michichi and Kneehill term facilities.
(3) The power segment has $115,111 of securities used on its letter of credit facilities and $36,995 of letters of credit supported by the common shareholder.

(B) Financing Changes

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 extend its maturity date to March 27, 2027.

(C) Debt Covenants

The Corporation and its subsidiaries have financial liabilities containing a number of covenants. Failure to comply with terms and covenants of these agreements could result in a default, which, if not cured or waived, could result in accelerated repayment. As at March 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 March 31, 2024, the following summarizes the forecast covenants:

- The CPC credit facilities of $92,500 are required to comply quarterly at the balance sheet date with leverage ratio and interest coverage ratio covenants.
- Some project debt facilities are required to comply quarterly at the balance sheet date ($60,004 of debt) or annually at December 31 ($22,255 of debt) with operating income to debt service ratio covenants. 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 $5,638 currently has a waiver of a debt covenant in place until September 30, 2024. This project has consistently paid the outstanding debt balances and received waivers of the debt covenant from lenders.

10. SHAREHOLDERS' EQUITY

The following table summarizes the Corporation's share capital:

As at	Mar 31, 2024	Dec 31, 2023
Common shares [1], [2]	212,270	212,270
Preferred shares	72,020	72,020
	284,290	284,290

(1) Includes nil of cash capital contributions from Class A common shareholder in 2024 (2023 - $70,000).
(2) Capstone has outstanding letters of credit of $36,995 which are supported by the common shareholder under a financing and reimbursement agreement. Under the terms of the agreement, Capstone would reimburse the common shareholder for any payments made on its behalf related to the letters of credit.

Capstone maintains its preferred shares which declared dividends during the quarter as follows:

	Three months ended	
	Mar 31, 2024	Mar 31, 2023
Preferred shares declared [1]	696	682

(1) Includes current and deferred income tax expense of $2 for the quarter (2023 - recovery of $12).

11. REVENUE BY NATURE

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

	Three months ended	
	Mar 31, 2024	Mar 31, 2023
Wind (1), (2)	37,316	35,643
Solar (2)	6,826	7,237
Gas (3)	5,682	5,449
Biomass (2)	5,192	7,288
Hydro	3,221	2,762
Total	58,237	58,379

(1) Wind includes revenue earned during project commissioning at Buffalo Atlee.
(2) Wind, Solar and Biomass 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.

12. EXPENSES BY NATURE

	Three months ended Mar 31, 2024				Three months ended March 31, 2023			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Wages and benefits (1)	4,019	2,378	695	7,092	3,764	1,953	553	6,270
Maintenance & operations	4,940	—	—	4,940	4,882	—	—	4,882
Property expenses (2)	2,083	54	238	2,375	1,872	125	27	2,024
Professional fees (3)	538	154	1,108	1,800	379	60	826	1,265
Fuel & transportation	1,581	—	—	1,581	1,827	—	—	1,827
Insurance	1,167	59	—	1,226	1,023	35	—	1,058
Power facility administration	811	—	—	811	813	—	—	813
Other	868	547	280	1,695	619	482	294	1,395
Total	16,007	3,192	2,321	21,520	15,179	2,655	1,700	19,534

(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.

13. OTHER GAINS AND LOSSES

	Three months ended	
	Mar 31, 2024	Mar 31, 2023
Changes in derivative financial instruments fair value (1)	43,278	(32,677)
Gain on disposal of PUD	2,813	—
Losses on debt refinancing (2)	(1,219)	—
Other	67	308
Loss on disposal of capital assets	(13)	—
Other gains and (losses), net	44,926	(32,369)

(1) The gain of $43,278 on derivatives includes gains from the interest rate swap contracts and an increase in the value of the embedded derivatives, which consist of the fuel supply and PPA contracts. Refer to note 5.
(2) Relates to the CPC revolver refinancing, which was recorded as a debt extinguishment. Refer to note 9.

14. 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.

	Three months ended Mar 31, 2024			Three months ended March 31, 2023		
	Power	Corporate	Total	Power	Corporate	Total
Revenue	58,237	—	58,237	58,379	—	58,379
Expenses	(17,805)	(3,715)	(21,520)	(16,516)	(3,018)	(19,534)
Asset impairment charges	(3,046)	—	(3,046)	—	—	—
EBITDA	82,201	(3,611)	78,590	10,415	(2,621)	7,794
Interest expense	(12,024)	—	(12,024)	(12,207)	—	(12,207)
Income tax recovery (expense)	(4,678)	1,668	(3,010)	4,804	408	5,212
Net income (loss)	40,771	(2,010)	38,761	(20,589)	(2,303)	(22,892)
Additions to capital assets	3,001	—	3,001	11,448	—	11,448
Additions to PUD [(1)]	14,219	—	14,219	106,734	—	106,734

(1) PUD additions primarily include costs to develop the Buffalo Atlee wind projects, Wild Rose 2 wind project, and early-stage US development projects. Refer to note 8.

15. COMMITMENTS AND CONTINGENCIES

The Corporation, either directly or indirectly through its subsidiaries, has entered into various material contracts and commitments as disclosed in the annual consolidated financial statements for the year ended December 31, 2023. As at March 31, 2024, Capstone's development projects have aggregate commitments of $40,606 for the construction of the projects. There are no other significant changes to the specified contractual obligations that are outside the ordinary course of business.

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