PRESS RELEASE

for immediate distribution

Melcor Developments announces second quarter results, declares quarterly dividend of $0.15 per share

Edmonton, Alberta | August 11, 2022

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the second quarter and six months ended June 30, 2022. Revenue was down 4% to $104.35 million year-to-date and down 22% in the quarter as a result of the cyclical nature of the real estate industry and timing of sales in the current and comparative periods.

Net income was impacted by non-cash fair value gains of $7.81 million on REIT units related to unit price appreciation compared to December 31, 2021 and $3.32 million in fair value losses on investment properties, resulting in net income of $28.38 million or $0.87 per share (basic) year-to-date. This compares with 2021 year-to-date results including non-cash fair value losses of $26.96 million on REIT units and fair value gains of $4.86 million contributing to the net loss of $5.02 million or $0.15 loss per share (basic).

As a result of significant swings in fair value adjustments, management relies on Funds From Operations (FFO) as a better reflection of Melcor's true operating performance. Year-to-date FFO decreased 15% to $22.55 million or $0.69 per share over 2021 and was down 27% to $11.85 million or $0.36 per share in the quarter as a result of lower revenue in our Community Development division, and higher operating and administrative costs. Revenue in our Community Development division is impacted by the type of product sold and revenue in our income-producing divisions (Investment Properties and REIT) continue to yield stable revenue and results compared to 2021.

In the quarter, our Community Development division sold 116 single-family lots and 8.85 acres (Q2-2021: 177 single-family lots and 14.16 acres). Year-to-date, our Community Development division sold 404 single-family lots and 16.43 acres (2021: 299 single-family lots and 22.69 acres). Occupancy in our income-producing divisions (Investment Properties and REIT) remained stable over Q1-2021 at 85%. We have had strong retention in our income-producing divisions (Investment Properties and REIT) at 87% year-to-date and occupancy has increased 1% since December 31, 2021.

Timothy Melton, Melcor's Executive Chair and Chief Executive Officer, commented: "We are pleased to present Melcor's results for the second quarter of 2022. The Community Development division had a strong quarter, with 116 single-family lots sold and 8.85 acres of serviced land sold, including both commercial and multi-family sites. Increasing interest rates are negatively impacting real estate markets in general, but the Alberta economy is benefiting from higher oil and natural gas prices. Melcor is well-positioned to meet demand for serviced residential lots and has the potential to bring on several new phases of development over the next few quarters.

Revenue and occupancy in our income-producing divisions were up slightly in the quarter. Occupancy for IP was 77% for our Canadian properties and 81% for US properties. Leasing activity was strong with 273,154 sf of new and renewed leases in the REIT leading to occupancy of 87% at quarter-end. Our Property Development division transferred one building in Jensen Lakes Crossing (St. Albert, AB) comprised of 7,049 sf to our Investment Properties division in the quarter.

Our Recreational Properties saw later opening dates compared to 2021 resulting in a slight decrease in rounds played. However, a bump in food and beverage sales lead to a 2% increase in revenue to $4.65 million in Q2-2022 and 3% to $4.76 million year-to-date."

Second Quarter Results

Given the longer term nature of real estate development, comparison of any three-month period may not be meaningful.

The market continues to be challenged by inflation and rising interest rates. In particular, the leasing market has seen added supply in some of our core regions and a shift in demand for product with new construction and remote and hybrid work models following the lifting of work from home restrictions.

Occupancy in our investment properties (including the REIT) increased over year-end to 85% (Q4-2021: 84%). Our year-to-date retention was healthy at 87%. Strong leasing activity in our Property Development division continues to drive new development in commercial centres that complement and enhance our communities.

Demand remains strong throughout all regions in our Community Development division with plenty of activity in sales and construction. The US community development model differs from Canadian markets, with the majority of revenue occurring in a single quarter. Builders buy lots in bulk to develop themselves and build homes to sell to homeowners. These are often referred to as "paper lot sales". Demand for additional lots in our Arizona and Colorado developments remains high. We expect to complete and recognize sales by the end of the year.

Investment properties GLA increased slightly as a result of property transferred from Property Development over the past 12 months. Revenue from our Income Properties and REIT divisions was up in the quarter compared to Q2-2021. Our year-to date results continue to be impacted by lease termination fees received in our REIT division ($1.00 million) and Investment Properties division ($1.94 million) which occurred in early 2021.

FINANCIAL HIGHLIGHTS

Revenue was down 22% to $51.04 million in Q2-2022 (Q2-2021: $65.55 million) and down 4% year-to-date as a result of the cyclical nature of the real estate industry and timing of sales in the current and comparative periods. Lot sales, which have a significant impact on quarterly results, are uneven by nature and it is difficult to predict when they will close. Typically we see the most revenue from lot sales in the third and forth quarters as that is when plans typically register. These factors have contributed to a year-to-date decrease of 12% in Community Development revenue. The sale of 5.49 acres of multi-family land positively contributed to Q2-2022 revenue (Q2-2021- nil).

On a year-to-date basis FFO was down 15% or $3.95 million. Comparative FFO continues to be impacted by lease termination fees received in both REIT ($1.00 million) and Investment Properties ($1.94 million) divisions. Adjusting out these one time events, FFO was down $1. 01 million primarily the result of increased consolidated G&A which was up $1.47 million over 2021 and timing of sales in Community Development.

Net income was $25.91 million in Q2-2022 compared to $9.01 million in Q2-2021. Net income is significantly impacted by swings in non-cash fair value adjustments on investment properties and REIT units. The change in the REIT's unit price has a counter-intuitive impact on net income as an increase in unit value decreases net income. These gains are driven by market forces outside of Melcor's control and are a key reason we focus on FFO as a truer measure of our financial performance.

DIVISIONAL OPERATING HIGHLIGHTS

The **Community Development** division saw healthy sales activity in our Canadian markets, including satellite communities such as St. Albert, Spruce Grove, Airdrie and Cochrane. Year-to-date, we sold 404 single-family lots compared to 299 last year. We continue to move new communities and additional phases in existing neighbourhoods through the municipal approval process. Due to the bulk selling nature of our Harmony community in Denver, CO, no lots were sold in the US in the second quarter or year-to-date.

The **Property Development** division currently has 39,089 sf in 2 projects (Clearview Market 2 and Greenwich) under construction, and transferred one CRU (7,049 sf) in Jensen Lakes to our Investment Properties division in the quarter. A further 23,247 sf in 2 projects (Woodbend Market and Chestermere Station) is complete and awaiting lease-up and transfer. Construction and leasing activity resulted in fair value gains of $0.08 million in the quarter and $0.41 million year-to-date.

Revenue in our income-producing divisions, which includes **Investment Properties** and **REIT** continued to produce stable results in both the quarter and year-to-date. Total GLA under management varies period over period as a result of both property transfers and remeasures of property that typically occur on lease transfers and/or renewals. Year-to-date results continue to be impacted by early termination fees received in Q1-2021, which are included in other revenue, and the disposition of 11 residential units in the US in late 2021, resulting in reduced revenue. In Q2-2022, we disposed of 6 residential units in the US. Increased occupancy on our Canadian and US assets contributed positively to revenue.

The Investment Property portfolio fair value decreased $1.61 million in Q2-2022. To date in 2022, we had 25 legal phases valued by external valuation professionals. We have seen some shifts in the market this quarter and a slight increase in cap rates on our office properties, which decreases the fair value of an asset, and slight cap rate decreases on our retail portfolio. Fair value is also impacted by increased tenant incentives spend that did not have a corresponding increase in fair value.

Our **Recreational Properties** saw a 19% decrease in rounds played to date in 2022 as a result of later course openings compared to 2021. However, revenue increased 3% to $4.76 million as a result of increased food and beverages sales in our clubhouses and restaurants.

RETURNING VALUE

We continue to return value to our shareholders and unitholders:

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* We paid a quarterly dividend of $0.14 per share in March 2022 and June 2022.
* On August 11, 2022 we declared a quarterly dividend of $0.15 per share, payable on September 30, 2022 to shareholders of record on September 15, 2022. The dividend is an eligible dividend for Canadian tax purposes.
* The REIT increased monthly distributions by 14% to $0.04 per unit compared to Q2-2021.
* The REIT declared the following distribution for period subsequent to the quarter:

Month	Record Date	Distribution Date	Distribution Amount
July 2022	July 29, 2022	August 15, 2022	$0.04 per Unit

Selected Highlights

($000s except as noted)	Three months ended June 30			Six months ended June 30		
	2022	2021	Change %	**2022**	2021	Change %
Revenue	**51,044**	65,547	(22)	**104,350**	108,817	(4)
Gross margin[1]	**50.7%**	45.8%	11	**48.9%**	48.3%	1
Net income (loss)	**25,908**	9,014	187	**28,378**	(5,019)	665
Net margin[1]	**50.8%**	13.8%	268	**27.2%**	(4.6)%	691
FFO[2]	**11,853**	16,326	(27)	**22,550**	26,500	(15)
Per Share Data ($)						
Basic earnings	**0.79**	0.27	193	**0.87**	(0.15)	680
Diluted earnings	**0.79**	0.27	193	**0.86**	(0.15)	673
FFO[3]	**0.36**	0.49	(27)	**0.69**	0.80	(14)
Dividends	**0.14**	0.10	40	**0.14**	0.10	40

As at ($000s except share and per share amounts)	**30-Jun-2022**	31-Dec-2021	Change %
Total assets	**2,141,884**	2,113,927	1.3
Shareholders' equity	**1,134,734**	1,116,469	1.6
Total shares outstanding	**32,623,921**	32,961,015	(1.0)
Per Share Data ($)			
Book value (3)	**34.78**	33.87	2.7

1. *Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.*
2. *Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.*
3. *Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section for further information.*

MD&A and Financial Statements

Information included in this press release is a summary of results. This press release should be read in conjunction with Melcor's consolidated financial statements and management's discussion and analysis for the three and six months ended June 30, 2022, which can be found on the company's website at www.Melcor.ca or on SEDAR (www.sedar.com).

Non-GAAP & Non-Standard Measures

FFO is a key measures of performance used by real estate operating companies; however, that is not defined by International Financial Reporting Standards ("IFRS"), do not have standard meanings and may not be comparable with other industries or income trusts. This non-IFRS measures are more fully defined and discussed in the Melcor's management discussion and analysis for the period ended June 30, 2022, which is available on SEDAR at www.sedar.com.

Funds from operations (FFO): FFO is a non*GAAP financial measure and is defined as net income in accordance with IFRS, excluding (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments, interest expense and other effects of redeemable units classified as liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) adjustment for amortization of deferred financing fees, which is included in non-cash financing costs and (vii) fair value adjustment on derivative instrument, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties. See tables below for reconciliation of FFO:

Consolidated

($000s)	Three-months		Six-months	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Net income (loss) for the period	**25,908**	9,014	**28,378**	(5,019)
Amortization of operating lease incentives	**1,475**	1,809	**2,882**	3,820
Fair value adjustment on investment properties	**795**	(3,881)	**3,317**	(4,857)
Depreciation on property and equipment	**452**	420	**608**	598
Stock based compensation expense	**216**	242	**333**	508
Non-cash finance costs	**(3,820)**	3,008	**(5,292)**	4,282
Gain on sale of asset	**(8)**	(58)	**(8)**	(62)
Deferred income taxes	**318**	459	**137**	275
Fair value adjustment on REIT units	**(13,483)**	5,313	**(7,805)**	26,955
FFO	**11,853**	16,326	**22,550**	26,500

Investment Properties

($000s)	Three-months		Six-months	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Segment Earnings	**9,125**	8,133	**14,237**	14,799
Fair value adjustment on investment properties	**(3,932)**	(3,405)	**(3,714)**	(3,871)
Amortization of operating lease incentives	**393**	293	**758**	808
Divisional FFO	**5,586**	5,021	**11,281**	11,736

REIT

($000s)	Three-months		Six-months	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Segment Earnings	**4,282**	10,629	**10,795**	21,024
Fair value adjustment on investment properties	**5,540**	(531)	**9,202**	(130)
Amortization of operating lease incentives	**906**	936	**1,807**	1,851
Divisional FFO	**10,728**	11,034	**21,804**	22,745

Gross margin (%): Gross margin percent is a supplementary financial measure that indicates the relative efficiency with which we earn revenue. This ratio is calculated by dividing gross profit by revenue.

Net margin (%): Net margin percent is a supplementary financial measure that indicates the relative efficiency with which we earn income. This ratio is calculated by dividing net income by revenue.

Book value per share: Book value per share is a non-GAAP financial ratio and is calculated as shareholders' equity over number of common shares outstanding.

About Melcor Developments Ltd.

Melcor is a diversified real estate development and asset management company that transforms real estate from raw land through to high-quality finished product in both residential and commercial built form. Melcor develops and manages mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres and golf courses. Melcor owns a well diversified portfolio of assets in Alberta, Saskatchewan, British Columbia, Arizona and Colorado.

Melcor has been focused on real estate since 1923. The company has built over 140 communities and commercial projects across Western Canada and today manages 4.77 million sf in commercial real estate assets and 587 residential rental units. Melcor is committed to building communities that enrich quality of life - communities where people live, work, shop and play.

Melcor’s headquarters are located in Edmonton, Alberta, with regional offices throughout Alberta and in Kelowna, British Columbia and Phoenix, Arizona. Melcor has been a public company since 1968 and trades on the Toronto Stock Exchange (TSX:MRD).

Forward Looking Statements

In order to provide our investors with an understanding of our current results and future prospects, our public communications often include written or verbal forward-looking statements.

Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions, courses of action and include future-oriented financial information.

This news release and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent Melcor's intentions, plans, expectations, and beliefs and are based on our experience and our assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Future-looking statements may involve, but are not limited to, comments with respect to our strategic initiatives for 2022 and beyond, future development plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results of or outlook of our operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond our control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that our actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. We caution readers of this document not to place undue reliance on forward-looking statements. Assumptions about the performance of the Canadian and US economies and how this performance will affect Melcor's business are material factors we consider in determining our forward-looking statements. For additional information regarding material risks and assumptions, please see the discussion under Business Environment and Risk in our annual MD&A and the additional disclosure under Business Environment and Risk in this MD&A.

Readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or oral, made by the company or on its behalf.

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