

**First
Quarter
2026**

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

Financial Report for the Quarter Ended
March 31, 2026

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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, 2025 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 (other than the potential changes described in the "Changes in Business" section in this MD&A); 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 Claesholm 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 (changes in legislation and administrative policy; availability of debt and equity financing; default under credit agreements and debt instruments; 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; environmental attributes; 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).

For a comprehensive description of these risk factors, please refer to the "Risk Factors" section of the Corporation's Annual Information Form dated March 23, 2026, 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, 2026 with the comparative prior period and financial position as at March 31, 2025 and December 31, 2025, 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, 2026, and the audited annual financial statements and MD&A for the year ended December 31, 2025. Additional information about the Corporation can be found in its other public filings, specifically the Corporation's Annual Information Form dated March 23, 2026 and its MD&A and audited annual financial statements for the year ended December 31, 2025. 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, 2026, 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 2026, Capstone continues to execute on its strategic objectives, 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, in the current period:

Name of project	Status	Gross MW	Jurisdiction	Technology
BC contracted projects	Contracted development	537	British Columbia	Wind
Early-stage development projects	Development	>3,900	Canada	Wind/Solar/Storage
MW capacity in Canada		>4,400		

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.

Alberta Reviews Electricity Sector Regulations

During the first quarter of 2026, the Province of Alberta and the Alberta Electric System Operator (the "AESO") continued to implement structural changes to the province's transmission planning, market design, and industrial carbon pricing frameworks. These changes continue to alter the rules under which the Corporation's Alberta facilities were planned, financed, and built, and adversely affect their operating economics. Those facilities are Wild Rose 2 (192 MW wind which achieved commercial operation in August 2025), Claresholm (132 MW solar), Buffalo Atlee (61 MW wind), Whitecourt (25 MW biomass), and Kneehill and Michichi (50 MW combined solar).

In January 2026, the AESO published the Optimal Transmission Planning Framework ("OTP"). The OTP formalized the cost-benefit standard that, by virtue of amendments to the *Transmission Regulation* effective July 9, 2025, replaced Alberta's long standing zero-congestion transmission planning standard. The change in standards was codified in and authorized by amendments to the *Electric Utilities Act* and the *Transmission Regulation*. The Corporation's Alberta facilities were planned and financed in reliance on that prior standard, which required transmission of all anticipated in-merit electricity under normal operating conditions and at least 95% of the time under abnormal operating conditions.

On March 12, 2026, the AESO published, and the Minister of Affordability and Utilities approved, the Restructured Energy Market ("REM") ISO Rules package ("REM ISO Rules"). The REM ISO Rules pertain to a wide range of electricity market changes.

The changes being implemented pursuant to the OTP and REM ISO Rules, absent mitigation, will introduce several significant unanticipated costs and risks to the detriment of incumbent renewable generators, including the Corporation's Alberta facilities. In particular, the following elements were not present at the time of investment:

- (i) locational marginal pricing replacing the uniform pool price: generators in congestion constrained zones will face persistent local price discounts to the province-wide average locational price;
- (ii) under the OTP standard, transmission expansion for already congested zones will proceed only where the AESO determines that system wide benefits outweigh costs, exposing existing facilities in deferred-build corridors to sustained curtailment for an indefinite period; and
- (iii) under the new ancillary service provisions: changes such as a new co-optimized real time ramping ("R30") product and revised ancillary services cost allocation methodology codified in the REM ISO Rules, are expected to transfer costs previously borne by load to fall disproportionately on variable output renewable generators (i.e. solar and wind).

The Minister of Affordability and Utilities' July 15, 2025 direction letter to the AESO and the AESO's August 27, 2025 *REM: Final Design* contemplate an Incumbent Transition Payment (the "ITP") for generators that achieved final investment decision on or before July 9, 2025 (including Capstone's Alberta facilities). The ITP is not contained in the REM ISO Rules approved on March 12, 2026 as the AESO has identified incumbent generators as subject to "forthcoming Government policy decisions" requiring future revisions to the REM ISO Rules prior to REM commencement. As described in the Minister's direction letter and *REM: Final Design*, the ITP would compensate for a "pre-allocated" volume of generation that has not yet been defined. The ITP would expire at the lesser of eight years from REM launch or asset retirement, which leaves the majority of each affected facility's operating life unmitigated. The Minister is expected to introduce regulations regarding the treatment of incumbent generators.

Separately, on November 27, 2025, the Government of Canada and the Province of Alberta signed a Memorandum of Understanding ("MOU") under which the federal *Clean Electricity Regulations* are suspended in Alberta pending a new carbon pricing equivalency agreement. The execution of an equivalency agreement was due April 1, 2026 and has not yet been executed, however negotiations remain ongoing. The MOU contemplates a \$130/tonne minimum effective carbon price for industrial emitters. If implemented, the equivalency agreement would partially restore the federal carbon price trajectory under which the Corporation's facilities were originally financed. Whether and how the equivalency agreement is implemented is not within the Corporation's control. The Province of Alberta also enacted amendments to the Technology Innovation and Emissions Reduction ("TIER") Regulation in September and December of 2025, which introduced a direct investment compliance pathway and an opt-out for certain previously opted in facilities. The combined effect of these provincial and federal developments on the carbon related revenue available to the Corporation's Alberta facilities is uncertain and may lead to further adverse outcomes.

Capstone continues to monitor and engage in the consultation and regulatory processes described above to assess forthcoming regulatory changes and is actively working to help achieve the most appropriate and equitable outcome for incumbent renewable generators. The Corporation cannot at this time predict the final form of any regulations, the level or design of incumbent transition support that will be made available, or the outcome of the federal and provincial equivalency negotiation. However, the REM ISO Rules and changes to the *Transmission Regulation*, if enacted without sufficient protection for incumbent generators, could result in a substantial write-down of the carrying value of the affected assets.

SUBSEQUENT EVENTS

Cardinal Debt Extension

On March 30, 2026, the Cardinal term loan was extended, and subsequently on April 21, 2026, Cardinal secured a five year extension of the term loan with existing lenders on terms consistent with prior agreements. The term loan increased by \$17,980 and now matures on April 1, 2031. To mitigate interest risk, swap contracts were executed to convert the floating interest rate obligations to a fixed rate. As a result of the refinancing and reserve releases, distributions of \$20,500 were paid to CPC.

RESULTS OF OPERATIONS

Overview

In 2026, Capstone's EBITDA and net income were both higher in the first quarter, compared to the same period in the prior year. Higher EBITDA primarily reflects:

- Lower losses from lower unrealized fair value changes on derivative financial instruments;
- Contributions from Cardinal on more market runs, reflected by higher revenue exceeding added expenses; and
- Additional revenue and expenses from Wild Rose 2, which achieved COD in August 2025, partially offset by lower resource and production at the wind facilities and Whitecourt, respectively and lower Alberta Power Pool prices.

	Three months ended		
	Mar 31, 2026	Mar 31, 2025	Change
Revenue	71,127	63,643	7,484
Expenses	(29,452)	(23,768)	(5,684)
Other income and expenses	(4,639)	(25,711)	21,072
EBITDA	37,036	14,164	22,872
Interest expense	(16,792)	(13,297)	(3,495)
Depreciation and amortization	(26,409)	(24,403)	(2,006)
Income tax recovery (expense)	1,062	5,208	(4,146)
Net income	(5,103)	(18,328)	13,225

The remaining change in net income primarily reflects:

- Higher interest expense and depreciation and amortization due to the addition of Wild Rose 2; and
- The tax recovery in 2026, primarily attributable to the recovery on tax losses, partially offset by expense on capital assets and financial instruments.

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 electricity and emissions offset credits, which vary in nature as disaggregated below.

Revenue	Three months ended		
	Mar 31, 2026	Mar 31, 2025	Change
Wind ^{(1), (2)}	45,347	42,839	2,508
Gas ⁽³⁾	15,811	10,288	5,523
Solar ⁽²⁾	5,797	5,427	370
Hydro	2,801	3,089	(288)
Biomass ⁽²⁾	1,371	2,000	(629)
Total Revenue	71,127	63,643	7,484

(1) Wind includes revenue earned during project commissioning at Wild Rose 2 in 2025.

(2) Wind, biomass, and solar facilities include revenue from the generation and sale of electricity at market rates.

(3) Gas revenue at Cardinal consists of fixed payments for providing capacity and availability based on its PPA and other contracts; the remaining revenue is variable based on production.

Power generated (GWh)	Three months ended		
	Mar 31, 2026	Mar 31, 2025	Change
Wind	467.7	387.9	79.8
Gas	25.3	13.5	11.8
Solar	73.9	64.1	9.8
Hydro	33.5	32.7	0.8
Biomass	39.3	47.7	(8.4)
Total Power	639.7	545.9	93.8

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 5 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 16 years remaining on the current PPAs, with the earliest expiry in 2040.

Capstone has generated approximately 450,000 unsold units of tCO₂e emissions offset credits during 2026, 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 2025:

Three months	Explanations
5,695	Revenue from adding Wild Rose 2 (COD: August 2025).
5,523	Higher revenue at Cardinal due to more market runs.
(3,187)	Lower revenue from the wind facilities, excluding Wild Rose 2, due to lower resource and lower Alberta Power Pool Prices.
(629)	Lower revenue at Whitecourt due to lower production and lower Alberta Power Pool Prices.
82	Various other changes.
7,484	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, 2026	Mar 31, 2025	Change
Wind	(9,149)	(7,322)	(1,827)
Gas	(8,832)	(7,543)	(1,289)
Solar	(1,390)	(1,457)	67
Hydro	(964)	(980)	16
Biomass	(3,600)	(2,940)	(660)
Power operating expenses	(23,935)	(20,242)	(3,693)
Administrative expenses	(3,005)	(2,923)	(82)
Project development costs	(2,512)	(603)	(1,909)
Total Expenses	(29,452)	(23,768)	(5,684)

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 2025:

Three months	Explanations
(1,954)	Higher expenses from adding Wild Rose 2 (COD: August 2025).
(1,909)	Higher project development costs in 2026 due to lower recovery of staff costs from equity accounted investment in 2026.
(1,289)	Higher fuel costs at Cardinal due to more market runs in 2026.
(532)	Various other changes.
<u>(5,684)</u>	<u>Change in expenses.</u>

FINANCIAL POSITION REVIEW

Overview

As at March 31, 2026, Capstone's working capital was a \$231,277 deficit, compared with a deficit of \$22,890 as at December 31, 2025. Of the \$231,277 deficit, \$212,296 relates to current debt maturing in March 2027: \$127,000 for the CPC revolving credit facility and \$85,296 for the Wild Rose 2 ITC Bridge Facility. Capstone expects to repay the ITC Bridge Facility with proceeds on filing for recoverable investment tax credits in 2026, following Wild Rose 2 COD in 2025. In addition, management is evaluating options to refinance or extend the CPC revolving credit facility, along with a \$20,500 payment toward the CPC revolving credit facility from proceeds from the Cardinal debt extension. Refer to the "Subsequent Events" section of this MD&A.

Capstone has adequate financial flexibility to meet liquidity needs and support further growth, including \$48,970 of unrestricted cash and cash equivalents, and \$119,405 of available credit facility capacity.

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.

The terms of Capstone's project level credit facilities generally require the maintenance of a minimum debt service coverage ratio to distribute cash to partners. As of March 31, 2026, the ratios at Wild Rose 2, Buffalo Atlee, Kneehill and Michichi were below the minimum threshold, restricting cash distributions.

Liquidity

Working capital

As at	Mar 31, 2026	Dec 31, 2025
Power	(234,468)	(23,414)
Corporate	3,191	524
Working capital (equals current assets, less current liabilities)	<u>(231,277)</u>	<u>(22,890)</u>

Capstone's working capital was \$208,387 lower than December 31, 2025, mainly due to the power segment. The power segment's decrease reflects the reclassification of the \$127,000 drawn on the CPC revolving credit facility to current due to its upcoming maturity in 2027 together with an \$85,296 increase in current debt at Wild Rose 2 due to the upcoming maturity of the ITC Bridge Facility on March 31, 2027, which is expected to be repaid from recoverable investment tax credits. The increases were partially offset by a decrease in accounts payable and other liabilities of \$8,715 due to settlement of payables.

Cash and cash equivalents

As at	Mar 31, 2026	Dec 31, 2025
Power	47,954	45,720
Corporate	1,016	1,506
Unrestricted cash and cash equivalents	<u>48,970</u>	<u>47,226</u>

These funds are available for operating activities, capital expenditures, and future development or acquisitions. The \$1,744 increase consists of a \$2,234 higher and \$490 lower balance at power and corporate, respectively.

Cash at the power segment includes \$5,316 at CPC and \$42,638 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 \$119,405 of credit facility capacity, of which over \$92,885 is available to be drawn in cash, at March 31, 2026.

Cash flow

Capstone's consolidated cash and cash equivalents for the period increased by \$1,744 in 2026 compared with a decrease of \$4,420 in 2025. 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, 2026	Mar 31, 2025
Operating activities	22,916	21,002
Investing activities	(5,131)	(47,978)
Financing activities (excluding dividends to shareholders)	(15,347)	23,250
Dividends paid to shareholders	(694)	(694)
Change in cash and cash equivalents	1,744	(4,420)

Cash flow from operating activities was \$1,914 higher in 2026 due to an increase of \$3,144 from corporate, partially offset by a decrease of \$1,230 from the power segment. The increase reflects changes in working capital.

Cash flow used in investing activities was comparatively \$42,847 lower in 2026 mainly because of lower spend in projects under development ("PUD"). In 2026, \$2,816 was spent progressing development projects, compared to \$34,482 in 2025, mainly at Wild Rose 2.

Cash flow from financing activities was \$38,597 lower in 2026, driven by \$38,697 lower proceeds from long-term debt and \$2,267 higher repayments of debt, partially offset by \$2,500 higher proceeds from government funding.

Long-term Debt

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

	Dec 31, 2025	Additions	Repayments	Other	Mar 31, 2026
Long-term debt ^{(1), (2), and (3)}	1,153,613	5,500	(20,388)	—	1,138,725
Deferred financing fees	(13,317)	(255)	—	887	(12,685)
	1,140,296	5,245	(20,388)	887	1,126,040
Less: current portion of long-term debt ⁽⁴⁾	(113,680)	—	—	(212,179)	(325,859)
	1,026,616	5,245	(20,388)	(211,292)	800,181

(1) The power segment has \$181,470 of securities used on its letter of credit facilities.

(2) Additions of \$5,500 reflect amounts drawn on the CPC revolving credit facility.

(3) Repayments of \$20,388 include \$16,388 scheduled repayments on the various project debt facilities and \$4,000 on the CPC revolving credit facility.

(4) Change of \$212,179 mainly reflects an increase of \$127,000 at CPC and \$86,485 at Wild Rose 2 ITC bridge facility and term loan.

As at March 31, 2026, Capstone's long-term debt consisted of \$1,011,725 of project debt and \$127,000 for the CPC revolving credit facility. The current portion of long-term debt of \$325,859 includes \$127,000 for the CPC revolving credit facility and \$85,296 for the Wild Rose 2 ITC Bridge Facility, both maturing in 2027, \$50,021 at Cardinal (which was extended to long-term subsequent to March 31, 2026 - refer to the "Subsequent Events" section of this MD&A), and scheduled debt amortization of \$60,138. Capstone expects to repay the ITC Bridge Facility from recoverable investment tax credits and the scheduled amortization from income generated by the power assets and is evaluating readily available options to refinance or extend the CPC revolving credit facility.

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, 2026	Dec 31, 2025
Common shares	137,270	137,270
Preferred shares ⁽¹⁾	72,020	72,020
Share capital	209,290	209,290
Retained earnings	30,641	37,758
Equity attributable to Capstone shareholders	239,931	247,048
Non-controlling interests	88,822	88,737
Total shareholders' equity	328,753	335,785

(1) Capstone has 3,000 publicly listed Series A preferred shares on the Toronto Stock Exchange.

Capital Expenditure Program

Capstone's power segment incurred \$4,892 of capital expenditures during the three months ended March 31, 2026, which included \$2,173 of costs capitalized to PUD and \$2,719 of capital asset additions, excluding right-of-use ("ROU") asset additions.

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 March 31, 2026, Capstone has \$16,275 of aggregate capital commitments for development projects.

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

As at	Mar 31, 2026	Dec 31, 2025
Derivative contract assets	24,544	26,028
Derivative contract liabilities	(30,718)	(26,030)
Net derivative contract assets (liabilities)	(6,174)	(2)

Net derivative contract assets decreased by \$6,172 from December 31, 2025, due to losses of \$5,637 in the statement of income and contractual settlements of \$535 receivable.

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

	Three months ended	
	Mar 31, 2026	Mar 31, 2025
Interest rate swap contracts	1,787	(11,297)
Embedded derivatives ⁽¹⁾	(7,424)	(13,844)
Gains (losses) on derivatives in net income and comprehensive income	(5,637)	(25,141)

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

The loss reflects changes in forecasted Alberta Power Pool prices and interest rates during the swap periods since December 31, 2025.

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, 2025 and the "Risk Factors" section of the Annual Information Form ("AIF") dated March 23, 2026 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, 2025 and the "Environmental, Health, and Safety" section of the Corporation's Annual Information Form dated March 23, 2026, 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.

	2026		2025			2024		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	71,127	79,185	59,441	60,477	63,643	61,224	45,825	53,989
EBITDA	37,036	70,593	21,141	28,782	14,164	21,977	(2,547)	35,013
Net income (loss) ⁽¹⁾	(6,403)	23,438	(12,795)	(6,995)	(18,757)	(13,583)	(26,881)	(902)
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

Changes in Accounting Standards

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and are consistent with the policies for the year ended December 31, 2025, except for narrow-scope amendments to IFRS 9 and IFRS 7, which were adopted on January 1, 2026.

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 provide guidance on the 'own-use' exemption for net-purchasers of energy and the application of hedge accounting for such contracts.

In addition, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* that clarify the timing of derecognition of financial liabilities and introduce an accounting policy option to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specified criteria are met.

The adoption of both these amendments do not impact the consolidated financial statements.

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 adoption will have on disclosure in the consolidated financial statements.

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 Material Accounting Policies" in the most recent annual financial statements for the year ended December 31, 2025 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:	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. Future economic and regulatory changes.
Deferred income taxes	<ul style="list-style-type: none"> Timing of reversal of temporary differences, tax rates and current and future taxable income.
Financial instruments and fair value measurements	<ul style="list-style-type: none"> Future cash flows, discount rates, realizable forward Alberta Power Pool prices, volatility, credit spreads and production projections.
Accounting for investments in non-wholly owned subsidiaries	<ul style="list-style-type: none"> Determine how relevant activities are directed (either through voting rights or contracts); Determine if Capstone has substantive or protective rights; and Determine Capstone's ability to influence returns.

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, 2026 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, 2025, 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, 2026	Dec 31, 2025
Current assets			
Cash and cash equivalents		48,970	47,226
Restricted cash		38,583	38,957
Accounts receivable		46,995	57,359
Other assets		4,759	3,959
Current portion of derivative contract assets	5	6,528	7,321
		145,835	154,822
Non-current assets			
Loans receivable	4	23,282	23,212
Derivative contract assets	5	18,016	18,707
Equity accounted investments	6	6,331	6,316
Capital assets	7	1,327,178	1,348,352
Projects under development	8	46,632	44,459
Intangible assets		96,781	99,367
Deferred income tax assets		8,526	7,214
Total assets		1,672,581	1,702,449
Current liabilities			
Accounts payable and other liabilities		46,343	58,152
Current portion of derivative contract liabilities	5	3,086	4,094
Current portion of lease liabilities		1,824	1,786
Current portion of long-term debt	9	325,859	113,680
		377,112	177,712
Long-term liabilities			
Derivative contract liabilities	5	27,632	21,936
Deferred income tax liabilities		66,784	67,390
Lease liabilities		56,554	57,676
Long-term debt	9	800,181	1,026,616
Liability for asset retirement obligation		15,565	15,334
Total liabilities		1,343,828	1,366,664
Equity attributable to shareholders of Capstone		239,931	247,048
Non-controlling interest		88,822	88,737
Total liabilities and shareholders' equity		1,672,581	1,702,449
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, 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

	Notes	Equity attributable to shareholders of Capstone			NCI ⁽²⁾	Total Equity
		Share Capital	AOCI ⁽¹⁾	Retained Earnings		
Balance, December 31, 2025		209,290	—	37,758	88,737	335,785
Net income (loss) for the period		—	—	(6,403)	1,300	(5,103)
Dividends declared to preferred shareholders of Capstone ⁽³⁾	10	—	—	(714)	—	(714)
Dividends declared to NCI		—	—	—	(1,215)	(1,215)
Balance, March 31, 2026		209,290	—	30,641	88,822	328,753

(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 \$20 (2025 - recovery of \$12).

See accompanying notes to these consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Notes	Three months ended	
		Mar 31, 2026	Mar 31, 2025
Revenue	11	71,127	63,643
Operating expenses	12	(23,935)	(20,242)
Administrative expenses	12	(3,005)	(2,923)
Project development costs	12	(2,512)	(603)
Equity accounted income (loss)	6	(18)	(1,390)
Interest income		621	795
Other gains and (losses), net	13	(5,490)	(25,239)
Foreign exchange gain (loss)		248	123
Earnings before interest expense, taxes, depreciation and amortization		37,036	14,164
Interest expense		(16,792)	(13,297)
Depreciation of capital assets	7	(23,823)	(21,545)
Amortization of intangible assets		(2,586)	(2,858)
Earnings (losses) before income taxes		(6,165)	(23,536)
Income tax recovery (expense)			
Current		(598)	(308)
Deferred		1,660	5,516
Total income tax recovery (expense)		1,062	5,208
Net income (loss)		(5,103)	(18,328)
Attributable to:			
Shareholders of Capstone		(6,403)	(18,757)
Non-controlling interest		1,300	429
		(5,103)	(18,328)

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Three months ended	
		Mar 31, 2026	Mar 31, 2025
Cumulative differences on translation of foreign operations		—	(7)
Other comprehensive income (loss)		—	(7)
Net income (loss)		(5,103)	(18,328)
Total comprehensive income (loss)		(5,103)	(18,335)
Comprehensive income (loss) attributable to:			
Shareholders of Capstone		(6,403)	(18,764)
Non-controlling interest		1,300	429
		(5,103)	(18,335)

See accompanying notes to these consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended	Notes	Mar 31, 2026	Mar 31, 2025
Operating activities:			
Net income (loss)		(5,103)	(18,328)
Deferred income tax expense (recovery)		(1,660)	(5,516)
Depreciation and amortization		26,409	24,403
Non-cash other (gains) and losses, net		6,426	26,410
Transaction costs on debt		(255)	(88)
Amortization of deferred financing costs and non-cash financing costs		1,118	2,875
Equity accounted (income) loss		18	1,390
Change in non-cash working capital and foreign exchange		(4,037)	(10,144)
Total cash flows from operating activities		22,916	21,002
Investing activities:			
Investment in projects under development	8	(2,816)	(34,482)
Investment in capital assets	7	(2,656)	(5,917)
Contributions to equity accounted investments	6	(33)	(2,004)
Decrease (increase) in restricted cash		374	(5,575)
Total cash flows used in investing activities		(5,131)	(47,978)
Financing activities:			
Proceeds from issuance of long-term debt		5,500	44,197
Proceeds from government funding		2,500	—
Repayment of long-term debt		(20,388)	(18,121)
Lease principal payments		(1,511)	(857)
Dividends paid to non-controlling interests		(1,215)	(1,479)
Dividends paid to preferred shareholders		(694)	(694)
Advances on loans receivable to partner		(233)	(490)
Total cash flows from (used in) financing activities		(16,041)	22,556
Increase (decrease) in cash and cash equivalents		1,744	(4,420)
Cash and cash equivalents, beginning of period		47,226	46,742
Cash and cash equivalents, end of period		48,970	42,322
Supplemental information:			
Interest paid		15,368	12,470
Taxes paid		278	296

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, 2026, 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 MATERIAL ACCOUNTING POLICIES

There have been no material changes to Capstone's accounting standards during the first three months of 2026.

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, 2025. 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 2025 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, 2025 and the "Risk Factors" section of the Annual Information Form ("AIF") dated March 23, 2026, 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, 2026. 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.

Changes in Accounting Standards

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and are consistent with the policies for the year ended December 31, 2025, except for narrow-scope amendments to IFRS 9 and IFRS 7, which were adopted on January 1, 2026.

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 provide guidance on the 'own-use' exemption for net-purchasers of energy and the application of hedge accounting for such contracts.

In addition, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* that clarify the timing of derecognition of financial liabilities and introduce an accounting policy option to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specified criteria are met.

The adoption of both these amendments do not impact the consolidated financial statements.

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.

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

	Mar 31, 2026	Dec 31, 2025
Loans to partners ⁽¹⁾	23,282	23,212

(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, 2026	Dec 31, 2025
Derivative contract assets:					
Embedded derivatives ⁽¹⁾	—	—	4,955	4,955	6,695
Interest rate swap contracts	—	19,589	—	19,589	19,333
Less: current portion	—	(5,128)	(1,400)	(6,528)	(7,321)
	—	14,461	3,555	18,016	18,707
Derivative contract liabilities:					
Embedded derivatives ⁽¹⁾	—	—	25,620	25,620	19,400
Interest rate swap contracts	—	5,098	—	5,098	6,630
Less: current portion	—	(3,086)	—	(3,086)	(4,094)
	—	2,012	25,620	27,632	21,936

(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 \$1,133,236 compared to a carrying value of \$1,126,040.

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 three months ended March 31, 2026, 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, 2026 balances and on the basis that the balances and the energy contracts that are financial instruments in place at March 31, 2026 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, 2026	Unobservable inputs	Estimated input	Relationship of input to fair value
(20,665)	Realizable forward Alberta Power Pool prices	From \$34/MWh to \$102/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 \$12,976 and increase by \$12,935, respectively.

6. EQUITY ACCOUNTED INVESTMENTS

As at	Ownership %	Mar 31, 2026 Carrying Value	Dec 31, 2025 Carrying Value
Obra Maestra	50%	5,913	5,938
Other	47%	418	378
Total		<u>6,331</u>	<u>6,316</u>

Capstone's March 31, 2026 consolidated financial statements include its 50% interest in Obra Maestra, as an equity accounted investment adjusted by contributions, distributions and share of net income (loss), subsequent to the initial contributions 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, 2026	6,316	(18)	33	6,331
March 31, 2025	7,018	(1,390)	2,004	7,632

(1) The 2026 net income (loss) includes a \$49 recovery (2025 - recovery of \$2,292) of Capstone staff costs directly attributable to the projects, of which \$268 is receivable at March 31, 2026 in Capstone's consolidated statements. Refer to note 12.

7. CAPITAL ASSETS

(A) Continuity

	2026
As at January 1	1,348,352
Additions	3,147
Disposals	(498)
Depreciation	<u>(23,823)</u>
As at March 31	<u>1,327,178</u>

(B) Reconciliation to Cash Additions

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

	Three months ended	
	Mar 31, 2026	Mar 31, 2025
Additions	3,147	2,639
Adjustment for non-cash ROU asset additions	(428)	—
Adjustment for change in capital asset additions included in accounts payable and accrued liabilities	(63)	3,278
Cash additions	<u>2,656</u>	<u>5,917</u>

(C) Alberta Electricity Sector Regulations

On March 12, 2026, the AESO published, and the Minister of Affordability and Utilities approved, the Restructured Energy Market ("REM") ISO Rules package. In January 2026, the AESO published the Optimal Transmission Planning Framework ("OTP"), formalizing the cost-benefit standard that, by virtue of amendments to the transmission regulation effective July 9, 2025, replaced Alberta's long standing zero-congestion transmission planning standard. The changes now being implemented, absent mitigation, will introduce several significant unanticipated costs and risks to the detriment to Capstone's Alberta facilities, including Wild Rose 2, Claresholm, Buffalo Atlee, Whitecourt, and Michichi and Kneehill facilities.

Capstone continues to monitor the regulatory process to assess where the final regulations will land and is actively working to help inform the most appropriate and equitable outcome for incumbent renewable generators. The Corporation cannot at this time predict the final form of the regulations, the level or design of incumbent transition support that will be made available, or the outcome of the federal and provincial equivalency negotiation, but believes that the regulations, if enacted in their current form, could result in a substantial write-down of the carrying value of the affected assets.

8. PROJECTS UNDER DEVELOPMENT ("PUD")

(A) Continuity

	2026
As at January 1	44,459
Capitalized costs during the period	2,173
As at March 31 ⁽¹⁾	<u>46,632</u>

(1) The balance primarily includes costs to develop the BC contracted projects (\$27,393), and other early-stage development projects (\$19,239).

(B) Reconciliation to Cash Additions

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

	Three months ended	
	Mar 31, 2026	Mar 31, 2025
Capitalized costs during the period	2,173	30,078
Adjustment for change in additions to PUD included in accounts payable and accrued liabilities	643	4,404
Cash additions	<u>2,816</u>	<u>34,482</u>

9. LONG-TERM DEBT

(A) Components of Long-term Debt

As at	Mar 31, 2026	Dec 31, 2025
CPC credit facilities	127,000	125,500
Project debt		
Wind ⁽¹⁾	730,414	743,982
Solar ⁽²⁾	170,577	171,989
Hydro	60,713	60,867
Gas	50,021	51,275
Power ⁽³⁾	<u>1,138,725</u>	<u>1,153,613</u>
Less: deferred financing costs	<u>(12,685)</u>	<u>(13,317)</u>
Long-term debt	<u>1,126,040</u>	<u>1,140,296</u>
Less: current portion	<u>(325,859)</u>	<u>(113,680)</u>
	<u>800,181</u>	<u>1,026,616</u>

(1) Wind project debt consists of Amherst, Erie Shores, Glace Bay, Glen Dhu, Goulais, Grey Highlands Clean, Saint-Philémon, SkyGen, SLGR, SWNS, Riverhurst, Buffalo Atlee, and Wild Rose 2 term facilities.

(2) Solar project debt consists of Claresholm, Amherstburg, Michichi, and Kneehill term facilities.

(3) The power segment has \$181,470 of securities used on its letter of credit facilities.

(4) The balance at March 31, 2026 includes \$127,000 at CPC, \$86,485 at Wild Rose 2, \$50,021 at Cardinal, and the remainder is scheduled debt amortization. Refer to note 9(d) below.

(B) Financing Changes

Cardinal debt extension

On March 30, 2026, the Cardinal term loan was extended and subsequently, on April 21, 2026, Cardinal secured a five year extension of the term loan with existing lenders on terms consistent with prior agreements. The term loan increased by \$17,980 and now matures on April 1, 2031. To mitigate interest risk, swap contracts were executed to convert the floating interest rate obligations to a fixed rate. As a result of the refinancing and reserve releases, distributions of \$20,500 were paid to CPC.

(C) Debt Covenants

The Corporation has financial liabilities in its power operating segments and at corporate that contain a number of standard financial and other covenants. Failure to comply with terms and covenants in some of Capstone's credit facilities could result in a default, which, if not cured or waived, could cause the financial liability to become repayable within twelve months of the reporting period. 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.

The terms of Capstone's project level credit facilities generally require the maintenance of a minimum debt service coverage ratio to distribute cash to partners. As of March 31, 2026, ratios at Wild Rose 2, Buffalo Atlee, Kneehill and Michichi were below the minimum threshold, restricting cash distributions.

As at March 31, 2026, the following summarizes the covenants which if not met could result in repayment:

- The CPC credit facilities include leverage ratio and interest coverage ratio covenants which must be met 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 (\$68,188 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 \$3,404, which is currently in default of its coverage ratio covenant.

As at March 31, 2026, Capstone and its subsidiaries continue to comply with all debt covenants, except as noted above.

(D) Liquidity

As at March 31, 2026, Capstone's long-term debt consisted of \$1,011,725 of project debt and \$127,000 for the CPC revolving credit facility. The current portion of long-term debt balance of \$325,859 includes \$127,000 at CPC, \$86,485 at Wild Rose 2, \$50,021 at Cardinal, and the remainder is scheduled debt amortization. Capstone is evaluating readily available options to refinance or extend the CPC revolving credit facility and expects to repay the ITC Bridge Facility from recoverable investment tax credits. Cardinal's term loan was extended subsequent to quarter end (refer to note 9(b) above), and the scheduled amortization is expected to be repaid from income generated by the power assets.

10. SHAREHOLDERS' EQUITY

The following table summarizes the Corporation's share capital:

As at	Mar 31, 2026	Dec 31, 2025
Common shares	137,270	137,270
Preferred shares	72,020	72,020
	<u>209,290</u>	<u>209,290</u>

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

	Three months ended	
	Mar 31, 2026	Mar 31, 2025
Preferred shares declared ⁽¹⁾	714	682

(1) Includes current and deferred income tax expense of \$20 for the quarter (2025 - recovery of \$12 for the quarter).

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 electricity and associated emissions offset credits, which vary in nature as disaggregated below. The corporate activities do not generate revenue.

	Three months ended	
	Mar 31, 2026	Mar 31, 2025
Wind ^{(1), (2)}	45,347	42,839
Gas ⁽³⁾	15,811	10,288
Solar ⁽²⁾	5,797	5,427
Hydro	2,801	3,089
Biomass ⁽²⁾	1,371	2,000
Total	<u>71,127</u>	<u>63,643</u>

(1) Wind includes revenue earned during project commissioning at Wild Rose 2 in 2025.

(2) Wind, biomass, and solar facilities include revenue from the generation and sale of electricity at market rates.

(3) Gas revenue at Cardinal consists of fixed payments for providing capacity and availability based on its PPA and other contracts; the remaining revenue is variable based on production.

12. EXPENSES BY NATURE

	Three months ended March 31, 2026				Three months ended March 31, 2025			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Wages and benefits ⁽¹⁾	5,188	2,544	1,108	8,840	4,630	2,064	(888)	5,806
Fuel & transportation	6,983	—	—	6,983	5,292	—	—	5,292
Maintenance & operations	6,013	—	—	6,013	5,318	—	—	5,318
Property expenses ⁽²⁾	2,663	156	64	2,883	2,107	148	94	2,349
Professional fees ⁽³⁾	399	76	1,069	1,544	386	87	1,167	1,640
Insurance	1,256	31	—	1,287	1,165	38	—	1,203
Power facility administration	924	—	—	924	734	—	—	734
Other	509	198	271	978	610	586	230	1,426
Total	23,935	3,005	2,512	29,452	20,242	2,923	603	23,768

(1) Wages and benefits include project development direct staff costs, net of recovery of staff costs from an equity accounted investment in 2026 - \$49 (2025 - \$2,292). 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, 2026	Mar 31, 2025
Changes in derivative financial instruments fair value ⁽¹⁾	(5,637)	(25,141)
Loss on disposal of capital assets	(255)	(48)
Other	402	(50)
Other gains and (losses), net	(5,490)	(25,239)

(1) The loss of \$5,637 on derivatives includes a decrease in the value of the embedded derivatives, which consist of the fuel supply and PPA contracts, partially offset by gains 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. 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, 2026			Three months ended March 31, 2025		
	Power	Corporate	Total	Power	Corporate	Total
Revenue	71,127	—	71,127	63,643	—	63,643
Expenses	(28,456)	(996)	(29,452)	(20,230)	(3,538)	(23,768)
EBITDA	38,011	(975)	37,036	17,645	(3,481)	14,164
Interest expense	(16,792)	—	(16,792)	(13,297)	—	(13,297)
Income tax recovery (expense)	758	304	1,062	3,540	1,668	5,208
Net income (loss)	(4,376)	(727)	(5,103)	(16,459)	(1,869)	(18,328)
Additions to capital assets	3,147	—	3,147	2,639	—	2,639
Additions to PUD ⁽¹⁾	2,173	—	2,173	30,078	—	30,078

(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, 2025. As at March 31, 2026, Capstone has \$16,275 of aggregate capital commitments for development projects. There are no other significant changes to the specified contractual obligations that are outside the ordinary course of business.

CONTACT INFORMATION

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