Management's Discussion & Analysis
Financial Statements

Financial Report for the Quarter Ended
March 31, 2025

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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, 2024 under the headings "Changes in the Business", “Results of Operations” and "Financial Position Review", as updated in subsequently filed MD&A of the Corporation (such documents are available under the Corporation’s SEDAR+ profile at www.sedarplus.ca).

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

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

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

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

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, 2025 with the comparative prior period and financial position as at March 31, 2024 and December 31, 2024, 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, 2025, and the audited annual financial statements and MD&A for the year ended December 31, 2024. Additional information about the Corporation can be found in its other public filings, specifically the Corporation's Annual Information Form dated March 21, 2025 and its MD&A and audited annual financial statements for the year ended December 31, 2024. 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 May 13, 2025, the date on which this MD&A was approved by the Corporation's Board of Directors.

BASIS OF PRESENTATION

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

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 2025, Capstone continued to execute on its strategic objectives by advancing its development projects.

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
Wild Rose 2	Construction	192	Alberta	Wind
BC contracted projects	Contracted development	537	British Columbia	Wind
Early and mid-stage development projects	Development	>2,100	Canada	Wind/Solar/Storage
MW capacity in Canada		**>2,800**		
Early and mid-stage development projects	Development	>1,100	United States	Wind/Solar/Storage
MW capacity in the United States ("US")		**>1,100**		

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

Alberta Reviews Electricity Sector Regulations

In 2023, the Government of Alberta directed the AUC to conduct a broad inquiry into the development of electricity generation in Alberta, and subsequently announced that it will be issuing new policy guidance and regulatory changes. On April 10, 2025, the Government of Alberta tabled Bill 52, *Electric and Utilities Statutes Amendment Act, 2025*, which among other things, proposed amendments to the Electric Utilities Act. Capstone continues to monitor the status of proposed Bill 52 and any other proposed legislative or regulatory changes for potential impacts on its Alberta projects.

SUBSEQUENT EVENTS

SkyGen debt extension

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

Ontario PPAs

On May 8, 2025, three of Capstone's Ontario wind facilities were awarded PPAs under the Medium-Term 2 procurement with the Independent Electricity System Operator. The PPAs are for five years and will commence at Erie Shores in 2026, Ferndale (SkyGen) in 2027, and Ravenswood (SkyGen) in 2028, respectively.

RESULTS OF OPERATIONS

Overview

In 2025, Capstone's EBITDA and net income were both lower in the first quarter compared to the same period in the prior year.

Lower EBITDA primarily reflects:

- Other losses from unrealized fair value changes on derivative financial instruments; partially offset by
- More runs at Cardinal leading to both higher revenue and expenses; and
- Higher resource at the wind facilities, and adding revenue from Buffalo Atlee which achieved COD in June 2024; partially offset by lower Alberta Power Pool prices, lower production at Whitecourt and lower resource at the solar facilities.

	Three months ended		
	Mar 31, 2025	Mar 31, 2024	Change
Revenue	63,643	58,237	5,406
Expenses	(23,768)	(21,520)	(2,248)
Other income and expenses	(25,711)	41,873	(67,584)
EBITDA	14,164	78,590	(64,426)
Interest expense	(13,297)	(12,024)	(1,273)
Depreciation and amortization	(24,403)	(24,795)	392
Income tax recovery (expense)	5,208	(3,010)	8,218
Net income	(18,328)	38,761	(57,089)

The remaining change in net income primarily reflects:

- The tax recovery in 2025, primarily attributable to the recovery on financial instruments, partially offset by expense on capital assets and 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, natural gas, solar, hydrological resources, and biomass, and are located in Ontario, Alberta, Nova Scotia, British Columbia, Québec, and Saskatchewan.

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

Revenue

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

Revenue	Three months ended		
	Mar 31, 2025	Mar 31, 2024	Change
Wind (1)	42,839	37,316	5,523
Gas (2)	10,288	5,682	4,606
Solar	5,427	6,826	(1,399)
Hydro	3,089	3,221	(132)
Biomass	2,000	5,192	(3,192)
Total Revenue	63,643	58,237	5,406

(1) Wind includes revenue earned during project commissioning at Wild Rose 2 (Buffalo Atlee in 2024).
(2) 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, 2025	Mar 31, 2024	Change
Wind	387.9	321.9	66.0
Gas	13.5	1.8	11.7
Solar	64.1	70.2	(6.1)
Hydro	32.7	35.9	(3.2)
Biomass	47.7	51.0	(3.3)
Total Power	545.9	480.8	65.1

Capstone's power segment earns revenue from:

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

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

Three months	Explanations
4,606	Higher revenue at Cardinal due to more market runs.
4,591	Higher revenue from the wind facilities, excluding Buffalo Atlee, due to higher resource.
932	Revenue from adding Buffalo Atlee which achieved commercial operation in June 2024.
(4,591)	Lower revenue at Whitecourt and from solar facilities, due to lower Alberta Power Pool prices, lower production, and lower solar resource.
(132)	Various other changes.
5,406	Change in revenue.

Expenses

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

Expenses	Three months ended		
	Mar 31, 2025	Mar 31, 2024	Change
Wind	(7,322)	(7,031)	(291)
Solar	(1,457)	(1,514)	57
Gas	(7,543)	(3,137)	(4,406)
Hydro	(980)	(1,156)	176
Biomass	(2,940)	(3,169)	229
Power operating expenses	(20,242)	(16,007)	(4,235)
Administrative expenses	(2,923)	(3,192)	269
Project development costs	(603)	(2,321)	1,718
Total Expenses	(23,768)	(21,520)	(2,248)

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 2024:

Three months	Explanations
(4,406)	Higher expenses at Cardinal due to more market runs in 2025.
(527)	Higher expenses from adding Buffalo Atlee which achieved commercial operation in June 2024.
1,718	Lower project development costs due to recovery of staff costs from an equity accounted investment.
967	Various other changes.
(2,248)	

FINANCIAL POSITION REVIEW

Overview

As at March 31, 2025, Capstone's working capital was a $49,309 deficit, compared with a deficit of $21,931 as at December 31, 2024. The decrease results from increases in current debt at Claresholm of $42,309, partially offset by decreases in accounts payable and other liabilities.

Capstone has adequate financial flexibility to meet liquidity needs and support further growth, including $42,322 of unrestricted cash and cash equivalents, and credit facility capacity of $187,517 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	Mar 31, 2025	Dec 31, 2024
Power	(48,993)	(19,466)
Corporate	(316)	(2,465)
Working capital (equals current assets, less current liabilities)	(49,309)	(21,931)

Capstone's working capital was $27,378 lower than December 31, 2024, due to the power segment. The power segment's decrease reflects an increase of $42,309 in current debt at Claresholm, partially offset by a decrease in accounts payable and other liabilities of $13,168 due to settlement of payables.

Cash and cash equivalents

As at	Mar 31, 2025	Dec 31, 2024
Power	41,789	45,986
Corporate	533	756
Unrestricted cash and cash equivalents	42,322	46,742

These funds are available for operating activities, capital expenditures, and future development or acquisitions. The $4,420 decrease consists of a $4,197 lower balance at power and a $223 lower balance at corporate.

Cash at the power segment includes $2,796 at CPC and $38,993 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 $41,725 of available capacity to be drawn as at March 31, 2025.

Cash flow

Capstone's consolidated cash and cash equivalents for the year decreased by $4,420 in 2025 compared with an increase of $980 in 2024. 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, 2025	Mar 31, 2024
Operating activities	21,002	21,917
Investing activities	(47,978)	(17,396)
Financing activities (excluding dividends to shareholders)	23,250	(2,847)
Dividends paid to shareholders	(694)	(694)
Change in cash and cash equivalents	(4,420)	980

Cash flow from operating activities was $915 lower in 2025 due to a decrease of $1,674 from corporate, offset by an increase of $759 from the power segment.

Cash flow used in investing activities was comparatively $30,582 higher in 2025 resulting from increased net spend in projects under development ("PUD") and capital assets. In 2025, $34,482 was spent building Wild Rose 2 along with $5,917 of capital additions, mainly at Hydros, Whitecourt, Glen Dhu and Erie Shores.

Cash flow from financing activities was $26,097 higher in 2025, driven by $86,552 lower repayments of debt, offset by $58,303 lower proceeds from long-term debt.

Long-term Debt

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

	Dec 31, 2024	Additions	Repayments	Other	Mar 31, 2025
Long-term debt (1), (2), and (3)	1,120,865	44,197	(18,121)	—	1,146,941
Deferred financing fees	(28,241)	2,236	—	421	(25,584)
	1,092,624	46,433	(18,121)	421	1,121,357
Less: current portion of long-term debt (4)	(91,656)	—	—	(42,146)	(133,802)
	1,000,968	46,433	(18,121)	(41,725)	987,555

(1) The power segment has drawn $107,496 for letters of credit for project securities, along with $22,741 supported by the common shareholder.
(2) Additions of $44,197 consist of Wild Rose 2 debt draws of $36,397, CPC revolving credit facility draws of $7,000 and Claresholm letter of credit draw of $800.
(3) Repayments of $18,121 include scheduled repayments on the various project debt facilities.
(4) Change to current portion of $42,146 reflects an increase of $42,309 due to a portion of Claresholm's debt maturing in 2026.

As at March 31, 2025, Capstone's long-term debt consisted of $1,031,941 of project debt and $115,000 for the CPC credit facility. The current portion of long-term debt was $133,802, consisting of $44,605 for Claresholm maturing in 2026, $19,639 for SkyGen and Skyway 8 (which were extended to long-term subsequent to March 31, 2025; refer to the "Changes in the Business" section of this MD&A), 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.

Equity

Shareholders' equity comprised:

As at	Mar 31, 2025	Dec 31, 2024
Common shares (1)	137,270	137,270
Preferred shares (2)	72,020	72,020
Share capital	209,290	209,290
Accumulated other comprehensive income (loss)	737	744
Retained earnings	36,284	55,723
Equity attributable to Capstone shareholders	246,311	265,757
Non-controlling interests	90,341	91,391
Total shareholders' equity	336,652	357,148

(1) In 2024, $75,000 was paid as a return of capital to the Class A common shareholder.
(2) Capstone has 3,000 publicly listed Series A preferred shares on the Toronto Stock Exchange.

Capital Expenditure Program

Capstone's power segment incurred $32,717 of capital expenditures during the three months ended March 31, 2025, which included $30,078 of costs capitalized to PUD and $2,639 of capital asset additions, excluding right-of-use ("ROU") asset additions.

Amounts capitalized to PUD in 2025 were primarily for costs for the construction of the Wild Rose 2 wind project ($28,905).

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, 2025, Capstone's capital purchase obligations are $27,037 for the construction of the Wild Rose 2 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 recovery relates to the taxable temporary differences on financial instruments, partially offset by deductible temporary differences on tax losses 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, 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	Mar 31, 2025	Dec 31, 2024
Derivative contract assets	15,775	27,083
Derivative contract liabilities	(21,697)	(6,693)
Net derivative contract assets (liabilities)	(5,922)	20,390

Net derivative contract assets decreased by $26,312 from December 31, 2024, due to losses of $25,141 in the statement of income and contractual settlements of $1,171 receivable.

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

	Three months ended	
	Mar 31, 2025	Mar 31, 2024
Interest rate swap contracts	(11,297)	17,475
Embedded derivatives [1]	(13,844)	25,803
Gains (losses) on derivatives in net income and comprehensive income	(25,141)	43,278

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

The loss reflects generally higher forecasted Alberta Power Pool prices and lower forecasted interest rates during the swap periods since December 31, 2024.

FOREIGN EXCHANGE

Capstone recorded a cumulative translation adjustment of $7 during the first quarter of 2025, reflecting a foreign exchange loss due to the depreciation of the U.S. dollar against the Canadian dollar.

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, 2024 and the "Risk Factors" section of the Annual Information Form ("AIF") dated March 21, 2025 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, 2024 and the "Environmental, Health, and Safety" section of the Corporation's Annual Information Form dated March 21, 2025, 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.

	2025	2024				2023		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	**63,643**	61,224	45,825	53,989	58,237	64,611	53,618	62,407
EBITDA	**14,164**	21,977	(2,547)	35,013	78,590	(29,640)	68,163	63,749
Net income (loss) [1]	**(18,757)**	(13,583)	(26,881)	(902)	36,470	(44,663)	20,483	13,249
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, 2024.

Future Accounting Changes

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

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

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

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, 2024 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	• Future cash flows, discount rates, realizable forward Alberta Power Pool prices, volatility, credit spreads and production projections.

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

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

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

Capstone's management, under the supervision of and with the participation of the CEO and CFO, has designed internal controls over financial reporting ("ICFR"), as defined in NI 52-109. The purpose of ICFR is to provide reasonable assurance regarding the reliability of Capstone's financial reporting, in accordance with IFRS Accounting Standards, focusing in particular on controls over information contained in the 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, 2025 to ensure that information required to be disclosed in reports that Capstone files or submits under Canadian securities legislation is recorded, processed, summarized and reported within applicable time periods. Since December 31, 2024, 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, 2025	Dec 31, 2024
Current assets			
Cash and cash equivalents		42,322	46,742
Restricted cash		37,669	32,094
Accounts receivable		40,409	38,332
Other assets		6,136	5,949
Current portion of derivative contract assets	5	2,356	3,982
		128,892	127,099
Non-current assets			
Loans receivable	4	22,137	21,791
Derivative contract assets	5	13,419	23,101
Equity accounted investments	6	7,632	7,018
Capital assets	7	961,842	980,802
Projects under development	8	410,710	380,632
Intangible assets		107,740	110,574
Deferred income tax assets		6,072	5,257
Total assets		1,658,444	1,656,274
Current liabilities			
Accounts payable and other liabilities		38,712	54,189
Current portion of derivative contract liabilities	5	3,941	1,474
Current portion of lease liabilities		1,746	1,711
Current portion of long-term debt	9	133,802	91,656
		178,201	149,030
Long-term liabilities			
Derivative contract liabilities	5	17,756	5,219
Deferred income tax liabilities		75,558	80,515
Lease liabilities		46,799	47,689
Long-term debt	9	987,555	1,000,968
Liability for asset retirement obligation		15,923	15,705
Total liabilities		1,321,792	1,299,126
Equity attributable to shareholders of Capstone		246,311	265,757
Non-controlling interest		90,341	91,391
Total liabilities and shareholders' equity		1,658,444	1,656,274
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	AOCI (1)	Retained Earnings	NCI (2)	Total Equity
Balance, December 31, 2023		284,290	—	63,476	96,856	444,622
Net income (loss) for the period		—	—	36,470	2,291	38,761
Dividends declared to preferred shareholders of Capstone (3)	10	—	—	(696)	—	(696)
Dividends declared to NCI		—	—	—	(891)	(891)
Net contributions from NCI (4)		—	—	—	58	58
Balance, March 31, 2024		284,290	—	99,250	98,314	481,854

	Notes	Equity attributable to shareholders of Capstone				
		Share Capital	AOCI (1)	Retained Earnings	NCI (2)	Total Equity
Balance, December 31, 2024		209,290	744	55,723	91,391	357,148
Other comprehensive income (loss)		—	(7)	—	—	(7)
Net income (loss) for the period		—	—	(18,757)	429	(18,328)
Dividends declared to preferred shareholders of Capstone (3)	10	—	—	(682)	—	(682)
Dividends declared to NCI		—	—	—	(1,479)	(1,479)
Balance, March 31, 2025		209,290	737	36,284	90,341	336,652

(1) Accumulated other comprehensive income (loss) ("AOCI").
(2) Non-controlling interest ("NCI").
(3) Dividends declared to preferred shareholders of Capstone include current and deferred income tax recovery of $12 (2024 - expense of $2).
(4) 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

	Notes	Three months ended Mar 31, 2025	Mar 31, 2024
Revenue	11	63,643	58,237
Operating expenses	12	(20,242)	(16,007)
Administrative expenses	12	(2,923)	(3,192)
Project development costs	12	(603)	(2,321)
Asset impairment charges		—	(3,046)
Equity accounted income (loss)	6	(1,390)	(1,522)
Interest income		795	1,293
Other gains and (losses), net	13	(25,239)	44,926
Foreign exchange gain (loss)		123	222
Earnings before interest expense, taxes, depreciation and amortization		14,164	78,590
Interest expense		(13,297)	(12,024)
Depreciation of capital assets	7	(21,545)	(21,440)
Amortization of intangible assets		(2,858)	(3,355)
Earnings before income taxes		(23,536)	41,771
Income tax recovery (expense)			
Current		(308)	1
Deferred		5,516	(3,011)
Total income tax recovery (expense)		5,208	(3,010)
Net income (loss)		(18,328)	38,761
Attributable to:			
Shareholders of Capstone		(18,757)	36,470
Non-controlling interest		429	2,291
		(18,328)	38,761

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Three months ended Mar 31, 2025	Mar 31, 2024
Cumulative differences on translation of foreign operations		(7)	—
Other comprehensive income (loss)		(7)	—
Net income (loss)		(18,328)	38,761
Total comprehensive income (loss)		(18,335)	38,761
Comprehensive income (loss) attributable to:			
Shareholders of Capstone		(18,764)	36,470
Non-controlling interest		429	2,291
		(18,335)	38,761

See accompanying notes to these consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended	Notes	Mar 31, 2025	Mar 31, 2024
Operating activities:			
Net income (loss)		(18,328)	38,761
Deferred income tax expense (recovery)		(5,516)	3,011
Depreciation and amortization		24,403	24,795
Asset impairment charges	8	—	3,046
Non-cash other (gains) and losses, net		26,410	(45,419)
Transaction costs on debt		(88)	(1,875)
Amortization of deferred financing costs and non-cash financing costs		2,875	1,211
Equity accounted (income) loss		1,390	1,522
Change in non-cash working capital and foreign exchange		(10,144)	(3,135)
Total cash flows from operating activities		21,002	21,917
Investing activities:			
Investment in projects under development	8	(34,482)	(16,958)
Investment in capital assets	7	(5,917)	(4,126)
Decrease (increase) in restricted cash		(5,575)	1,180
Contributions to equity accounted investments		(2,004)	(3,499)
Proceeds from disposal of capital assets and projects under development		—	6,007
Total cash flows used in investing activities		(47,978)	(17,396)
Financing activities:			
Proceeds from issuance of long-term debt		44,197	102,500
Repayment of long-term debt		(18,121)	(104,673)
Dividends paid to non-controlling interests		(1,479)	(891)
Lease principal payments		(857)	(694)
Dividends paid to preferred shareholders		(694)	(694)
Advances on loans receivable to partner	4	(490)	(172)
Proceeds from government funding		—	1,083
Total cash flows from (used in) financing activities		22,556	(3,541)
Increase (decrease) in cash and cash equivalents		(4,420)	980
Cash and cash equivalents, beginning of year		46,742	63,445
Cash and cash equivalents, end of period		42,322	64,425
Supplemental information:			
Interest paid		12,470	11,065
Taxes paid		296	275

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, 2025, 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 three months of 2025.

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, 2024. 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 2024 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, 2024 and the "Risk Factors" section of the Annual Information Form ("AIF") dated March 21, 2025, 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 May 13, 2025. 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, 2024.

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.

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

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

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, 2025	Dec 31, 2024
Loans to partners [(1)]	22,137	21,791

(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, 2025	Dec 31, 2024
Derivative contract assets:					
Embedded derivatives [(1)]	—	—	4,589	4,589	12,404
Interest rate swap contracts	—	11,186	—	11,186	14,679
Less: current portion	—	(2,056)	(300)	(2,356)	(3,982)
	—	9,130	4,289	13,419	23,101
Derivative contract liabilities:					
Embedded derivatives [(1)]	—	—	7,200	7,200	—
Interest rate swap contracts	—	14,497	—	14,497	6,693
Less: current portion	—	(3,541)	(400)	(3,941)	(1,474)
	—	10,956	6,800	17,756	5,219

(1) The embedded derivatives relate to fuel supply and power purchase agreement ("PPA") contracts.

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 $1,147,123 compared to a carrying value of $1,121,357.

Fair value determination

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

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

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, 2025, 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, 2025 balances and on the basis that the balances and the energy contracts that are financial instruments in place at March 31, 2025 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 by the Corporation or other mitigating actions that would be taken by the Corporation.

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

Mar 31, 2025	Unobservable inputs	Estimated input	Relationship of input to fair value
($2,611)	Realizable forward Alberta Power Pool prices	From $19/MWh to $105/MWh over the contract terms.	A reasonably possible increase in estimated realizable forward Alberta Power Pool prices of 5% or a decrease of 5%, would cause fair value to decrease by $12,778 and increase by $12,878, respectively.

6. EQUITY ACCOUNTED INVESTMENTS

As at	Ownership %	Mar 31, 2025 Carrying Value	Dec 31, 2024 Carrying Value
Obra Maestra	50%	7,632	7,018

Capstone's March 31, 2025 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) (1)	Contributions	Ending balance
March 31, 2025	7,018	(1,390)	2,004	7,632
March 31, 2024	4,121	(1,522)	3,499	6,098

(1) The 2025 net income (loss) includes a $2,292 recovery of Capstone staff costs directly attributable to the projects, which is receivable at March 31, 2025 in Capstone's consolidated statements. Refer to note 12.

7. CAPITAL ASSETS

(A) Continuity

	2025
As at January 1	980,802
Additions	2,639
Disposals	(54)
Depreciation	(21,545)
As at March 31	961,842

(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, 2025	Mar 31, 2024
Additions	2,639	3,001
Adjustment for change in capital asset additions included in accounts payable and accrued liabilities	3,278	1,125
Cash additions	5,917	4,126

8. PROJECTS UNDER DEVELOPMENT ("PUD")

(A) Continuity

	2025
As at January 1	380,632
Capitalized costs during the period	30,078
As at March 31 (1), (2)	410,710

(1) Includes $12,686 of capitalized borrowing costs during the development of Wild Rose 2.
(2) The balance primarily includes costs to develop the Wild Rose 2 project ($385,905), early and mid-stage US development projects ($9,432), and other early and mid-stage development projects ($15,373).

(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, 2025	Mar 31, 2024
Capitalized costs during the period	30,078	14,219
Adjustment for change in additions to PUD included in accounts payable and accrued liabilities	4,404	2,739
Cash additions	34,482	16,958

9. LONG-TERM DEBT

(A) Components of Long-term Debt

As at	Mar 31, 2025	Dec 31, 2024
CPC credit facilities	115,000	108,000
Project debt		
Wind [1]	729,736	708,219
Solar [2]	184,512	185,453
Gas	55,034	56,409
Hydro	62,659	62,784
Power [3]	1,146,941	1,120,865
Less: deferred financing costs	(25,584)	(28,241)
Long-term debt	1,121,357	1,092,624
Less: current portion	(133,802)	(91,656)
	987,555	1,000,968

(1) Wind project debt consists of Amherst, Erie Shores, Glace Bay, Glen Dhu, Goulais, Grey Highlands Clean, Saint-Philémon, SkyGen, Skyway8, SLGR, SWNS, Riverhurst and Buffalo Atlee term facilities, and Wild Rose 2 construction facility.
(2) Solar project debt consists of Claresholm, Amherstburg, Michichi and Kneehill term facilities.
(3) The power segment has $107,496 of securities used on its letter of credit facilities and $22,741 of letters of credit supported by the common shareholder.

(B) Financing Changes

SkyGen debt extension

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

(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, 2025, 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, 2025, 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 ($74,673 of debt). The debt could become repayable if the covenants are breached, and the default is not cured within the required time period.
- Glace Bay's project debt of $4,614 currently has a waiver of a debt covenant in place on March 31, 2025. This project has consistently paid the outstanding debt balances to lenders.

10. SHAREHOLDERS' EQUITY

The following table summarizes the Corporation's share capital:

As at	Mar 31, 2025	Dec 31, 2024
Common shares [1], [2]	137,270	137,270
Preferred shares	72,020	72,020
	209,290	209,290

(1) In 2024, $75,000 was paid as a return of capital to the Class A common shareholder.

(2) Capstone has outstanding letters of credit of $22,741 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, 2025	Mar 31, 2024
Preferred shares declared [1]	682	696

(1) Includes current and deferred income tax recovery of $12 for the quarter (2024 - expense of $2 for the quarter).

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, 2025	Mar 31, 2024
Wind (1)	42,839	37,316
Gas (2)	10,288	5,682
Solar	5,427	6,826
Hydro	3,089	3,221
Biomass	2,000	5,192
Total	63,643	58,237

(1) Wind includes revenue earned during project commissioning at Wild Rose 2 (Buffalo Atlee in 2024).
(2) 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, 2025				Three months ended March 31, 2024			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Wages and benefits (1)	4,630	2,064	(888)	5,806	4,019	2,378	695	7,092
Maintenance & operations	5,318	—	—	5,318	4,940	—	—	4,940
Fuel & transportation	5,292	—	—	5,292	1,581	—	—	1,581
Property expenses (2)	2,107	148	94	2,349	2,083	54	238	2,375
Professional fees (3)	386	87	1,167	1,640	538	154	1,108	1,800
Insurance	1,165	38	—	1,203	1,167	59	—	1,226
Power facility administration	734	—	—	734	811	—	—	811
Other	610	586	230	1,426	868	547	280	1,695
Total	20,242	2,923	603	23,768	16,007	3,192	2,321	21,520

(1) Wages and benefits include project development direct staff costs, net of recovery of staff costs from an equity accounted investment. Refer to note 6.
(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, 2025	Mar 31, 2024
Changes in derivative financial instruments fair value (1)	(25,141)	43,278
Loss on disposal of capital assets	(48)	(13)
Gain on disposal of PUD	—	2,813
Losses on debt financing and refinancing	—	(1,219)
Other	(50)	67
Other gains and (losses), net	(25,239)	44,926

(1) The loss of $25,141 on derivatives includes a decrease 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.

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, 2025			Three months ended March 31, 2024		
	Power	Corporate	Total	Power	Corporate	Total
Revenue	63,643	—	63,643	58,237	—	58,237
Expenses	(20,230)	(3,538)	(23,768)	(17,805)	(3,715)	(21,520)
EBITDA	17,645	(3,481)	14,164	82,201	(3,611)	78,590
Asset impairment charge	—	—	—	(3,046)	—	(3,046)
Interest expense	(13,297)	—	(13,297)	(12,024)	—	(12,024)
Income tax recovery (expense)	3,540	1,668	5,208	(4,678)	1,668	(3,010)
Net income (loss)	(16,459)	(1,869)	(18,328)	40,771	(2,010)	38,761
Additions to capital assets	2,639	—	2,639	3,001	—	3,001
Additions to PUD (1)	30,078	—	30,078	14,219	—	14,219

(1) 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, 2024. As at March 31, 2025, Capstone has aggregate capital commitments of $27,037 for the construction of the Wild Rose 2 wind project. There are no other significant changes to the specified contractual obligations that are outside the ordinary course of business.

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