

A large-scale photograph of a wind farm in a rural landscape. In the foreground, a combine harvester is working in a field of golden-brown crops, kicking up a cloud of dust. Several large, white, three-bladed wind turbines are scattered across the landscape, with one particularly large one dominating the right side of the frame. The background shows rolling hills under a bright blue sky with wispy white clouds.

**Third
Quarter**
2025

Management's Discussion & Analysis **Financial Statements**

Financial Report for the Quarter Ended
September 30, 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, the Whitecourt Biomass Facility, or the Wild Rose 2 Wind 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 and nine months ended September 30, 2025 with the comparative prior period and financial position as at September 30, 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 and nine months ended September 30, 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 November 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 achieving commercial operation ("COD") at Wild Rose 2 on August 28, 2025, advancing its development projects and successfully managing financing and recontracting activities for continuing operations, while monitoring the Alberta regulatory changes.

Project Development Activities

Capstone continues to build a development project pipeline across several jurisdictions at various stages of development. The following table lists the significant development projects, along with the Wild Rose 2 project that achieved COD in the current period:

Name of project	Status	Gross MW	Jurisdiction	Technology
Wild Rose 2 ⁽¹⁾	COD	192	Alberta	Wind
MW added to operating portfolio		192		
BC contracted projects	Contracted development	537	British Columbia	Wind
Early and mid-stage development projects	Development	>2,800	Canada	Wind/Solar/Storage
MW capacity in Canada		>3,300		
Early and mid-stage development projects	Development	>300	United States	Solar
MW capacity in the United States ("US")		>300		

(1) The Wild Rose 2 project has two agreements for renewable energy and the associated emissions offset credits which are now in effect: on May 23, 2025, the term for the 15-year offtake agreement for 105 megawatts ("MW") commenced, followed by the term for the 20-year offtake agreement for 78MW on September 12, 2025.

Capstone expects to fund each of these projects from a combination of sources, which could include equity from existing corporate liquidity, government funding, or third party project financing.

Financing Activities

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 existing lenders with terms consistent with prior agreements. The new credit facility now matures on April 14, 2030.

Recontracting of Ontario Power Purchase Agreements ("PPA")

On June 6, 2025, three of Capstone's Ontario wind facilities executed new 5-year PPAs under the Medium-Term 2 procurement with the Independent Electricity System Operator. The PPAs will commence at Erie Shores in 2026, Ferndale (SkyGen) in 2027, and Ravenswood (SkyGen) in 2028, respectively.

Alberta Reviews Electricity Sector Regulations

In 2023, the Government of Alberta directed the AUC to conduct a broad inquiry into the development of renewable electricity generation in Alberta, and subsequently announced that it will be issuing new policy guidance and regulatory changes affecting the province's electricity market generally. 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. Bill 52 received Royal Assent in May 2025, and is expected to be implemented through new or amended regulations and rules by 2026. Capstone continues to monitor the status of these changes for potential impacts on its Alberta facilities.

SUBSEQUENT EVENTS

Sale of US Development Project

On November 10, 2025, Obra Maestra Renewables, LLC, a 50% equity accounted investment of Capstone, sold a US battery storage development project to a strategic investor. The purchase price consisted of an upfront payment, recovery of project costs, and contingent payments to be earned upon completion of certain milestones including commencement of operations.

RESULTS OF OPERATIONS

Overview

In 2025, Capstone's EBITDA and net income were both higher in the third quarter, and both lower for the year-to-date period compared to the same period in the prior year.

Lower year-to-date 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, additional revenue from Buffalo Atlee which achieved COD in June 2024, and revenue from Wild Rose 2 which achieved COD in August 2025; partially offset by lower Alberta Power Pool prices.

	Three months ended			Nine months ended		
	Sep 30, 2025	Sep 30, 2024	Change	Sep 30, 2025	Sep 30, 2024	Change
Revenue	59,441	45,825	13,616	183,561	158,051	25,510
Expenses	(33,235)	(23,901)	(9,334)	(81,670)	(68,545)	(13,125)
Other income and expenses	(5,065)	(24,471)	19,406	(37,804)	21,550	(59,354)
EBITDA	21,141	(2,547)	23,688	64,087	111,056	(46,969)
Interest expense	(15,608)	(12,501)	(3,107)	(42,100)	(36,122)	(5,978)
Depreciation and amortization	(24,360)	(23,894)	(466)	(72,225)	(71,805)	(420)
Income tax recovery (expense)	4,727	8,857	(4,130)	12,236	4,513	7,723
Net income	(14,100)	(30,085)	15,985	(38,002)	7,642	(45,644)

The remaining change in net income primarily reflects:

- The tax recovery in 2025, primarily attributable to the recovery on tax losses and financial instruments, partially offset by expense on capital assets.

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 offtake contracts, sales directly into the Alberta Power Pool, and under various contracts for emissions offset credits, which vary in nature as disaggregated below.

Revenue	Three months ended			Nine months ended		
	Sep 30, 2025	Sep 30, 2024	Change	Sep 30, 2025	Sep 30, 2024	Change
Wind ⁽¹⁾	23,579	20,077	3,502	101,598	87,974	13,624
Gas ⁽²⁾	18,352	9,338	9,014	36,904	22,231	14,673
Solar	11,947	12,939	(992)	28,620	30,622	(2,002)
Hydro	3,037	1,800	1,237	10,033	9,220	813
Biomass	2,526	1,671	855	6,406	8,004	(1,598)
Total Revenue	59,441	45,825	13,616	183,561	158,051	25,510

(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			Nine months ended		
	Sep 30, 2025	Sep 30, 2024	Change	Sep 30, 2025	Sep 30, 2024	Change
Wind	263.4	181.2	82.2	1,008.6	783.8	224.8
Gas	140.8	48.2	92.6	188.9	69.9	119.0
Solar	133.1	131.2	1.9	335.4	325.9	9.5
Hydro	25.6	18.6	7.0	113.5	111.0	2.5
Biomass	43.9	36.9	7.0	133.9	99.8	34.1
Total Power	606.8	416.1	190.7	1,780.3	1,390.4	389.9

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 Wild Rose 2 and Buffalo Atlee projects in Alberta, which sell electricity and the associated emissions offset credits under PPAs, and electricity into the Alberta Power Pool. On a MW weighted-average-basis, there are 11 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.

Capstone has generated approximately 350,000 unsold units of tCO₂e emissions offset credits during 2025 and 2024, which are associated with electricity sold at market rates into the Alberta Power Pool at Buffalo Atlee, Claresholm, Kneehill, Whitecourt and Wild Rose 2. Emissions offsets can be sold in future periods once they have been serialized, but are not recognized until they are contracted to be sold.

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

Three months	Nine months	Explanations
9,014	14,673	Higher revenue at Cardinal due to more market runs.
3,356	6,976	Revenue from adding Wild Rose 2 (COD: August 2025) and Buffalo Atlee (COD: June 2024).
146	6,648	Higher revenue from the wind facilities, excluding Buffalo Atlee and Wild Rose 2, due to higher resource.
(137)	(3,600)	Lower revenue at Whitecourt and from solar facilities, due to lower Alberta Power Pool prices.
1,237	813	Various other changes.
<u>13,616</u>	<u>25,510</u>	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			Nine months ended		
	Sep 30, 2025	Sep 30, 2024	Change	Sep 30, 2025	Sep 30, 2024	Change
Wind	(8,571)	(6,729)	(1,842)	(24,547)	(20,866)	(3,681)
Solar	(2,736)	(3,121)	385	(5,830)	(6,882)	1,052
Gas	(10,730)	(4,472)	(6,258)	(23,185)	(11,169)	(12,016)
Hydro	(1,296)	(997)	(299)	(3,171)	(3,276)	105
Biomass	(3,165)	(3,218)	53	(10,384)	(9,816)	(568)
Power operating expenses	(26,498)	(18,537)	(7,961)	(67,117)	(52,009)	(15,108)
Administrative expenses	(2,874)	(2,667)	(207)	(8,846)	(8,975)	129
Project development costs	(3,863)	(2,697)	(1,166)	(5,707)	(7,561)	1,854
Total Expenses	(33,235)	(23,901)	(9,334)	(81,670)	(68,545)	(13,125)

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, Buffalo Atlee, and Wild Rose 2, 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	Nine months	Explanations
(6,258)	(12,016)	Higher fuel costs at Cardinal due to more market runs in 2025.
(1,186)	(2,547)	Higher expenses from adding Buffalo Atlee (COD: June 2024), and Wild Rose 2 (COD: August 2025).
(1,504)	(240)	Higher project development costs associated with early-stage development in 2025.
338	2,094	Lower project development costs due to recovery of staff costs from an equity accounted investment.
(724)	(416)	Various other changes.
<u>(9,334)</u>	<u>(13,125)</u>	

FINANCIAL POSITION REVIEW

Overview

As at September 30, 2025, Capstone's working capital was a \$91,125 deficit, compared with a deficit of \$21,931 as at December 31, 2024. The increase in the deficit results from increases in current debt at Cardinal of \$47,427 and Claresholm of \$42,045, partially offset by refinancing at SkyGen and Skyway 8 of \$18,666 and increases in accounts receivable of \$8,841.

Capstone has adequate financial flexibility to meet liquidity needs and support further growth, including \$51,124 of unrestricted cash and cash equivalents, and credit facility capacity of \$146,791 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, 2025	Dec 31, 2024
Power	(92,020)	(19,466)
Corporate	895	(2,465)
Working capital (equals current assets, less current liabilities)	(91,125)	(21,931)

Capstone's working capital was \$69,194 lower than December 31, 2024, mainly due to the power segment. The power segment's increase reflects an increase in current debt of \$47,427 at Cardinal and \$42,045 at Claresholm. These were partially offset by the refinancing at SkyGen and Skyway 8 of \$18,666 and an increase of \$11,450 in accounts receivable related to recoverable investment tax credits.

Cash and cash equivalents

As at	Sep 30, 2025	Dec 31, 2024
Power	49,362	45,986
Corporate	1,762	756
Unrestricted cash and cash equivalents	51,124	46,742

These funds are available for operating activities, capital expenditures, and future development or acquisitions. The \$4,382 increase consists of a \$3,376 and \$1,006 higher balance at power and corporate, respectively.

Cash at the power segment includes \$4,811 at CPC and \$44,551 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, CPC has \$146,791 of credit facility capacity, of which over \$28,000 is available to be drawn in cash, at September 30, 2025.

Cash flow

Capstone's consolidated cash and cash equivalents for the period increased by \$4,382 in 2025 compared with a decrease of \$20,825 in 2024. 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, 2025	Sep 30, 2024
Operating activities	78,187	61,721
Investing activities	(112,991)	(78,786)
Financing activities (excluding dividends to shareholders)	41,268	(1,678)
Dividends paid to shareholders	(2,082)	(2,082)
Change in cash and cash equivalents	4,382	(20,825)

Cash flow from operating activities was \$16,466 higher in 2025 due to an increase of \$16,615 from the power segment and a decrease of \$149 from corporate. The power segment increase reflects higher revenue from operating assets, partially offset by higher expenses.

Cash flow used in investing activities was comparatively \$34,205 higher in 2025 mainly because of higher spend in projects under development ("PUD"). In 2025, \$98,580 was spent building Wild Rose 2 and progressing development projects, compared to \$56,357 in 2024. This was partially offset by \$13,632 spent on capital additions, mainly at Hydros, Glen Dhu and Erie Shores, compared to \$21,126 in 2024.

Cash flow from financing activities was \$42,946 higher in 2025, driven by \$92,112 lower proceeds from long-term debt and \$75,931 lower repayments of debt. This was offset by a \$75,000 return of capital to the Class A shareholder in 2024. In addition, there was \$14,583 lower government funding received in 2025.

Long-term Debt

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

	Dec 31, 2024	Additions	Repayments	Other	Sep 30, 2025
Long-term debt ^{(1), (2), and (3)}	1,120,865	110,595	(62,416)	—	1,169,044
Deferred financing fees	(28,241)	5,364	—	3,022	(19,855)
	1,092,624	115,959	(62,416)	3,022	1,149,189
Less: current portion of long-term debt ⁽⁴⁾	(91,656)	—	—	(70,111)	(161,767)
	1,000,968	115,959	(62,416)	(67,089)	987,422

(1) The power segment has \$130,349 of securities used on its letter of credit facilities.

(2) Additions of \$110,595 include debt draws of \$77,795 at Wild Rose 2 and \$32,000 on the CPC revolving credit facility.

(3) Repayments of \$62,416 include \$51,416 scheduled repayments on the various project debt facilities and \$11,000 on the CPC revolving credit facility.

(4) Change of \$70,111 reflects increases in current portion of long-term debt described below, partially offset by a decrease of \$18,691 from the SkyGen extension.

As at September 30, 2025, Capstone's long-term debt consisted of \$1,040,044 of project debt and \$129,000 for the CPC revolving credit facility. The current portion of long-term debt was \$161,767, consisting of \$52,562 at Cardinal and \$43,073 at Claresholm, both maturing in 2026, \$4,078 at Glace Bay, 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, amend, 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	Sep 30, 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	354	744
Retained earnings	15,034	55,723
Equity attributable to Capstone shareholders	224,678	265,757
Non-controlling interests	88,354	91,391
Total shareholders' equity	313,032	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 \$104,710 of capital expenditures during the nine months ended September 30, 2025, which included \$106,921 of costs capitalized to PUD and \$9,239 of capital asset additions, less \$11,450 of recoverable investment tax credits and 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 (\$88,893).

Contractual Obligations

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

- Long-term debt, financial instruments, asset retirement obligations, and leases;
- Purchase obligations, including capital commitments and O&M agreements; and
- Other commitments, including management services agreements, wood waste agreements, and guarantees.

As at September 30, 2025, Capstone's aggregate capital commitments for development projects are \$16,275 for contracted development projects in British Columbia.

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 an increase in the deductible temporary differences on tax losses and financial instruments, partially offset by an increase in the taxable temporary differences on 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	Sep 30, 2025	Dec 31, 2024
Derivative contract assets	17,800	27,083
Derivative contract liabilities	(34,645)	(6,693)
Net derivative contract assets (liabilities)	(16,845)	20,390

Net derivative contract assets decreased by \$37,235 from December 31, 2024, due to losses of \$35,734 in the statement of income and contractual settlements of \$1,501 received.

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

	Three months ended		Nine months ended	
	Sep 30, 2025	Sep 30, 2024	Sep 30, 2025	Sep 30, 2024
Interest rate swap contracts	(4,462)	(30,334)	(6,151)	(17,313)
Embedded derivatives ⁽¹⁾	(289)	8,820	(29,583)	43,778
Gains (losses) on derivatives in net income and comprehensive income	(4,751)	(21,514)	(35,734)	26,465

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

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 \$390 in 2025, reflecting a foreign exchange loss due to the appreciation 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.

	Q3	2025			2024			2023
		Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	59,441	60,477	63,643	61,224	45,825	53,989	58,237	64,611
EBITDA	21,141	28,782	14,164	21,977	(2,547)	35,013	78,590	(29,640)
Net income (loss) ⁽¹⁾	(12,795)	(6,995)	(18,757)	(13,583)	(26,881)	(902)	36,470	(44,663)
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 issued the following 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. • Depreciation on capital assets. • Amortization on intangible assets. • Asset retirement obligations. • Impairment assessments of capital assets, projects under development and intangible assets.	• Initial fair value of net assets. • Estimated useful lives and residual value. • Estimated useful lives. • Expected settlement date, amount and discount rate. • 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 September 30, 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	Sep 30, 2025	Dec 31, 2024
Current assets			
Cash and cash equivalents		51,124	46,742
Restricted cash		32,792	32,094
Accounts receivable		47,180	38,332
Other assets		5,053	5,949
Current portion of derivative contract assets	5	4,933	3,982
		<u>141,082</u>	<u>127,099</u>
Non-current assets			
Loans receivable	4	23,246	21,791
Derivative contract assets	5	12,867	23,101
Equity accounted investments	6	6,246	7,018
Capital assets	7	1,370,982	980,802
Projects under development	8	38,376	380,632
Intangible assets		102,085	110,574
Deferred income tax assets		6,467	5,257
Total assets		<u><u>1,701,351</u></u>	<u><u>1,656,274</u></u>
Current liabilities			
Accounts payable and other liabilities		64,306	54,189
Current portion of derivative contract liabilities	5	4,390	1,474
Current portion of lease liabilities		1,744	1,711
Current portion of long-term debt	9	161,767	91,656
		<u>232,207</u>	<u>149,030</u>
Long-term liabilities			
Derivative contract liabilities	5	30,255	5,219
Deferred income tax liabilities		66,437	80,515
Lease liabilities		56,764	47,689
Long-term debt	9	987,422	1,000,968
Liability for asset retirement obligation		15,234	15,705
Total liabilities		<u>1,388,319</u>	<u>1,299,126</u>
Equity attributable to shareholders of Capstone		224,678	265,757
Non-controlling interest		88,354	91,391
Total liabilities and shareholders' equity		<u><u>1,701,351</u></u>	<u><u>1,656,274</u></u>
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			NCI ⁽²⁾	Total Equity
		Share Capital	AOCI ⁽¹⁾	Retained Earnings		
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 ⁽³⁾	10	—	—	(2,156)	—	(2,156)
Dividends declared to NCI		—	—	—	(3,663)	(3,663)
Net contributions from NCI ⁽⁴⁾		—	—	—	210	210
Balance, September 30, 2024		<u>209,290</u>	<u>—</u>	<u>70,007</u>	<u>92,358</u>	<u>371,655</u>

	Notes	Equity attributable to shareholders of Capstone			NCI ⁽²⁾	Total Equity
		Share Capital	AOCI ⁽¹⁾	Retained Earnings		
Balance, December 31, 2024		209,290	744	55,723	91,391	357,148
Other comprehensive income (loss)		—	(390)	—	—	(390)
Net income (loss) for the period		—	—	(38,547)	545	(38,002)
Dividends declared to preferred shareholders of Capstone ⁽³⁾	10	—	—	(2,142)	—	(2,142)
Dividends declared to NCI		—	—	—	(3,582)	(3,582)
Balance, September 30, 2025		<u>209,290</u>	<u>354</u>	<u>15,034</u>	<u>88,354</u>	<u>313,032</u>

(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 expense of \$60 (2024 - expense of \$74).

(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		Nine months ended	
		Sep 30, 2025	Sep 30, 2024	Sep 30, 2025	Sep 30, 2024
Revenue	11	59,441	45,825	183,561	158,051
Operating expenses	12	(26,498)	(18,537)	(67,117)	(52,009)
Administrative expenses	12	(2,874)	(2,667)	(8,846)	(8,975)
Project development costs	12	(3,863)	(2,697)	(5,707)	(7,561)
Asset impairment charges		—	—	—	(3,046)
Equity accounted income (loss)	6	(975)	(2,445)	(3,816)	(4,717)
Interest income		784	1,245	2,394	3,759
Other gains and (losses), net	13	(4,994)	(23,183)	(36,246)	25,299
Foreign exchange gain (loss)		120	(88)	(136)	255
Earnings before interest expense, taxes, depreciation and amortization		21,141	(2,547)	64,087	111,056
Interest expense		(15,608)	(12,501)	(42,100)	(36,122)
Depreciation of capital assets	7	(21,053)	(20,511)	(62,808)	(61,708)
Amortization of intangible assets		(3,307)	(3,383)	(9,417)	(10,097)
Earnings (losses) before income taxes		(18,827)	(38,942)	(50,238)	3,129
Income tax recovery (expense)					
Current		(1,137)	(138)	(2,279)	(281)
Deferred		5,864	8,995	14,515	4,794
Total income tax recovery (expense)		4,727	8,857	12,236	4,513
Net income (loss)		(14,100)	(30,085)	(38,002)	7,642
Attributable to:					
Shareholders of Capstone		(12,795)	(26,881)	(38,547)	8,687
Non-controlling interest		(1,305)	(3,204)	545	(1,045)
		(14,100)	(30,085)	(38,002)	7,642

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Three months ended		Nine months ended	
		Sep 30, 2025	Sep 30, 2024	Sep 30, 2025	Sep 30, 2024
Cumulative differences on translation of foreign operations		235	—	(390)	—
Other comprehensive income (loss)		235	—	(390)	—
Net income (loss)		(14,100)	(30,085)	(38,002)	7,642
Total comprehensive income (loss)		(13,865)	(30,085)	(38,392)	7,642
Comprehensive income (loss) attributable to:					
Shareholders of Capstone		(12,560)	(26,881)	(38,937)	8,687
Non-controlling interest		(1,305)	(3,204)	545	(1,045)
		(13,865)	(30,085)	(38,392)	7,642

See accompanying notes to these consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine months ended	Notes	Sep 30, 2025	Sep 30, 2024
Operating activities:			
Net income (loss)		(38,002)	7,642
Deferred income tax expense (recovery)		(14,515)	(4,794)
Depreciation and amortization		72,225	71,805
Asset impairment charges		—	3,046
Non-cash other (gains) and losses, net		37,845	(25,010)
Transaction costs on debt		(117)	(3,042)
Amortization of deferred financing costs and non-cash financing costs		9,051	2,439
Equity accounted (income) loss		3,816	4,717
Change in non-cash working capital and foreign exchange		7,884	4,918
Total cash flows from operating activities		78,187	61,721
Investing activities:			
Investment in projects under development	8	(98,580)	(56,357)
Investment in capital assets	7	(13,632)	(21,126)
Contributions to equity accounted investments	6	(3,044)	(7,881)
Decrease (increase) in restricted cash		(698)	571
Investment in intangible assets		(321)	—
Proceeds from disposal of capital assets and projects under development	8	3,284	6,007
Total cash flows used in investing activities		(112,991)	(78,786)
Financing activities:			
Proceeds from issuance of long-term debt		110,595	202,707
Repayment of long-term debt		(62,416)	(138,347)
Dividends paid to non-controlling interests		(3,582)	(3,663)
Dividends paid to preferred shareholders		(2,082)	(2,082)
Advances on loans receivable to partner		(1,774)	(736)
Lease principal payments		(1,555)	(1,222)
Return of capital to Class A common shareholder		—	(75,000)
Proceeds from government funding		—	14,583
Total cash flows from (used in) financing activities		39,186	(3,760)
Increase (decrease) in cash and cash equivalents		4,382	(20,825)
Cash and cash equivalents, beginning of period		46,742	63,445
Cash and cash equivalents, end of period		51,124	42,620
Supplemental information:			
Interest paid		37,992	33,504
Taxes paid		2,158	879

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, 2025, Capstone develops, owns, and operates clean and renewable energy projects across North America with an approximate installed capacity of 1.1 gigawatts across 36 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 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 November 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 issued the following 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, 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, 2025	Dec 31, 2024
Loans to partners ⁽¹⁾	23,246	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	Sep 30, 2025	Dec 31, 2024
Derivative contract assets:					
Embedded derivatives ⁽¹⁾	—	—	6,770	6,770	12,404
Interest rate swap contracts	—	11,030	—	11,030	14,679
Less: current portion	—	(1,783)	(3,150)	(4,933)	(3,982)
	—	9,247	3,620	12,867	23,101
Derivative contract liabilities:					
Embedded derivatives ⁽¹⁾	—	—	25,450	25,450	—
Interest rate swap contracts	—	9,195	—	9,195	6,693
Less: current portion	—	(4,390)	—	(4,390)	(1,474)
	—	4,805	25,450	30,255	5,219

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

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 \$1,167,476 compared to a carrying value of \$1,149,189.

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 is responsible for performing the valuation of financial instruments. 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, 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 September 30, 2025 balances and on the basis that the balances and the energy contracts that are financial instruments in place at September 30, 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:

Sep 30, 2025	Unobservable inputs	Estimated input	Relationship of input to fair value
(\$18,680)	Realizable forward Alberta Power Pool prices	From \$30/MWh to \$111/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 \$14,011 and increase by \$14,025, respectively.

6. EQUITY ACCOUNTED INVESTMENTS

As at	Ownership %	Sep 30, 2025 Carrying Value	Dec 31, 2024 Carrying Value
Obra Maestra	50%	6,246	7,018

Capstone's September 30, 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 September 30 were:

Three months ended	Opening Balance	Equity accounted income (loss) ⁽¹⁾	Contributions	Ending balance
September 30, 2025	6,181	(975)	1,040	6,246
September 30, 2024	6,989	(2,445)	2,741	7,285

Nine months ended	Opening Balance	Equity accounted income (loss) ⁽¹⁾	Contributions	Ending balance
September 30, 2025	7,018	(3,816)	3,044	6,246
September 30, 2024	4,121	(4,717)	7,881	7,285

(1) The 2025 net income (loss) includes a \$2,824 recovery of Capstone staff costs directly attributable to the projects, which is receivable at September 30, 2025 in Capstone's consolidated statements. Refer to note 12.

7. CAPITAL ASSETS

(A) Continuity

	2025
As at January 1	980,802
Additions	19,901
Transferred from PUD ⁽¹⁾	445,893
Disposals	(1,356)
Investment tax credits ⁽²⁾	(11,450)
Depreciation	(62,808)
As at September 30	<u>1,370,982</u>

(1) Amounts were transferred on achievement of commercial operation ("COD") of Wild Rose 2. Refer to note 8.

(2) Capstone recorded \$11,450 in recoverable investment tax credits related to Buffalo Atlee.

(B) Reconciliation to Cash Additions

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

	Nine months ended	
	Sep 30, 2025	Sep 30, 2024
Additions	19,901	19,361
Adjustment for non-cash ROU asset additions	(10,662)	(90)
Adjustment for change in capital asset additions included in accounts payable and accrued liabilities	4,393	1,855
Cash additions	<u>13,632</u>	<u>21,126</u>

8. PROJECTS UNDER DEVELOPMENT ("PUD")

(A) Continuity

	2025
As at January 1	380,632
Capitalized costs during the period	106,921
Transferred to capital assets ⁽¹⁾	(445,893)
Disposals	(3,284)
As at September 30 ⁽²⁾	38,376

(1) Amounts were transferred on achievement of COD of Wild Rose 2. Refer to note 7.

(2) The balance primarily includes costs to develop the BC contracted projects (\$19,514), early and mid-stage US development projects (\$6,148), and other early and mid-stage development projects (\$12,714).

(B) Reconciliation to Cash Additions

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

	Nine months ended	
	Sep 30, 2025	Sep 30, 2024
Capitalized costs during the period	106,921	65,610
Adjustment for change in additions to PUD included in accounts payable and accrued liabilities	(8,341)	(9,253)
Cash additions	98,580	56,357

9. LONG-TERM DEBT

(A) Components of Long-term Debt

As at	Sep 30, 2025	Dec 31, 2024
CPC credit facilities	129,000	108,000
Project debt		
Wind ⁽¹⁾	752,184	708,219
Solar ⁽²⁾	173,574	185,453
Gas	52,562	56,409
Hydro	61,724	62,784
Power ⁽³⁾	1,169,044	1,120,865
Less: deferred financing costs	(19,855)	(28,241)
Long-term debt	1,149,189	1,092,624
Less: current portion	(161,767)	(91,656)
	987,422	1,000,968

(1) Wind project debt consists of Amherst, Erie Shores, Glace Bay, Glen Dhu, Goulais, Grey Highlands Clean, Saint-Philémon, SkyGen, 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 \$130,349 of securities used on its letter of credit facilities.

(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 existing lenders with terms consistent with prior agreements. The new 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 September 30, 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 September 30, 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 (\$71,546 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 \$4,078, which is classified as current, has a waiver of a debt covenant in place on September 30, 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	Sep 30, 2025	Dec 31, 2024
Common shares ⁽¹⁾	137,270	137,270
Preferred shares	72,020	72,020
	<u>209,290</u>	<u>209,290</u>

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

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

	Three months ended		Nine months ended	
	Sep 30, 2025	Sep 30, 2024	Sep 30, 2025	Sep 30, 2024
Preferred shares declared ⁽¹⁾	714	765	2,142	2,156

(1) Includes current and deferred income tax expense of \$20 and \$60 for the quarter and year to date, respectively (2024 - expense of \$70 and \$74 for the quarter and year to date, respectively).

11. REVENUE BY NATURE

Capstone's power segment revenue is generated through long-term offtake contracts, as well as sales directly into the Alberta Power Pool, and under various contracts for 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, 2025	Sep 30, 2024	Sep 30, 2025	Sep 30, 2024
Wind ⁽¹⁾	23,579	20,077	101,598	87,974
Gas ⁽²⁾	18,352	9,338	36,904	22,231
Solar	11,947	12,939	28,620	30,622
Hydro	3,037	1,800	10,033	9,220
Biomass	2,526	1,671	6,406	8,004
Total	<u>59,441</u>	<u>45,825</u>	<u>183,561</u>	<u>158,051</u>

(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 Sep 30, 2025				Three months ended Sep 30, 2024			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Maintenance & operations	7,991	—	—	7,991	6,125	—	—	6,125
Wages and benefits ⁽¹⁾	4,150	2,095	506	6,751	3,992	2,041	783	6,816
Fuel & transportation	8,458	—	—	8,458	2,887	—	—	2,887
Property expenses ⁽²⁾	2,836	153	122	3,111	2,674	146	123	2,943
Professional fees ⁽³⁾	445	163	2,933	3,541	386	101	1,639	2,126
Insurance	1,201	40	—	1,241	1,271	23	—	1,294
Power facility administration	966	—	—	966	797	—	—	797
Other	451	423	302	1,176	405	356	152	913
Total	26,498	2,874	3,863	33,235	18,537	2,667	2,697	23,901

	Nine months ended September 30, 2025				Nine months ended September 30, 2024			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Maintenance & operations	20,277	—	—	20,277	17,393	—	—	17,393
Wages and benefits ⁽¹⁾	13,278	6,535	(8)	19,805	12,582	6,835	2,399	21,816
Fuel & transportation	17,423	—	—	17,423	6,184	—	—	6,184
Property expenses ⁽²⁾	7,378	426	236	8,040	7,128	325	375	7,828
Professional fees ⁽³⁾	1,278	348	5,038	6,664	1,330	280	4,046	5,656
Insurance	3,435	118	—	3,553	3,567	124	—	3,691
Power facility administration	2,523	—	—	2,523	2,200	—	—	2,200
Other	1,525	1,419	441	3,385	1,625	1,411	741	3,777
Total	67,117	8,846	5,707	81,670	52,009	8,975	7,561	68,545

(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		Nine months ended	
	Sep 30, 2025	Sep 30, 2024	Sep 30, 2025	Sep 30, 2024
Changes in derivative financial instruments fair value ⁽¹⁾	(4,751)	(21,514)	(35,734)	26,465
Loss on disposal of capital assets	(94)	(1,441)	(633)	(1,828)
Gain on disposal of PUD	—	—	—	2,813
Losses on debt financing and refinancing	—	(344)	—	(2,236)
Other	(149)	116	121	85
Other gains and (losses), net	(4,994)	(23,183)	(36,246)	25,299

(1) The year-to-date loss of \$35,734 on derivatives includes a decrease in the value of the embedded derivatives, which consist of the fuel supply and PPAs, 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 Sep 30, 2025			Three months ended Sep 30, 2024		
	Power	Corporate	Total	Power	Corporate	Total
Revenue	59,441	—	59,441	45,825	—	45,825
Expenses	(29,483)	(3,752)	(33,235)	(20,367)	(3,534)	(23,901)
EBITDA	24,853	(3,712)	21,141	667	(3,214)	(2,547)
Interest expense	(15,608)	—	(15,608)	(12,501)	—	(12,501)
Income tax recovery (expense)	3,922	805	4,727	8,342	515	8,857
Net income (loss)	(11,137)	(2,963)	(14,100)	(27,317)	(2,768)	(30,085)
Additions to capital assets	15,064	—	15,064	8,161	—	8,161
Additions to PUD ⁽¹⁾	45,867	—	45,867	41,433	—	41,433

	Nine months ended Sep 30, 2025			Nine months ended Sep 30, 2024		
	Power	Corporate	Total	Power	Corporate	Total
Revenue	183,561	—	183,561	158,051	—	158,051
Expenses	(71,154)	(10,516)	(81,670)	(57,511)	(11,034)	(68,545)
Asset impairment charges	—	—	—	(3,046)	—	(3,046)
EBITDA	74,463	(10,376)	64,087	121,495	(10,439)	111,056
Interest expense	(42,100)	—	(42,100)	(36,122)	—	(36,122)
Income tax recovery (expense)	10,003	2,233	12,236	2,867	1,646	4,513
Net income (loss)	(29,691)	(8,311)	(38,002)	16,638	(8,996)	7,642
Additions to capital assets	19,901	—	19,901	19,361	—	19,361
Additions to PUD ⁽¹⁾	106,921	—	106,921	65,610	—	65,610

(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 September 30, 2025, Capstone's aggregate capital commitments for development projects are \$16,275 for contracted development projects in British Columbia. There are no other significant changes to the specified contractual obligations that are outside the ordinary course of business.

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