CAPSTONE INFRASTRUCTURE CORPORATION

Financial Report for the Quarter Ended March 31, 2022

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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, 2021 under the headings "Changes in the Business", "Results of Operations" and "Financial Position Review", as updated in subsequently filed MD&A of the Corporation (such documents are available under the Corporation's SEDAR profile at www.sedar.com).

Other potential material factors or assumptions that were applied in formulating the forward-looking statements contained herein include or relate to the following: that the business and economic conditions affecting the Corporation's operations will continue substantially in their current state, including, with respect to industry conditions, general levels of economic activity, regulations, weather, taxes 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 wind or solar 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; that the conversion rights pursuant to the convertible debenture issued in connection with the Ganaraska, Grey Highlands ZEP, Snowy Ridge and Settlers Landing wind facilities are exercised; market prices for electricity in Ontario and the amount of hours that the Cardinal Facility is dispatched; the price that the Claresholm Solar 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 market price for electricity in Alberta, and the Whitecourt Biomass Facility's agreement with Millar Western, which includes sharing mechanisms regarding the price received for electricity sold by the facility.

Although the Corporation believes that it has a reasonable basis for the expectations reflected in these forward-looking statements, actual results may differ from those suggested by the forward-looking statements for various reasons, including: risks related to the Corporation's securities (controlling shareholder; dividends on common shares and preferred shares are not guaranteed; volatile market price for the Corporation's securities); risks related to the Corporation and its businesses (availability of debt and equity financing; default under credit agreements and debt instruments; geographic concentration; acquisitions, development and integration; environmental, health and safety; changes in legislation and administrative policy; foreign exchange fluctuations; reliance on key personnel); and risks related to the Corporation's power facilities (power purchase agreements; operational performance; market price for electricity; contract performance and reliance on suppliers ; completion of the Corporation's wind and solar development projects; land tenure and related rights; the COVID-19 pandemic; environmental; insurance coverage; climate change; cybersecurity and reliance on information technology; regulatory environment; environmental attributes; US jurisdiction; US tax incentives and availability of tax equity financing).

For a comprehensive description of these risk factors, please refer to the "Risk Factors" section of the Corporation's Annual Information Form dated March 22, 2022, as supplemented by disclosure of risk factors contained in any subsequent annual information form, material change reports (except confidential material change reports), business acquisition reports, interim financial statements, interim management's discussion and analysis and information circulars filed by the Corporation with the securities commissions or similar authorities in Canada (which are available under the Corporation's SEDAR profile at www.sedar.com).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Management's discussion and analysis ("MD&A") summarizes Capstone Infrastructure Corporation's (the "Corporation" or "Capstone") consolidated operating results and cash flows for the three months ended March 31, 2022 with the comparative prior period and the Corporation's financial position as at March 31, 2021 and December 31, 2021.

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, 2022, and the financial statements and MD&A for the year ended December 31, 2021. Additional information about the Corporation can be found in its other public filings, specifically the Corporation's Annual Information Form dated March 22, 2022 and its MD&A and audited annual financial statements for the year ended December 31, 2021. These filings are available under the Corporation's profile on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

This MD&A is dated May 12, 2022, 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 ("IFRS") 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. EBITDA is an additional GAAP performance measure and does not have a standardized meaning prescribed by IFRS 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"), 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 2022, Capstone continued to execute on its strategic objectives, advancing its development projects and successfully managing financing activities providing funding for continued growth, despite the backdrop of evolving global events.

Project Development Activities

Capstone continues to pursue projects at various stages of development, and to build a development pipeline across several jurisdictions. The following table lists the significant development projects:

Name of project	Status	Gross MW	Jurisdiction	Technology
Buffalo Atlee	Development	58	Alberta	Wind
Michichi	Development	25	Alberta	Solar
Kneehill	Development	25	Alberta	Solar
Wild Rose 2	Development	192	Alberta	Wind
Early-stage development projects	Development	>400	Canada	Wind/Solar
MW capacity in Canada		**>700**		
Early-stage development projects	Development	>1,000	United States	Wind/Solar/Battery
MW capacity in the United States ("US")		**>1,000**		

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

Financing Activities

Capstone has converted the existing construction credit facility for Claresholm to a term loan, and further improved corporate liquidity for growth by executing a project financing for the Riverhurst wind facility, receiving cash capital contributions from its Class A common shareholder, and expanding the Capstone Power Corp. ("CPC") credit facilities.

Claresholm term conversion

On March 24, 2022, the Claresholm construction facility was converted to a term loan, amortizing over 20 years. The term loan is comprised of two tranches, a floating interest rate tranche which matures on March 24, 2026 and a fixed interest rate tranche which matures on July 9, 2032. To mitigate the interest rate risk from the bank lenders, Claresholm has swap contracts to convert the floating interest rate obligations to a fixed rate.

Riverhurst financing

On April 27, 2022, Riverhurst entered into a credit agreement providing $47,000 of variable rate project debt, which has swap contracts to convert the obligations to a fixed rate, amortizing over 20 years.

Class A Shareholder Funding

On March 30, 2022, Capstone's Class A common shareholder contributed $20,000 in cash and on April 22, 2022, the Class A common shareholder contributed an additional $20,000 in cash, bringing total year-to-date cash contributions by Capstone's Class A common shareholder to $40,000.

CPC credit facilities

On April 29, 2022, CPC increased the capacity on its revolving credit facility by $40,000, which is available immediately. The CPC revolving credit facility now has a capacity of $160,500 and matures December 15, 2023.

SUBSEQUENT EVENTS

Wild Rose 2

On May 8, 2022 Capstone entered into a PPA with Pembina Pipeline Corporation for the offtake of 105MW of renewable energy and associated renewable attributes over 15 years from Capstone’s 192MW Wild Rose 2 wind facility, currently in development. Capstone has also entered into a turbine supply agreement with Siemens Gamesa Renewable Energy Inc. for the procurement of 38 turbines. Capstone will construct, own, and operate the facility, and total construction cost is estimated at approximately $360,000 with construction expected to begin later this year.

RESULTS OF OPERATIONS

Overview

In 2022, Capstone's EBITDA and net income were both higher in the first quarter. Higher EBITDA primarily reflects:

- Higher revenue due to the addition of Claresholm and Riverhurst, which both achieved COD in 2021, as well as generally higher wind production for better resource, partially offset by lower production at Whitecourt;
- Higher other income from unrealized fair value changes on interest rate swaps, which rose in value due to higher long-term interest rates, partially offset by;
- Higher expenses due to Claresholm since 2021 COD in April, and higher expenses for fuel at Cardinal due to additional market runs.

	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change
Revenue	59,200	54,179	5,021
Expenses	(16,804)	(14,841)	(1,963)
Other income and expenses	20,802	14,533	6,269
EBITDA	63,198	53,871	9,327
Interest expense	(10,949)	(9,424)	(1,525)
Depreciation and amortization	(23,777)	(22,210)	(1,567)
Income tax recovery (expense)	(7,153)	(5,267)	(1,886)
Net income	21,319	16,970	4,349

The remaining material change in net income was:

- Higher depreciation and amortization and interest expense due to the addition of Claresholm and Riverhurst; and
- Higher income tax expense in 2022 relates to the taxable temporary differences on financial instruments, capital assets, and intangible 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, solar, natural gas, biomass, and hydrological resources, and are located in Ontario, Alberta, Nova Scotia, British Columbia, Québec, and Saskatchewan.

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

Revenue

Capstone's revenue is mainly driven by the generation and sale of electricity through long-term power contracts or at market rates to the Alberta Power Pool.

Revenue	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change
Wind	39,440	35,919	3,521
Solar [1]	6,684	4,804	1,880
Gas	5,762	5,402	360
Biomass [1]	4,366	5,372	(1,006)
Hydro	2,948	2,682	266
Total Revenue	59,200	54,179	5,021

(1) Solar and Biomass include revenue from the generation and sale of electricity at market rates and the sale of emissions offset credits.

Power generated (GWh)	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change
Wind	346.5	312.6	33.9
Solar	51.7	21.5	30.2
Gas	2.4	1.2	1.2
Biomass	46.7	51.5	(4.8)
Hydro	35.0	29.7	5.3
Total Power	482.3	416.5	65.8

Capstone's power segment earns revenue from:

- The wind facilities, in Ontario, Nova Scotia, Québec and Saskatchewan, by selling electricity in accordance with their PPAs. On a megawatt ("MW") weighted-average-basis, there are 10 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, and Claresholm in Alberta, which sells a portion of its electricity, and the associated emissions offset credits, under a long-term PPA expiring in 2029, as well as a merchant portion, which sells electricity at market rates to the Alberta Power Pool and the associated emissions offset credits to third parties.
- 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 government grants and the sale of emissions offset credits. These are supplemented or offset by a revenue sharing agreement with Whitecourt's fuel supplier, Millar Western Forest Products Ltd. ("Millar Western"), 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 11 years remaining on the current PPAs, with the earliest expiry in October 2022.

The following table shows the significant changes in revenue from 2021:

Three months	Explanations
2,851	Higher revenue from the wind (excluding Riverhurst) and hydro facilities, due to higher production from resources.
2,224	Revenue from adding Claresholm which reached COD on April 19, 2021.
934	Revenue from adding Riverhurst which reached COD on December 10, 2021.
(383)	Lower revenue from Whitecourt due to lower production.
(605)	Various other changes.
5,021	Change in revenue.

Expenses

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

Expenses	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change
Wind	(6,495)	(5,743)	(752)
Solar	(843)	(305)	(538)
Gas	(3,105)	(2,596)	(509)
Biomass	(2,880)	(2,453)	(427)
Hydro	(913)	(929)	16
Power operating expenses	(14,236)	(12,026)	(2,210)
Project development costs	(488)	(955)	467
Administrative expenses	(2,080)	(1,860)	(220)
Total Expenses	(16,804)	(14,841)	(1,963)

Expenses for the operation and maintenance ("O&M") of the power facilities mainly consist of wages and benefits and payments to third party providers. Capstone's wind facilities are operated by Capstone's in-house operations and maintenance teams, except for Glen Dhu, Goulais, SkyGen, Saint-Philémon, Glace Bay, Riverhurst, and Fitzpatrick, 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, and Amherstburg 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 in 2022, and professional fees and other costs to pursue greenfield opportunities, as well as costs to explore and execute transactions in both periods. 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 2021:

Three months	Explanations
(1,010)	Higher operating expenses at Claresholm which reached COD on April 19, 2021.
(509)	Higher expenses at Cardinal due to additional market runs in 2022.
(444)	Various other changes.
(1,963)	Change in expenses.

FINANCIAL POSITION REVIEW

Overview

As at March 31, 2022, Capstone's working capital deficit was $73,975, compared with $76,445 as at December 31, 2021. The deficit position is driven by near-term debt maturities totaling $97,203 for GHG, Snowy Ridge and Settlers Landing in 2022 and $27,532 for SkyGen and Skyway 8 in 2023. Management is evaluating readily available options to refinance or extend maturing project debts.

Capstone has adequate financial flexibility to meet liquidity needs and support further growth, including $84,126 of unrestricted cash. Further liquidity is available from a second $20,000 Class A common shareholder capital contribution received on April 22, 2022 and the expansion of the CPC credit facility, providing a total capacity of $96,256 available as at May 12, 2022.

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

Liquidity

Working capital

As at	Mar 31, 2022	Dec 31, 2021
Power	(94,791)	(75,778)
Corporate	20,816	(667)
Working capital (equals current assets, less current liabilities)	(73,975)	(76,445)

Capstone's working capital was $2,470 higher than December 31, 2021 because of a $21,483 increase at corporate, partially offset by a $19,013 decrease from power. The corporate increase reflects a $20,000 cash Class A common shareholder capital contribution. The power decrease relates to $26,273 added for 2023 project debt maturities at SkyGen and Skyway 8 to the current portion of long-term debt, less $7,268 of higher cash and restricted cash.

Cash and cash equivalents

As at	Mar 31, 2022	Dec 31, 2021
Power	63,556	56,494
Corporate	20,570	882
Unrestricted cash and cash equivalents	84,126	57,376

These funds are available for operating activities, capital expenditures, and future acquisitions. The $26,750 increase consists of higher balances of $19,688 at corporate, reflecting the $20,000 Class A common shareholder capital contribution, and $7,062 at power from an accumulation of asset distributions.

Cash at the power segment is comprised of $24,036 at CPC and $39,520 at the projects, which is only periodically accessible by corporate through distributions. The power segment's cash and cash equivalents are accessible through distributions under the terms of the CPC revolving credit facility, which allows for distributions, subject to certain conditions. In turn, CPC receives distributions from its subsidiary power assets, which are subject to the terms of their project-specific credit agreements.

In addition to these funds, the CPC revolving credit facility has an available capacity of $9,048 as at March 31, 2022, which subsequently increased to $96,256 as at May 12, 2022.

Cash flow

Capstone's consolidated cash and cash equivalents increased by $26,750 in 2022 compared with a decrease of $20,902 in 2021. 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, 2022	Mar 31, 2021
Operating activities	24,229	28,995
Investing activities	(32,101)	(156,457)
Financing activities (excluding dividends to shareholders)	35,316	107,173
Dividends paid to shareholders	(694)	(613)
Change in cash and cash equivalents	26,750	(20,902)

Cash flow from operating activities was $4,766 lower in 2022 comprised of a $5,581 decrease from the power segment, partially offset by $815 of higher corporate cash flows. The power segment decrease reflects changes in working capital offset by higher revenue from operating assets.

Cash flow used in investing activities was comparatively $124,356 lower in 2022, mainly reflecting the SWNS purchase and higher investments in projects under development of $39,850, primarily for Claresholm and Riverhurst, in 2021.

Cash flow from financing activities was $71,938 lower in 2022, in which Capstone received a $20,000 cash Class A common shareholder capital contribution, whereas 2021 included $93,576 higher net proceeds from long-term debt.

Long-term Debt

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

	Dec 31, 2021	Additions	Repayments	Other	Mar 31, 2022
Long-term debt (1), (2) and (3)	881,949	32,500	(16,980)	—	897,469
Deferred financing fees (4)	(16,297)	(745)	—	602	(16,440)
	865,652	31,755	(16,980)	602	881,029
Less: current portion of long-term debt	(149,473)	—	—	(26,273)	(175,746)
	716,179	31,755	(16,980)	(25,671)	705,283

(1) The power segment has drawn $89,576 for letters of credit.
(2) Additions of $32,500 were amounts drawn on the CPC revolving credit facilities.
(3) Repayments of $16,980 consist of scheduled repayments.
(4) Additions consist of deferred transaction costs on the Riverhurst project financing and Claresholm term conversion. See the "Changes in the Business" section in this MD&A for detail.

As at March 31, 2022, Capstone's long-term debt consisted of $836,469 of project debt. The current portion of long-term debt was $175,746, consisting of scheduled debt amortization and upcoming mid-2022 maturities of $53,986 for GHG, $22,637 for Snowy Ridge and $20,580 for Settlers Landing and upcoming 2023 maturities for Skygen and Skyway 8 of $12,359 and $15,173, respectively. Capstone expects to repay the scheduled amortization from income generated by the power assets and is evaluating readily available options to refinance or extend the project debt maturing in the next twelve months.

CPC is subject to customary covenants, including specific limitations on leverage and interest coverage ratios. All of the power segment's project debt is non-recourse to Capstone, except for certain limited recourse guarantees provided to the lenders of the various facilities. On April 29, 2022, CPC increased the capacity on its revolving credit facility by $40,000, which is available immediately. The CPC revolving credit facility now has a capacity of $160,500 and matures December 15, 2023.

Equity

Shareholders' equity comprised:

As at	Mar 31, 2022	Dec 31, 2021
Common shares (1)	82,270	62,270
Preferred shares (2)	72,020	72,020
Share capital	154,290	134,290
Accumulated other comprehensive income (loss)	(240)	5
Retained earnings	92,403	73,742
Equity attributable to Capstone shareholders	246,453	208,037
Non-controlling interests	107,281	96,129
Total shareholders' equity	353,734	304,166

(1) Capital contribution from Class A common shareholder in March 2022.
(2) Capstone has 3,000 publicly listed Series A preferred shares on the Toronto Stock Exchange.

Capital Expenditure Program

Capstone's power segment incurred $39,017 of capital expenditures during the three months ended March 31, 2022, which included $36,789 of costs capitalized to projects under development ("PUD") and $2,228 of additions to capital assets.

PUD expenditures in 2022 were primarily for costs to advance the Michichi and Kneehill solar projects ($19,222), the Buffalo Atlee wind projects ($10,314), the Wild Rose 2 wind project ($2,576), and early-stage US development projects ($2,018).

The Michichi, Kneehill and Buffalo Atlee projects have executed agreements with the government of Canada, which are eligible to funding for a portion of the capital expenditures, subject to certain conditions. As at March 31, 2022, PUD was offset by $1,617 of government funding received.

Contractual Obligations

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

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

As at March 31, 2022, Capstone's indirect commitments for development are $29,816 for the Michichi and Kneehill solar projects, and $16,929 for the Buffalo Atlee wind projects. The Dryden hydro facility has commitments of $8,111 for contracts to refurbish the dams.

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

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

Income Taxes

The deferred income tax expense relates to the taxable temporary differences on financial instruments, capital assets, and intangible 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 intangible and capital assets for tax and accounting purposes and non-deductible fair value adjustments on financial instruments [partially offset by the utilization of tax losses.

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 foreign exchange. The fair values of these contracts, as well as the Whitecourt embedded derivative are included in the consolidated statement of financial position, were:

As at	Mar 31, 2022	Dec 31, 2021
Derivative contract assets	28,263	15,138
Derivative contract liabilities	(1,268)	(8,179)
Net derivative contract assets (liabilities)	26,995	6,959

Net derivative contract assets increased by $20,036 from December 31, 2021, due to gains of $20,039 in the statement of income and contractual settlements of $326 paid to Millar Western, slightly offset by losses on foreign exchange contracts included in other comprehensive income ("OCI") of $329.

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

	Three months ended	
	Mar 31, 2022	Mar 31, 2021
Interest rate swap contracts	20,077	17,853
Foreign currency contracts	(9)	—
Whitecourt embedded derivative	(29)	(3,281)
Gains (losses) on derivatives in net income	20,039	14,572
Foreign currency contracts in OCI	(329)	(206)
Gains (losses) on derivatives in comprehensive income	19,710	14,366

The year-to-date gain on derivatives are attributable to gains from the interest rate swap contracts, resulting from higher long-term interest rates since December 31, 2021, a decrease in the Whitecourt embedded derivative asset and losses on foreign exchange contacts.

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, 2021 and the "Risk Factors" section of the Annual Information Form ("AIF") dated March 22, 2022 as supplemented by risk factors contained in any material change reports (except confidential material change reports), business acquisition reports, interim financial statements, interim MD&A, and information circulars filed by the Corporation with securities commissions or similar authorities in Canada, which are available on the SEDAR website at www.sedar.com.

Additionally, in February 2022, Russia commenced a military invasion of Ukraine. While the direct impact of the conflict is currently in eastern Europe, the potential global impact of these actions is unclear and may have the effect of heightening the Corporation's risk factors, including with respect to foreign exchange fluctuations, supply chain matters, completion of development projects (including because of commodity price or other market inflationary factors), and cybersecurity. While it is not currently possible to estimate the length and severity of these events, the Corporation's existing operations have not been materially impacted. Capstone continues to monitor developments and develop mitigation measures to manage impact on its businesses and development projects.

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, 2021 and the "Environmental, Health, and Safety Matters" section of the Corporation's Annual Information Form dated March 22, 2022, which are available on the SEDAR website at www.sedar.com.

Capstone continues to monitor the outbreak of COVID-19, which was declared a pandemic by the World Health Organization in 2020, as it poses risks to its employees, contractors, suppliers, and other partners. The Corporation's priority is to protect the health and safety of our employees and the communities that it operates in.

SUMMARY OF QUARTERLY RESULTS

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

	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	**59,200**	64,120	47,788	56,480	54,179	51,106	36,595	45,581
EBITDA	**63,198**	38,674	29,799	34,334	53,871	43,629	22,751	26,785
Net income (loss) (1)	**19,342**	2,559	(5,262)	(3,175)	14,988	9,995	(5,718)	(2,631)
Preferred dividends	**694**	694	613	613	613	613	613	613

(1) Net income (loss) attributable to the common shareholders of Capstone, which excludes non-controlling interests.

ACCOUNTING POLICIES, ESTIMATES, AND INTERNAL CONTROLS

Significant Changes in Accounting Standards

The consolidated financial statements have been prepared in accordance with IFRS and are consistent with policies for the year ended December 31, 2021.

Future Accounting Changes

The International Accounting Standards Board ("IASB") has not issued any significant accounting changes that impact the Corporation. Capstone continues to monitor changes to IFRS 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, 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, 2021 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 (1)
Capital assets, projects under development and intangible assets:	
• Purchase price allocations.	• Initial fair value of net assets.
• Depreciation on capital assets.	• Estimated useful lives and residual value.
• Amortization on intangible assets.	• Estimated useful lives.
• Asset retirement obligations.	• Expected settlement date, amount and discount rate.
• Impairment assessments of capital assets, projects under development and intangible assets.	• Future cash flows and discount rate.
Deferred income taxes	• Timing of reversal of temporary differences, tax rates and current and future taxable income.
Financial instruments and fair value measurements	• Forward Alberta Power Pool prices, volatility, credit spreads and production projections.
Accounting for investments in non-wholly owned subsidiaries	• 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.

(1) The COVID-19 pandemic and 2022 Russian invasion of Ukraine have not changed Capstone's method of calculation for its critical estimates and judgments to date, although underlying market assumptions have fluctuated significantly for its financial instruments.

Management's estimates are based on historical experience, current 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

Since December 31, 2021, no material changes have occurred in Capstone's policies and procedures and other processes that comprise its internal controls over financial reporting and disclosure controls and procedures.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	Notes	Mar 31, 2022	Dec 31, 2021
Current assets			
Cash and cash equivalents		84,126	57,376
Restricted cash		38,084	37,879
Accounts receivable		32,015	30,916
Other assets		5,031	5,599
Current portion of derivative contract assets	6	2,396	10
		161,652	131,780
Non-current assets			
Loans receivable	5	20,504	10,230
Derivative contract assets	6	25,867	15,128
Capital assets	7	1,004,087	1,022,361
Projects under development	8	75,319	38,530
Intangible assets		147,947	151,286
Deferred income tax assets		200	176
Total assets		1,435,576	1,369,491
Current liabilities			
Accounts payable and other liabilities		57,644	55,405
Current portion of derivative contract liabilities	6	958	2,143
Current portion of lease liabilities		1,279	1,204
Current portion of long-term debt	9	175,746	149,473
		235,627	208,225
Long-term liabilities			
Derivative contract liabilities	6	310	6,036
Deferred income tax liabilities		93,133	86,460
Lease liabilities		35,556	36,425
Long-term debt	9	705,283	716,179
Liability for asset retirement obligation		11,933	12,000
Total liabilities		1,081,842	1,065,325
Equity attributable to shareholders of Capstone		246,453	208,037
Non-controlling interest		107,281	96,129
Total liabilities and shareholders' equity		1,435,576	1,369,491
Commitments and contingencies	15		
Subsequent events	16		

See accompanying notes to these consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Equity attributable to shareholders of Capstone				
		Share Capital	AOCI [1]	Retained Earnings	NCI [2]	Total Equity
Balance, December 31, 2020		134,290	(717)	67,233	96,850	297,656
Other comprehensive income (loss)		—	564	—	687	1,251
Net income (loss) for the period		—	—	14,988	1,982	16,970
Dividends declared to preferred shareholders of Capstone [3]	10	—	—	(609)	—	(609)
Dividends declared to NCI		—	—	—	(756)	(756)
Convertible debenture repayments [4]		—	—	—	(875)	(875)
Contributions from NCI		—	—	—	156	156
Balance, March 31, 2021		134,290	(153)	81,612	98,044	313,793

	Notes	Equity attributable to shareholders of Capstone				
		Share Capital	AOCI [1]	Retained Earnings	NCI [2]	Total Equity
Balance, December 31, 2021		134,290	5	73,742	96,129	304,166
Capital contribution	10	20,000	—	—	—	20,000
Other comprehensive income (loss)		—	(245)	—	—	(245)
Net income (loss) for the period		—	—	19,342	1,977	21,319
Dividends declared to preferred shareholders of Capstone [3]	10	—	—	(681)	—	(681)
Dividends declared to NCI		—	—	—	(716)	(716)
Convertible debenture repayments [4]		—	—	—	(150)	(150)
Contributions from NCI [5]		—	—	—	10,041	10,041
Balance, March 31, 2022		154,290	(240)	92,403	107,281	353,734

(1) Accumulated other comprehensive income (loss) ("AOCI").
(2) Non-controlling interest ("NCI").
(3) Dividends declared to preferred shareholders of Capstone include current and deferred income tax recovery of $13 (2021 - recovery of $4).
(4) Repayments are to the holder of the convertible debenture related to the GHG Wind Development LP, SR Wind Development LP and SLS Wind Development LP wind facilities. The convertible debenture provides the holder the option to convert its debt into a 50% equity interest in these projects.
(5) Includes contributions from Sawridge First Nation ("Sawridge") to Buffalo Atlee, Michichi, and Kneehill.

See accompanying notes to these consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Notes	Three months ended Mar 31, 2022	Mar 31, 2021
Revenue	11	59,200	54,179
Operating expenses	12	(14,236)	(12,026)
Administrative expenses	12	(2,080)	(1,860)
Project development costs	12	(488)	(955)
Interest income		331	233
Other gains and (losses), net	13	20,595	14,509
Foreign exchange gain (loss)		(124)	(209)
Earnings before interest expense, taxes, depreciation and amortization		63,198	53,871
Interest expense		(10,949)	(9,424)
Depreciation of capital assets	7	(20,438)	(18,845)
Amortization of intangible assets		(3,339)	(3,365)
Earnings before income taxes		28,472	22,237
Income tax recovery (expense)			
Current		(162)	45
Deferred		(6,991)	(5,312)
Total income tax recovery (expense)		(7,153)	(5,267)
Net income (loss)		21,319	16,970
Attributable to:			
Shareholders of Capstone		19,342	14,988
Non-controlling interest		1,977	1,982
		21,319	16,970

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Three months ended Mar 31, 2022	Mar 31, 2021
Gains (losses) on financial instruments designated as cash flow hedges (1)		(245)	1,251
Other comprehensive income (loss)		(245)	1,251
Net income (loss)		21,319	16,970
Total comprehensive income (loss)		21,074	18,221
Comprehensive income (loss) attributable to:			
Shareholders of Capstone		19,097	15,552
Non-controlling interest		1,977	2,669
		21,074	18,221

(1) Net of tax recovery of $84 (2021 - net of tax recovery of $53)

See accompanying notes to these consolidated financial statements

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended	Notes	Mar 31, 2022	Mar 31, 2021 [1]
Operating activities:			
Net income		21,319	16,970
Deferred income tax expense		6,991	5,312
Depreciation and amortization		23,777	22,210
Non-cash other gains and (losses), net		(20,921)	(14,901)
Transaction costs on debt		(745)	(2,899)
Amortization of deferred financing costs and non-cash financing costs		746	672
Change in non-cash working capital and foreign exchange		(6,938)	1,631
Total cash flows from operating activities		24,229	28,995
Investing activities:			
Investment in capital assets	7	(19,682)	(73,734)
Investment in projects under development	8	(12,214)	(52,064)
Decrease (increase) in restricted cash		(205)	200
Investment in intangible assets		—	(30,859)
Total cash flows used in investing activities		(32,101)	(156,457)
Financing activities:			
Proceeds from issuance of long-term debt		32,500	203,115
Proceeds from Class A common shareholder capital contribution		20,000	—
Proceeds from government funding		1,455	—
Repayment of long-term debt		(16,980)	(94,019)
Lease principal payments		(793)	(292)
Dividends paid to non-controlling interests		(716)	(756)
Dividends paid to preferred shareholders		(694)	(613)
Convertible debenture repayments		(150)	(875)
Total cash flows from financing activities		34,622	106,560
Increase (decrease) in cash and cash equivalents		26,750	(20,902)
Cash and cash equivalents, beginning of year		57,376	71,161
Cash and cash equivalents, end of period		84,126	50,259
Supplemental information:			
Interest paid		10,290	8,837
Taxes paid		387	364

(1) Refer to Note 2.

See accompanying notes to these consolidated financial statements

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Capstone is incorporated in British Columbia, domiciled in Canada, and located at 155 Wellington Street West, Suite 2930, Toronto, Ontario, M5V 3H1. All of Capstone's Class A common shares are owned by Irving Infrastructure Corp. ("Irving"), a subsidiary of iCON Infrastructure Partners III, LP ("iCON III"), a fund advised by London, UK-based iCON Infrastructure LLP ("iCON"), who is the ultimate parent. 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 we do business. As at March 31, 2022, Capstone operates an approximate installed capacity of 776 megawatts across 30 facilities in Canada, including wind, solar, hydro, biomass, and natural gas cogeneration power plants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to Capstone's accounting policies during the first three months of 2022.

Basis of Preparation

Statement of compliance

The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), 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, 2021. 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 2021 annual consolidated financial statements.

In reading these consolidated financial statements, recent ongoing global events including the COVID-19 pandemic and the 2022 Russian invasion of Ukraine may affect critical estimates and judgements relied upon. These global events continue to evolve and may have the effect of heightening the Corporation's risk factors**.** Capstone has not changed the methods of calculation for its critical estimates and judgements, although underlying market assumptions have fluctuated, primarily for its financial instruments. Capstone continues to monitor and respond to disruptions which may impact its operating businesses, as well as construction and development projects.

For a comprehensive description of risks, please refer to the disclosure in the Corporation's MD&A for the year ended December 31, 2021 and the "Risk Factors" section of the Annual Information Form ("AIF") dated March 22, 2022, which are available on the SEDAR website at www.sedar.com.

These interim condensed consolidated financial statements were approved by the Board of Directors for issue on May 12, 2022. 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.

Change to presentation and classification and comparative figures

On December 31, 2021, the Corporation adopted a change in presentation and classification with respect to Transaction costs on debt issuance in the Statement of Cash Flows. Transaction costs on debt issuance are now included in operating activities rather than financing activities.

In addition, the Corporation made an adjustment to the 2021 comparative figures in the Statement of Cash Flows related to the treatment of non-cash additions to Projects Under Development ("PUD") as Investments in PUD. This resulted in a $16,200 decrease in cash flows from operating activities and an offsetting decrease in cash flows used in investing activities, compared with amounts presented in the financial statements for the quarter ended March 31, 2021.

Future Accounting Changes

The IASB has not issued any significant new accounting standards that impact the Corporation since the standards described in the most recent annual financial statements for the year ended December 31, 2021. Capstone continues to monitor changes to IFRS, applicable IASB changes to standards, new interpretations, and annual improvements.

3. SEASONALITY

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

4. ACQUISITIONS

SWNS Wind Facilities

On January 7, 2021, Capstone purchased 29MW of operating wind projects, known as the Springwood, Whittington, Napier, and Sumac Ridge wind facilities from wpd Europe GmbH ("wpd"). These projects have assets that operate in Ontario and long term power purchase agreements ("PPA"), with approximately 14 years remaining. They are held by a wholly-owned indirect subsidiary, SWNS Wind LP ("SWNS"), and were funded with existing cash on hand and non-recourse project debt (see note 9 Long-Term Debt). As at December 31, 2021 and March 31, 2022, the balances in Capstone's consolidated statement of financial position include the SWNS wind facilities. The statements of comprehensive income and cash flows include the results from SWNS subsequent to January 7, 2021.

5. LOANS RECEIVABLE

	Mar 31, 2022	Dec 31, 2021
Sawridge [(1)]	12,504	2,230
Genalta [(2)]	8,000	8,000
	20,504	10,230

(1) Capstone has provided its First Nation partner on the Buffalo Atlee wind projects and Michichi and Kneehill solar projects with a loan for their pro rata share of project costs. Principal is to be repaid from the project's excess cash flows from the achievement of commercial operations ("COD"). The loan is interest-free until COD.

(2) Capstone issued a $4,000 convertible debenture to Genalta on October 30, 2020, and a second tranche of $4,000 on November 12, 2021. The loan receivable bears a fixed 12% rate of interest, with an option to convert into equity in Genalta. Interest receivable of $925 is included in accounts receivable on the statement of financial position as at March 31, 2022 (2021 - $666).

The estimated fair value of the loans receivable as at March 31, 2022 approximates the carrying value.

6. 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, 2022	Dec 31, 2021
Derivative contract assets:					
Whitecourt embedded derivative	—	—	6,281	6,281	5,983
Interest rate swap contracts	—	21,982	—	21,982	9,148
Foreign currency contracts [(1)]	—	—	—	—	7
Less: current portion	—	(2,396)	—	(2,396)	(10)
	—	19,586	6,281	25,867	15,128
Derivative contract liabilities:					
Interest rate swap contracts	—	936	—	936	8,179
Foreign currency contracts [(1)]	—	332	—	332	—
Less: current portion	—	(958)	—	(958)	(2,143)
	—	310	—	310	6,036

(1) Foreign currency contracts relate to USD purchases for the construction of development projects.

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 $902,061 compared to a carrying value of $881,029.

Fair value determination

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

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

Capstone, with the assistance of third-party experts, is responsible for performing the valuation of financial instruments, including Level 3 fair values. The valuation processes and results are reviewed and approved each reporting period. These critical estimates are discussed as part of the Audit Committee's quarterly review of the financial statements.

7. CAPITAL ASSETS

	2022
As at January 1	1,022,361
Additions	2,228
Disposals (1)	(64)
Depreciation	(20,438)
As at March 31	1,004,087

(1) Disposals of $64 were offset by proceeds of $620 resulting in a $556 gain (refer to note 13).

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

	Three months ended	
	Mar 31, 2022	Mar 31, 2021
Additions	2,228	76,452
Adjustment for non-cash ROU asset additions	—	(2,302)
Adjustment for change in capital asset additions included in accounts payable and accrued liabilities	17,454	(416)
Cash additions	19,682	73,734

8. PROJECTS UNDER DEVELOPMENT ("PUD")

	2022
As at January 1	38,530
Capitalized costs during the period (1)	36,789
As at March 31 (2)	75,319

(1) As at March 31, 2022, PUD was offset by $1,617 of government funding.
(2) The balance primarily includes costs to develop the Michichi and Kneehill solar projects ($28,516), Buffalo Atlee wind projects ($18,457), early-stage US development projects ($15,492), and Wild Rose 2 wind project ($9,552).

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

	Three months ended	
	Mar 31, 2022	Mar 31, 2021
Additions	36,789	55,384
Adjustment for change in additions to PUD included in accounts payable and accrued liabilities	(24,359)	(3,320)
Cash additions	12,430	52,064

9. LONG-TERM DEBT

(A) Components of Long-term Debt

As at	Mar 31, 2022	Dec 31, 2021
CPC credit facilities (1)	61,000	28,500
Project debt		
Wind (2)	506,446	518,858
Solar (3)	192,800	196,382
Gas	68,936	69,863
Hydro	68,287	68,346
Power (4)	897,469	881,949
Less: deferred financing costs (5)	(16,440)	(16,297)
Long-term debt	881,029	865,652
Less: current portion	(175,746)	(149,473)
	705,283	716,179

(1) The Capstone Power Corp. ("CPC") revolving credit facilities mature on December 15, 2023.
(2) Wind project debt consists of Amherst, Erie Shores, GHG, Glace Bay, Glen Dhu, Goulais, Grey Highlands Clean, Saint-Philémon, Settlers Landing, SkyGen, Skyway8, Snowy Ridge, and SWNS term facilities.
(3) Solar project debt consists of Claresholm and Amherstburg term facilities.
(4) The power segment has $89,576 of securities used on its letter of credit facilities.
(5) The March 31, 2022 balance includes $745 of transaction costs for the Riverhurst financing and Claresholm term conversion.

(B) Financing Changes

Claresholm term conversion

On March 24, 2022, the construction credit facility converted to a term loan, amortizing over 20 years. The term loan is comprised of two tranches, a floating interest rate tranche which matures on March 24, 2026 and a fixed interest rate tranche which matures on July 9, 2032.

Riverhurst financing

On April 27, 2022, Riverhurst entered into a credit agreement providing $47,000 of project debt which amortizes over 20 years.

CPC credit facilities

On April 29, 2022, CPC increased the capacity on its revolving credit facility by $40,000, which is available immediately. The CPC revolving credit facility now has a capacity of $160,500 and matures December 15, 2023.

10. SHAREHOLDERS' EQUITY

The following table summarizes the Corporation's share capital:

As at	Mar 31, 2022	Dec 31, 2021
Common shares (1)	82,270	62,270
Preferred shares	72,020	72,020
	154,290	134,290

(1) Capital contribution from Class A common shareholder in March 2022.

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

	Three months ended	
	Mar 31, 2022	Mar 31, 2021
Preferred shares declared (1)	681	609

(1) Includes current and deferred income tax recovery of $13 (2021 - recovery of $4).

11. REVENUE BY NATURE

Capstone's power segment revenue is primarily generated through long-term power contracts which vary in nature as disaggregated below. The corporate activities do not generate revenue.

	Three months ended	
	Mar 31, 2022	Mar 31, 2021
Wind	39,440	35,919
Solar (1)	6,684	4,804
Gas (2)	5,762	5,402
Biomass (1)	4,366	5,372
Hydro	2,948	2,682
Total	59,200	54,179

(1) Solar and Biomass include revenue from the generation and sale of electricity at market rates and the sale of emissions offset credits.
(2) Gas revenue at Cardinal consists of fixed payments for providing capacity and availability based on its PPA and other contracts; the remaining revenue is variable based on production.

12. EXPENSES BY NATURE

	Three months ended Mar 31, 2022				Three months ended March 31, 2021			
	Operating	Admin.	Project Development Costs	Total	Operating	Admin.	Project Development Costs	Total
Wages and benefits (1)	3,352	1,612	149	5,113	3,057	1,339	—	4,396
Maintenance & supplies	4,312	—	—	4,312	3,638	—	—	3,638
Property expenses (2)	1,886	135	—	2,021	1,707	135	89	1,931
Fuel & transportation	1,653	—	—	1,653	1,266	—	—	1,266
Insurance	1,050	29	—	1,079	749	23	—	772
Professional fees (3)	781	59	223	1,063	394	124	778	1,296
Power facility administration	695	—	—	695	665	—	—	665
Other	507	245	116	868	550	239	88	877
Total	14,236	2,080	488	16,804	12,026	1,860	955	14,841

(1) Wages and benefits include project development direct staff costs in 2022.
(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, 2022	Mar 31, 2021
Changes in derivative financial instruments fair value (1)	20,048	14,572
Gains (losses) on disposal of capital assets	556	(63)
Unrealized losses on foreign currency contracts	(9)	—
Other gains and (losses), net	20,595	14,509

(1) Year-to-date unrealized gains on derivative financial instruments were primarily attributable to gains on interest rate swap contracts due to higher long-term interest rates.

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. Cash generating units 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 environment.

	Three months ended Mar 31, 2022			Three months ended March 31, 2021		
	Power	Corporate	Total	Power	Corporate	Total
Revenue	59,200	—	59,200	54,179	—	54,179
Expenses	(14,791)	(2,013)	(16,804)	(12,817)	(2,024)	(14,841)
EBITDA	64,940	(1,742)	63,198	55,719	(1,848)	53,871
Interest expense	(10,949)	—	(10,949)	(9,424)	—	(9,424)
Income tax recovery (expense)	(7,527)	374	(7,153)	(5,756)	489	(5,267)
Net income (loss)	22,778	(1,459)	21,319	18,408	(1,438)	16,970
Additions to capital assets, net	2,228	—	2,228	76,452	—	76,452
Additions to PUD (1)	36,789	—	36,789	55,384	—	55,384

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

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, 2021. In 2022, the development projects have aggregate commitments of $46,746 for the construction of the facilities, and the Dryden hydro facility has commitments of $8,111 for contracts to refurbish the dams. There are no other significant changes to the specified contractual obligations that are outside the ordinary course of business.

16. SUBSEQUENT EVENTS

Class A Shareholder Funding

On April 22, 2022, Capstone's Class A common shareholder contributed $20,000 in cash, which is available immediately, bringing total year-to-date cash contributions by Capstone's Class A common shareholder to $40,000.

Wild Rose 2

On May 8, 2022 Capstone entered into a PPA with Pembina Pipeline Corporation for the offtake of 105MW of renewable energy and associated renewable attributes over 15 years from Capstone’s 192MW Wild Rose 2 wind facility, currently in development. Capstone has also entered into a turbine supply agreement with Siemens Gamesa Renewable Energy Inc. for the procurement of 38 turbines. Capstone will construct, own, and operate the facility, and total construction cost is estimated at approximately $360,000 with construction expected to begin later this year.

CONTACT INFORMATION

Address:
155 Wellington Street West, Suite 2930
Toronto, ON M5V 3H1
www.capstoneinfrastructure.com
Email: info@capstoneinfra.com

Contacts:

Megan Hunter
Corporate Communications Manager
Tel: 416-649-1325
Email: mhunter@capstoneinfra.com