Third
Quarter
2024

Management's Discussion & Analysis
Financial Statements

Financial Report for the Quarter Ended
September 30, 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.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 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.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.

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 and nine months ended September 30, 2024 with the comparative prior period and financial position as at September 30, 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 and nine months ended September 30, 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.sedarplus.ca.

This MD&A is dated November 14, 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 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 [(3)]	In Construction	192	Alberta	Wind
Early and mid-stage development projects	Development	>2,100	Canada	Wind/Solar/Storage
MW capacity in Canada		**>2,250**		
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 a power purchase agreement ("PPA") expiring in 2039 for 26 MW of the projects. 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 for 35 MW of the projects.
(3) On July 5, 2024, the Alberta Utilities Commission ("AUC") issued a decision with respect to amendments to the Wild Rose 2 project's existing approval.

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.

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.

Change to Board of Directors

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

Financing Activities

During the year, Capstone refinanced the corporate credit facility, executed a non-revolving loan for the Wild Rose 2 wind development project to support ongoing growth through additional capacity and flexibility, provided a return of capital to the Class A shareholder, and increased the US LC facility and extended its term.

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.

Wild Rose 2 financing

On May 30, 2024, Wild Rose 2 entered into a non-revolving loan which provided $70,707 of variable rate debt expiring in May 2025, which was repaid subsequent to September 30, 2024.

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 $94,493 and now expires on December 23, 2025.

SUBSEQUENT EVENTS

Wild Rose 2 project financing

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 facilities. 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. The proceeds were used to repay the Wild Rose 2 non-revolving loan and settle payables.

Buffalo Atlee project financing

On November 14, 2024, the Buffalo Atlee construction credit facilities converted to term loans, which provided variable rate debt amortizing over 20 years and maturing in January 2028. To mitigate the interest rate risk, a swap contract was 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 both lower in the third quarter, and for the year-to-date period.

Lower year-to-date EBITDA primarily reflects:

- Lower revenue from lower Alberta Power Pool prices and lower production at Whitecourt, partially offset by higher resource at the Wind and Hydro facilities, more runs at Cardinal, and revenue earned during project commissioning at Buffalo Atlee;
- Other losses from unrealized fair value changes on derivative financial instruments.

	Three months ended			Nine months ended		
	Sep 30, 2024	Sep 30, 2023	Change	Sep 30, 2024	Sep 30, 2023	Change
Revenue	45,825	53,618	(7,793)	158,051	174,404	(16,353)
Expenses	(23,901)	(21,749)	(2,152)	(68,545)	(67,500)	(1,045)
Other income and expenses	(24,471)	36,294	(60,765)	21,550	32,802	(11,252)
EBITDA	(2,547)	68,163	(70,710)	111,056	139,706	(28,650)
Interest expense	(12,501)	(13,185)	684	(36,122)	(38,124)	2,002
Depreciation and amortization	(23,894)	(24,702)	808	(71,805)	(72,936)	1,131
Income tax recovery (expense)	8,857	(5,527)	14,384	4,513	(6,246)	10,759
Net income	(30,085)	24,749	(54,834)	7,642	22,400	(14,758)

The remaining change in net income primarily reflects:

- Lower 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			Nine months ended		
	Sep 30, 2024	Sep 30, 2023	Change	Sep 30, 2024	Sep 30, 2023	Change
Wind (1), (2)	20,077	18,593	1,484	87,974	81,527	6,447
Solar (2)	12,939	17,921	(4,982)	30,622	42,182	(11,560)
Gas (3)	9,338	8,171	1,167	22,231	19,760	2,471
Hydro	1,800	1,160	640	9,220	7,639	1,581
Biomass (2)	1,671	7,773	(6,102)	8,004	23,296	(15,292)
Total Revenue	45,825	53,618	(7,793)	158,051	174,404	(16,353)

(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			Nine months ended		
	Sep 30, 2024	Sep 30, 2023	Change	Sep 30, 2024	Sep 30, 2023	Change
Wind	181.2	155.2	26.0	783.8	692.7	91.1
Solar	131.2	125.8	5.4	325.9	317.9	8.0
Gas	48.2	30.7	17.5	69.9	39.6	30.3
Hydro	18.6	12.6	6.0	111.0	95.3	15.7
Biomass (1)	36.9	47.7	(10.8)	99.8	143.3	(43.5)
Total Power	416.1	372.0	44.1	1,390.4	1,288.8	101.6

(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 Buffalo Atlee 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 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;

  - 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.

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

Three months	Nine months	Explanations
(6,102)	(15,292)	Lower revenue from Whitecourt due to planned refurbishment shutdown and lower Alberta Power Pool prices.
(4,982)	(11,560)	Lower revenue from solar due to lower Alberta Power Pool prices, partially offset by higher production.
1,167	2,471	Higher revenue at Cardinal due to more market runs.
1,067	2,884	Revenue from adding Buffalo Atlee which achieved commercial operation in June 2024.
1,057	5,144	Higher revenue from the wind and hydro facilities, due to higher resource.
(7,793)	(16,353)	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			Nine months ended		
	Sep 30, 2024	Sep 30, 2023	Change	Sep 30, 2024	Sep 30, 2023	Change
Wind	(6,729)	(5,623)	(1,106)	(20,866)	(19,038)	(1,828)
Solar	(3,121)	(3,019)	(102)	(6,882)	(7,480)	598
Gas	(4,472)	(4,026)	(446)	(11,169)	(10,022)	(1,147)
Hydro	(997)	(1,233)	236	(3,276)	(3,254)	(22)
Biomass	(3,218)	(3,588)	370	(9,816)	(11,097)	1,281
Power operating expenses	(18,537)	(17,489)	(1,048)	(52,009)	(50,891)	(1,118)
Administrative expenses	(2,667)	(2,318)	(349)	(8,975)	(7,591)	(1,384)
Project development costs	(2,697)	(1,942)	(755)	(7,561)	(9,018)	1,457
Total Expenses	(23,901)	(21,749)	(2,152)	(68,545)	(67,500)	(1,045)

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	Nine months	Explanations
(858)	(2,367)	Higher expenses from adding Michichi and Kneehill and Buffalo Atlee which achieved commercial operation in March 2023 and June 2024, respectively.
(349)	(1,384)	Higher administrative expenses from additional staff costs.
(446)	(1,147)	Higher expenses at Cardinal due to more market runs in 2024.
(102)	1,062	Lower operating costs at Solar, mainly due to lower variable operating costs at the Alberta solar facilities.
370	1,281	Lower operating expenses at Whitecourt primarily due to a planned refurbishment shutdown.
(755)	1,457	Lower project development costs associated with early-stage development in 2024.
(12)	53	Various other changes.
(2,152)	(1,045)	Change in expenses.

FINANCIAL POSITION REVIEW

Overview

As at September 30, 2024, Capstone's working capital was a $114,352 deficit, compared with a surplus of $13,137 as at December 31, 2023. The decrease results from additions to current debt at Wild Rose 2 of $70,707, SkyGen and Skyway 8 of $19,053, and decreases in cash and cash equivalents and accounts receivable.

Capstone has adequate financial flexibility to meet liquidity needs and support further growth, including $42,620 of unrestricted cash and cash equivalents, and credit facility capacity of $177,420 available.

Capstone and its subsidiaries continue to comply with all debt covenants, except as noted in note 9c) "Long-term Debt" in the interim consolidated financial statements.

Liquidity

Working capital

As at	Sep 30, 2024	Dec 31, 2023
Power	(115,026)	14,857
Corporate	674	(1,720)
Working capital (equals current assets, less current liabilities)	(114,352)	13,137

Capstone's working capital was $127,489 lower than December 31, 2023, mainly due to the power segment. The power segment's decrease includes $70,707 of debt at Wild Rose 2 and $19,053 of debt at SkyGen and Skyway 8 which are all due within one-year. The remaining difference reflects decreases in cash and cash equivalents of $21,920 from the construction of Buffalo Atlee and Wild Rose 2 and lower accounts receivable of $6,613 because of timing differences in the receipt of payments.

Cash and cash equivalents

As at	Sep 30, 2024	Dec 31, 2023
Power	40,653	62,573
Corporate	1,967	872
Unrestricted cash and cash equivalents	42,620	63,445

These funds are available for operating activities, capital expenditures, and future acquisitions. The $20,825 decrease consists of a $21,920 lower balance at power and a $1,095 higher balance at corporate.

Cash at the power segment includes $4,990 at CPC and $35,663 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 $51,156 of available capacity to be drawn as at September 30, 2024.

Cash flow

Capstone's consolidated cash and cash equivalents for the year decreased by $20,825 in 2024 compared with a decrease of $11,662 in 2023. The components of the change in cash, as presented in the consolidated statement of cash flows, are summarized as follows:

Nine months ended	Sep 30, 2024	Sep 30, 2023
Operating activities	61,721	75,785
Investing activities	(78,786)	(258,016)
Financing activities (excluding dividends to shareholders)	(1,678)	172,651
Dividends paid to shareholders	(2,082)	(2,082)
Change in cash and cash equivalents	(20,825)	(11,662)

Cash flow from operating activities was $14,064 lower in 2024 as a result of a decrease of $11,473 from the power segment and a decrease of $2,591 from corporate. The decrease reflects lower revenue from lower Alberta Power Pool prices from the merchant portions of our facilities and lower production at Whitecourt resulting from the planned refurbishment shutdown.

Cash flow used in investing activities was comparatively $179,230 lower in 2024 resulting from decreased net spend in projects under development ("PUD") and capital assets. In 2024, $56,357 was used for PUD, mainly to build Buffalo Atlee and Wild Rose 2. Additionally, $21,126 was used for capital assets, mainly at Claresholm, Hydros, Kneehill, Michichi, Erie Shores, and Whitecourt in 2024.

Cash flow from financing activities was $174,329 lower in 2024, driven by a return of capital to the Class A shareholder of $75,000 and $11,948 higher repayments of debt, offset by $7,896 higher proceeds from long-term debt, mainly due to the CPC refinancing of the revolving credit facility. In addition, there was $25,513 lower government funding received in 2024 and $70,000 lower proceeds received from shareholder contributions.

Long-term Debt

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

	Dec 31, 2023	Additions	Repayments	Other	Sep 30, 2024
Long-term debt [(1), (2), and (3)]	984,313	202,707	(138,347)	(60)	1,048,613
Deferred financing fees	(16,744)	(7)	—	1,840	(14,911)
	967,569	202,700	(138,347)	1,780	1,033,702
Less: current portion of long-term debt [(4)]	(69,596)	(70,707)	—	(19,843)	(160,146)
	897,973	131,993	(138,347)	(18,063)	873,556

(1) The power segment has drawn $105,854 for letters of credit for project securities, along with $36,857 supported by the common shareholder.
(2) Additions of $202,707 consist of CPC revolving credit facility draws of $132,000 and the Wild Rose 2 debt of $70,707.
(3) Repayments of $138,347 include $87,500 on the CPC revolving credit facility, and scheduled repayments.
(4) Change to current portion reflects the Wild Rose 2 debt of $70,707 and the current maturity of the SkyGen and Skyway 8 project financing extensions.

As at September 30, 2024, Capstone's long-term debt consisted of $926,613 of project debt and $122,000 for the CPC credit facility. The current portion of long-term debt was $160,146, consisting of $70,707 for Wild Rose 2, $20,978 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 the Wild Rose 2 non-revolving loan and 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	Sep 30, 2024	Dec 31, 2023
Common shares [(1)]	137,270	212,270
Preferred shares [(2)]	72,020	72,020
Share capital	209,290	284,290
Retained earnings	70,007	63,476
Equity attributable to Capstone shareholders	279,297	347,766
Non-controlling interests	92,358	96,856
Total shareholders' equity	371,655	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.

Capital Expenditure Program

Capstone's power segment incurred $68,678 of capital expenditures during the nine months ended September 30, 2024, which included $65,610 of costs capitalized to PUD, less $16,203 of government funding, plus $19,271 of capital asset additions, excluding right-of-use ("ROU") asset additions.

Amounts capitalized to PUD in 2024 were primarily for costs for the construction of the Wild Rose 2 wind project ($28,889) and the Buffalo Atlee wind projects prior to COD ($13,662).

The government funding relates to the Wild Rose 2 and 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 September 30, 2024, Capstone's capital purchase obligations are $22,049 for the construction of the Wild Rose 2 wind project. Subsequently, Wild Rose 2 increased its capital purchase obligations by $88,929.

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 recovery relates to the deductible temporary differences on tax losses and capital assets, partially offset by taxable temporary differences on financial instruments.

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, intangible 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	Sep 30, 2024	Dec 31, 2023
Derivative contract assets	49,217	24,957
Derivative contract liabilities	(19,465)	(21,381)
Net derivative contract assets (liabilities)	29,752	3,576

Net derivative contract assets increased by $26,176 from December 31, 2023, due to gains of $26,465 in the statement of income and by contractual settlements of $289 received.

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

	Three months ended		Nine months ended	
	Sep 30, 2024	Sep 30, 2023	Sep 30, 2024	Sep 30, 2023
Interest rate swap contracts (1), (2)	(30,334)	27,642	(17,313)	25,440
Embedded derivatives (3)	8,820	7,084	43,778	3,089
Gains (losses) on derivatives in net income and comprehensive income	(21,514)	34,726	26,465	28,529

(1) The interest rate swap contracts include a contingent interest rate swap in anticipation of financing the Wild Rose 2 project.
(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.
(3) The embedded derivatives relate to fuel supply and PPA contracts. Refer to "Accounting policies, estimates, and internal controls" in this MD&A.

The year-to-date gain reflects generally lower forecasted Alberta Power Pool prices and lower 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.sedarplus.ca.

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.sedarplus.ca.

SUMMARY OF QUARTERLY RESULTS

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

	2024			2023				2022
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	**45,825**	53,989	58,237	64,611	53,618	62,407	58,379	76,261
EBITDA	**(2,547)**	35,013	78,590	(29,640)	68,163	63,749	7,794	42,956
Net income (loss) (1)	**(26,881)**	(902)	36,470	(44,663)	20,483	13,249	(18,813)	2,193
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. The IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements,* which replaces IAS 1, *Presentation of Financial Statements,* to enhance the reporting of financial performance, while retaining many of its requirements. This new standard will be effective for annual reporting periods starting on or after January 1, 2027, with earlier adoption permitted. Capstone is evaluating the impact that the adoption will have on disclosure in the consolidated financial statements. Capstone continues to monitor changes to IFRS Accounting Standards 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 September 30, 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	Sep 30, 2024	Dec 31, 2023
Current assets			
Cash and cash equivalents		42,620	63,445
Restricted cash		25,936	26,507
Accounts receivable		42,959	49,646
Other assets		7,457	4,892
Current portion of derivative contract assets	5	8,870	10,682
		127,842	155,172
Non-current assets			
Loans receivable	4	21,899	21,435
Derivative contract assets	5	40,347	14,275
Equity accounted investments	6	7,285	4,121
Capital assets	7	995,887	947,406
Projects under development	8	322,699	373,053
Intangible assets		114,407	124,493
Deferred income tax assets		6,756	8,874
Total assets		1,637,122	1,648,829
Current liabilities			
Accounts payable and other liabilities		66,684	61,130
Current portion of derivative contract liabilities	5	13,994	10,100
Current portion of lease liabilities		1,370	1,209
Current portion of long-term debt	9	160,146	69,596
		242,194	142,035
Long-term liabilities			
Derivative contract liabilities	5	5,471	11,281
Deferred income tax liabilities		85,632	93,302
Lease liabilities		44,306	45,599
Long-term debt	9	873,556	897,973
Liability for asset retirement obligation		14,308	14,017
Total liabilities		1,265,467	1,204,207
Equity attributable to shareholders of Capstone		279,297	347,766
Non-controlling interest		92,358	96,856
Total liabilities and shareholders' equity		1,637,122	1,648,829
Commitments and contingencies	15		
Subsequent events	16		

See accompanying notes to these consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Equity attributable to shareholders of Capstone: Share Capital	Equity attributable to shareholders of Capstone: Retained Earnings	NCI [1]	Total Equity
Balance, December 31, 2022		214,290	95,984	119,040	429,314
Capital contribution	10	70,000	—	—	70,000
Net income (loss) for the period		—	14,919	7,481	22,400
Dividends declared to preferred shareholders of Capstone [2]	10	—	(2,066)	—	(2,066)
Dividends declared to NCI		—	—	(7,818)	(7,818)
Net contributions from NCI [3]		—	—	686	686
Balance, September 30, 2023		284,290	108,837	119,389	512,516

	Notes	Equity attributable to shareholders of Capstone: Share Capital	Equity attributable to shareholders of Capstone: Retained Earnings	NCI [1]	Total Equity
Balance, December 31, 2023		284,290	63,476	96,856	444,622
Return of capital	10	(75,000)	—	—	(75,000)
Net income (loss) for the period		—	8,687	(1,045)	7,642
Dividends declared to preferred shareholders of Capstone [2]	10	—	(2,156)	—	(2,156)
Dividends declared to NCI		—	—	(3,663)	(3,663)
Net contributions from NCI [3]		—	—	210	210
Balance, September 30, 2024		209,290	70,007	92,358	371,655

(1) Non-controlling interest ("NCI").
(2) Dividends declared to preferred shareholders of Capstone include current and deferred income tax expense of $74 (2023 - recovery of $16).
(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 Sep 30, 2024	Three months ended Sep 30, 2023	Nine months ended Sep 30, 2024	Nine months ended Sep 30, 2023
Revenue	11	45,825	53,618	158,051	174,404
Operating expenses	12	(18,537)	(17,489)	(52,009)	(50,891)
Administrative expenses	12	(2,667)	(2,318)	(8,975)	(7,591)
Project development costs	12	(2,697)	(1,942)	(7,561)	(9,018)
Asset impairment charges	8	—	—	(3,046)	—
Equity accounted income (loss)	6	(2,445)	(257)	(4,717)	(1,068)
Interest income		1,245	1,682	3,759	4,903
Other gains and (losses), net	13	(23,183)	34,734	25,299	28,755
Foreign exchange gain (loss)		(88)	135	255	212
Earnings before interest expense, taxes, depreciation and amortization		(2,547)	68,163	111,056	139,706
Interest expense		(12,501)	(13,185)	(36,122)	(38,124)
Depreciation of capital assets	7	(20,511)	(21,309)	(61,708)	(62,960)
Amortization of intangible assets		(3,383)	(3,393)	(10,097)	(9,976)
Earnings before income taxes		(38,942)	30,276	3,129	28,646
Income tax recovery (expense)					
Current		(138)	498	(281)	463
Deferred		8,995	(6,025)	4,794	(6,709)
Total income tax recovery (expense)		8,857	(5,527)	4,513	(6,246)
Net income (loss) and total comprehensive income (loss)		(30,085)	24,749	7,642	22,400
Attributable to:					
Shareholders of Capstone		(26,881)	20,483	8,687	14,919
Non-controlling interest		(3,204)	4,266	(1,045)	7,481
		(30,085)	24,749	7,642	22,400

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine months ended	Notes	Sep 30, 2024	Sep 30, 2023 [1]
Operating activities:			
Net income		7,642	22,400
Deferred income tax expense (recovery)		(4,794)	6,709
Depreciation and amortization		71,805	72,936
Asset impairment charges	8	3,046	—
Non-cash other (gains) and losses, net		(25,010)	(32,848)
Transaction costs on debt		(3,042)	(115)
Amortization of deferred financing costs and non-cash financing costs		2,439	2,691
Equity accounted (income) loss		4,717	1,068
Change in non-cash working capital and foreign exchange		4,918	2,944
Total cash flows from operating activities		61,721	75,785
Investing activities:			
Investment in projects under development	8	(56,357)	(237,488)
Investment in capital assets	7	(21,126)	(21,999)
Contributions to equity accounted investments		(7,881)	—
Proceeds from disposal of capital assets and projects under development		6,007	—
Decrease (increase) in restricted cash		571	1,471
Total cash flows used in investing activities		(78,786)	(258,016)
Financing activities:			
Proceeds from issuance of long-term debt		202,707	194,811
Proceeds from government funding		14,583	40,096
Proceeds from Class A common shareholder capital contribution		—	70,000
Repayment of long-term debt		(138,347)	(126,399)
Return of capital to Class A common shareholder		(75,000)	—
Dividends paid to non-controlling interests		(3,663)	(2,879)
Dividends paid to preferred shareholders		(2,082)	(2,082)
Lease principal payments		(1,222)	(1,532)
Advances on loans receivable to partner	4	(736)	(1,446)
Total cash flows used in financing activities		(3,760)	170,569
Decrease in cash and cash equivalents		(20,825)	(11,662)
Cash and cash equivalents, beginning of year		63,445	124,897
Cash and cash equivalents, end of period		42,620	113,235
Supplemental information:			
Interest paid		33,504	33,982
Taxes paid		879	717

(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 September 30, 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, 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 nine 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.sedarplus.ca.

These interim condensed consolidated financial statements were approved by the Board of Directors for issue on November 14, 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 September 30, 2023:

- a $4,939 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. The IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which replaces IAS 1, *Presentation of Financial Statements*, to enhance the reporting of financial performance while retaining many of its requirements. This new standard will be effective for annual reporting periods starting on or after January 1, 2027, with earlier adoption permitted. Capstone is evaluating the impact that the adoption will have on disclosure in the consolidated financial statements. Capstone continues to monitor changes to IFRS Accounting Standards 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

	Sep 30, 2024	Dec 31, 2023
Loans to partners [1]	21,899	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	Sep 30, 2024	Dec 31, 2023
Derivative contract assets:					
Embedded derivatives [1]	—	—	34,394	34,394	—
Interest rate swap contracts [2], [3]	—	14,823	—	14,823	24,957
Less: current portion	—	(4,070)	(4,800)	(8,870)	(10,682)
	—	10,753	29,594	40,347	14,275
Derivative contract liabilities:					
Embedded derivatives [1]	—	—	—	—	9,096
Interest rate swap contracts	—	19,465	—	19,465	12,285
Less: current portion	—	(13,994)	—	(13,994)	(10,100)
	—	5,471	—	5,471	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) 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.

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 $1,046,382 compared to a carrying value of $1,033,702.

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 nine months ended September 30, 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 September 30, 2024 balances and on the basis that the balances and the energy contracts that are financial instruments in place at September 30, 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:

Sep 30, 2024	Unobservable inputs	Estimated input	Relationship of input to fair value
$34,394	Realizable forward Alberta Power Pool prices (1)	From $29/MWh to $143/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 $12,335 and increase by $12,364, 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		Sep 30, 2024	Dec 31, 2023
	Ownership %	Carrying Value	Carrying Value
Obra Maestra	50%	7,285	4,121

Capstone's September 30, 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 September 30 were:

Three months ended	Opening Balance	Equity accounted income (loss)	Contributions	Ending balance
September 30, 2024	6,989	(2,445)	2,741	7,285
September 30, 2023	5,681	(257)	—	5,424

Nine months ended	Opening Balance	Equity accounted income (loss)	Contributions	Ending balance
September 30, 2024	4,121	(4,717)	7,881	7,285
September 30, 2023	6,492	(1,068)	—	5,424

7. CAPITAL ASSETS

(A) Continuity

	2024
As at January 1	947,406
Additions	19,361
Transferred from PUD (1)	93,520
Disposals	(2,692)
Depreciation	(61,708)
As at September 30	995,887

(1) Amounts were transferred on achievement of commercial operation ("COD") of Buffalo Atlee. Refer to note 8.

(B) Reconciliation to Cash Additions

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

	Nine months ended	
	Sep 30, 2024	Sep 30, 2023
Additions	19,361	24,056
Adjustment for non-cash ROU asset additions	(90)	(11,671)
Adjustment for change in capital asset additions included in accounts payable and accrued liabilities	1,855	9,614
Cash additions	21,126	21,999

8. PROJECTS UNDER DEVELOPMENT ("PUD")

(A) Continuity

	2024
As at January 1	373,053
Capitalized costs during the period	65,610
Less impairment charge (1)	(3,046)
Transferred to capital assets (2)	(93,520)
Disposals	(3,195)
Less government funding	(16,203)
As at September 30 (3), (4)	322,699

(1) The asset impairment charge of $3,046 relates to the write-off of early stage development projects in Alberta.
(2) Amounts were transferred on achievement of COD of Buffalo Atlee. Refer to note 7.
(3) Includes $8,517 of capitalized borrowing costs during the development of Wild Rose 2.
(4) The balance primarily includes costs to develop the Wild Rose 2 project ($299,882), early-stage US development projects ($9,432), and other early-stage development projects ($13,385).

(B) Reconciliation to Cash Additions

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

	Nine months ended	
	Sep 30, 2024	Sep 30, 2023
Capitalized costs during the period	65,610	274,752
Adjustment for change in additions to PUD included in accounts payable and accrued liabilities	(9,253)	(37,264)
Cash additions	56,357	237,488

9. LONG-TERM DEBT

(A) Components of Long-term Debt

As at	Sep 30, 2024	Dec 31, 2023
CPC credit facilities	122,000	77,500
Project debt		
Wind (1)	616,230	577,452
Solar (2)	189,056	203,132
Gas	57,620	61,355
Hydro	63,707	64,814
Other	—	60
Power (3)	1,048,613	984,313
Less: deferred financing costs	(14,911)	(16,744)
Long-term debt	1,033,702	967,569
Less: current portion	(160,146)	(69,596)
	873,556	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, the Buffalo Atlee construction facility, and Wild Rose 2 non-revolving loan.
(2) Solar project debt consists of Claresholm, Amherstburg, Michichi and Kneehill term facilities.
(3) The power segment has $105,854 of securities used on its letter of credit facilities and $36,857 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.

Wild Rose 2 financing

On May 30, 2024, Wild Rose 2 entered into a non-revolving loan which provided $70,707 of variable rate debt expiring in May 2025, which was repaid subsequent to September 30, 2024. Refer to note 16.

US LC facility extension

On September 11, 2024, the US LC facility was increased to a capacity of $94,493 and now expires on December 23, 2025.

(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 September 30, 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 September 30, 2024, the following summarizes the forecast covenants:

- 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 ($78,598 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 $5,134 currently has a waiver of a debt covenant in place until December 31, 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	Sep 30, 2024	Dec 31, 2023
Common shares [(1), (2)]	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).
(2) Capstone has outstanding letters of credit of $36,857 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		Nine months ended	
	Sep 30, 2024	Sep 30, 2023	Sep 30, 2024	Sep 30, 2023
Preferred shares declared [(1)]	765	692	2,156	2,066

(1) Includes current and deferred income tax expense of $70 and $74 for the quarter and year to date, respectively (2023 - recovery of $2 and $16 for the quarter and year to date, respectively).

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		Nine months ended	
	Sep 30, 2024	Sep 30, 2023	Sep 30, 2024	Sep 30, 2023
Wind [(1), (2)]	20,077	18,593	87,974	81,527
Solar [(2)]	12,939	17,921	30,622	42,182
Gas [(3)]	9,338	8,171	22,231	19,760
Hydro	1,800	1,160	9,220	7,639
Biomass [(2)]	1,671	7,773	8,004	23,296
Total	45,825	53,618	158,051	174,404

(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 Sep 30, 2024				Three months ended Sep 30, 2023			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Wages and benefits (1)	3,992	2,041	783	6,816	3,692	1,603	596	5,891
Maintenance & operations	6,125	—	—	6,125	5,403	—	—	5,403
Property expenses (2)	2,674	146	123	2,943	2,298	172	50	2,520
Fuel & transportation	2,887	—	—	2,887	3,248	—	—	3,248
Professional fees (3)	386	101	1,639	2,126	485	145	1,035	1,665
Insurance	1,271	23	—	1,294	1,091	40	—	1,131
Power facility administration	797	—	—	797	811	—	—	811
Other	405	356	152	913	461	358	261	1,080
Total	18,537	2,667	2,697	23,901	17,489	2,318	1,942	21,749

	Nine months ended Sep 30, 2024				Nine months ended Sep 30, 2023			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Wages and benefits (1)	12,582	6,835	2,399	21,816	11,241	5,531	1,817	18,589
Maintenance & operations	17,393	—	—	17,393	17,857	—	—	17,857
Property expenses (2)	7,128	325	375	7,828	5,934	437	135	6,506
Fuel & transportation	6,184	—	—	6,184	7,237	—	—	7,237
Professional fees (3)	1,330	280	4,046	5,656	1,366	271	3,215	4,852
Insurance	3,567	124	—	3,691	3,196	115	—	3,311
Power facility administration	2,200	—	—	2,200	2,483	—	—	2,483
Contract termination costs	—	—	—	—	—	—	2,873	2,873
Other	1,625	1,411	741	3,777	1,577	1,237	978	3,792
Total	52,009	8,975	7,561	68,545	50,891	7,591	9,018	67,500

(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		Nine months ended	
	Sep 30, 2024	Sep 30, 2023	Sep 30, 2024	Sep 30, 2023
Changes in derivative financial instruments fair value (1)	(21,514)	34,726	26,465	28,529
Gain on disposal of PUD	—	—	2,813	—
Losses on debt financing and refinancing (2)	(344)	—	(2,236)	—
Loss on disposal of capital assets	(1,441)	8	(1,828)	(22)
Other	116	—	85	248
Other gains and (losses), net	(23,183)	34,734	25,299	28,755

(1) The year-to-date gain of $26,465 on derivatives includes an increase in the value of the embedded derivatives, which consist of the fuel supply and PPA contracts, and losses from the interest rate swap contracts. Refer to note 5.
(2) Relates to the CPC revolver refinancing, which was recorded as a debt extinguishment, and the Wild Rose 2 non-revolving loan. 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 Sep 30, 2024			Three months ended Sep 30, 2023		
	Power	Corporate	Total	Power	Corporate	Total
Revenue	45,825	—	45,825	53,618	—	53,618
Expenses	(20,367)	(3,534)	(23,901)	(19,018)	(2,731)	(21,749)
EBITDA	667	(3,214)	(2,547)	70,494	(2,331)	68,163
Interest expense	(12,501)	—	(12,501)	(13,185)	—	(13,185)
Income tax recovery (expense)	8,342	515	8,857	(5,966)	439	(5,527)
Net income (loss)	(27,317)	(2,768)	(30,085)	26,731	(1,982)	24,749
Additions to capital assets	8,161	—	8,161	8,654	—	8,654
Additions to PUD (1)	41,433	—	41,433	73,369	—	73,369

	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Power	Corporate	Total	Power	Corporate	Total
Revenue	158,051	—	158,051	174,404	—	174,404
Expenses	(57,511)	(11,034)	(68,545)	(58,640)	(8,860)	(67,500)
Asset impairment charges	(3,046)	—	(3,046)	—	—	—
EBITDA	121,495	(10,439)	111,056	147,369	(7,663)	139,706
Interest expense	(36,122)	—	(36,122)	(38,124)	—	(38,124)
Income tax recovery (expense)	2,867	1,646	4,513	(7,526)	1,280	(6,246)
Net income (loss)	16,638	(8,996)	7,642	29,053	(6,653)	22,400
Additions to capital assets	19,361	—	19,361	24,056	—	24,056
Additions to PUD (1)	65,610	—	65,610	274,752	—	274,752

(1) PUD additions primarily include costs to develop Wild Rose 2 wind project and early-stage US development projects, as well as the Buffalo Atlee wind projects prior to COD. 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 September 30, 2024, Capstone has aggregate commitments of $22,049 for the construction of the Wild Rose 2 wind project. Subsequently, Wild Rose 2 increased its capital purchase obligations by $88,929. There are no other significant changes to the specified contractual obligations that are outside the ordinary course of business.

16. SUBSEQUENT EVENTS

Wild Rose 2 project financing

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 facilities. 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. The proceeds were used to repay the Wild Rose 2 non-revolving loan and settle payables.

Buffalo Atlee project financing

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

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