MELCOR

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2025

(Unaudited, in thousands of Canadian dollars)

Condensed Interim Consolidated Statement of Income

	For the three months ended	
Unaudited ($000s)	**March 31, 2025**	March 31, 2024
Revenue (note 8)	**50,743**	49,748
Cost of sales	**(23,431)**	(26,140)
Gross profit	**27,312**	23,608
General and administrative expense	**(7,650)**	(5,851)
Fair value adjustment on investment properties (note 5 and 13)	**4,098**	(8,833)
Adjustments related to REIT units (note 12 and 13)	**(7,953)**	11,537
Gain on sale of assets	**1**	47
Operating earnings	**15,808**	20,508
Interest income	**983**	542
Foreign exchange gain	**4**	35
Finance costs (note 9)	**(8,584)**	(6,217)
Net finance costs	**(7,597)**	(5,640)
Income before income taxes	**8,211**	14,868
Income tax expense	**(3,195)**	(2,080)
Net income for the period	**5,016**	12,788
Income per share:		
Basic income per share	**0.17**	0.42
Diluted income per share	**0.16**	0.42

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Comprehensive Income

	For the three months ended	
Unaudited ($000s)	**March 31, 2025**	March 31, 2024
Net income for the period	**5,016**	12,788
Other comprehensive income		
Items that may be reclassified subsequently to net income:		
Currency translation differences	**(17)**	4,963
Comprehensive income	**4,999**	17,751

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Financial Position

Unaudited ($000s)	March 31, 2025	December 31, 2024
ASSETS		
Cash and cash equivalents	59,472	54,338
Restricted cash	1,006	1,329
Accounts receivable	17,543	17,853
Income taxes recoverable	4,133	4,886
Agreements receivable	124,341	157,412
Land inventory (note 4)	706,891	708,047
Assets held for sale (note 6 and 13)	—	48,000
Investment properties (note 5 and 13)	1,051,295	1,044,374
Property and equipment	11,244	11,288
Other assets	58,375	58,643
Derivative financial assets (note 13)	1,783	2,383
	2,036,083	2,108,553
LIABILITIES		
Accounts payable and accrued liabilities	53,916	52,119
Income taxes payable	—	7,367
Provision for land development costs	53,901	59,829
General debt (note 7)	546,026	611,339
Deferred income tax liabilities	68,362	67,212
REIT units (note 12 and 13)	70,390	68,057
	792,595	865,923
SHAREHOLDERS' EQUITY		
Share capital (note 10)	69,652	69,866
Contributed surplus	5,142	4,826
Accumulated other comprehensive income (AOCI)	41,022	41,039
Retained earnings	1,127,672	1,126,899
	1,243,488	1,242,630
	2,036,083	2,108,553

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Changes in Equity

Unaudited ($000's)	Equity attributable to Melcor's shareholders				
	Share capital	**Contributed surplus**	**AOCI**	**Retained earnings**	**Total equity**
Balance at January 1, 2025	**69,866**	**4,826**	**41,039**	**1,126,899**	**1,242,630**
Net income for the period	—	—	—	5,016	5,016
Cumulative translation adjustment	—	—	(17)	—	(17)
Transactions with equity holders					
Dividends	—	—	—	(3,332)	(3,332)
Share repurchase (note 10)	(214)	—	—	(889)	(1,103)
Tax on share repurchase (note 10)	—	—	—	(22)	(22)
Employee share options					
Value of services recognized	—	316	—	—	316
Balance at March 31, 2025	**69,652**	**5,142**	**41,022**	**1,127,672**	**1,243,488**

Unaudited ($000's)	Equity attributable to Melcor's shareholders				
	Share capital	Contributed surplus	AOCI	Retained earnings	Total equity
Balance at January 1, 2024	69,493	5,036	24,660	1,110,389	1,209,578
Net income for the period	—	—	—	12,788	12,788
Cumulative translation adjustment	—	—	4,963	—	4,963
Transactions with equity holders					
Dividends	—	—	—	(3,363)	(3,363)
Share repurchase (note 10)	(187)	—	—	(803)	(990)
Employee share options					
Value of services recognized	—	296	—	—	296
Balance at March 31, 2024	69,306	5,332	29,623	1,119,011	1,223,272

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Cash Flows

	For the three months ended	
Unaudited ($000's)	**March 31, 2025**	March 31, 2024
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net income for the period	**5,016**	12,788
Non cash items:		
Amortization of tenant incentives	**1,488**	4,138
Depreciation of property and equipment	**117**	142
Stock based compensation expense	**316**	296
Non-cash finance costs (recoveries) (note 9)	**1,486**	(1,227)
Straight-line rent adjustment	**261**	(34)
Fair value adjustment on investment properties (note 5 and 13)	**(4,098)**	8,833
Fair value adjustment on REIT units (note 12 and 13)	**2,333**	(12,056)
Gain on sale of assets	**(1)**	(47)
Deferred income taxes	**1,149**	881
	8,067	13,714
Agreements receivable	**33,071**	(77)
Development activities	**(4,284)**	515
Payment of tenant lease incentives and direct leasing costs	**(820)**	(3,230)
Operating assets and liabilities	**(4,819)**	(9,061)
	31,215	1,861
INVESTING ACTIVITIES		
Additions to investment properties (note 5)	**(3,884)**	(2,075)
Net proceeds from disposal of investment properties (note 5)	**1,222**	946
Net proceeds from disposal of assets held for sale (note 6)	**47,378**	—
Change in restricted cash (note 6)	**250**	—
Redemption of short investments	**558**	—
Purchase of property and equipment	**(74)**	(487)
Proceeds on disposal of property and equipment	**2**	123
	45,452	(1,493)
FINANCING ACTIVITIES		
Revolving credit facilities	**(33,554)**	4,082
Proceeds from general debt	**1,534**	431
Repayment of general debt	**(34,062)**	(4,427)
Transaction costs on REIT units acquisition (note 12)	**(1,021)**	—
Dividends paid	**(3,332)**	(3,363)
Common shares repurchased (note 10)	**(1,103)**	(990)
	(71,538)	(4,267)
FOREIGN EXCHANGE GAIN ON CASH HELD IN A FOREIGN CURRENCY	**5**	123
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	**5,134**	(3,776)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**54,338**	34,690
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**59,472**	30,914
Total income taxes paid	**10,709**	3,934
Total interest paid	**7,758**	8,520

See accompanying notes to these condensed interim consolidated financial statements.

1. DESCRIPTION OF THE BUSINESS

We are a real estate development company with Land, Properties, REIT and Golf divisions. We develop, manage, and own mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres, and golf courses.

Melcor Developments Ltd. ("Melcor" or "we") is incorporated in Canada. The registered office is located at Suite 900, 10310 Jasper Avenue Edmonton, AB T5J 1Y8. We operate in Canada and the United States ("US"). Our shares are traded on the Toronto Stock Exchange under the symbol "MRD". As at March 31, 2025 Melton Holdings Ltd. holds approximately 51.8% of the outstanding shares and pursuant to IAS 24, Related party disclosures, is the ultimate controlling shareholder of Melcor.

As at March 31, 2025, Melcor holds an approximate 55.4% effective interest in Melcor REIT ("REIT" or "the REIT") through ownership of all Class B LP Units of the Partnership and is the ultimate controlling party.

On September 12, 2024, Melcor and the REIT announced that they entered into an arrangement agreement with Melcor REIT GP Inc. (the "Arrangement Agreement") pursuant to which, among other steps, Melcor would acquire its unowned equity interest (approximately 44.6%) in Melcor REIT Limited Partnership ("REIT LP") for $4.95 per unit in cash consideration. At March 31, 2025, Melcor's unowned equity interest in REIT LP comprised all REIT LP's outstanding Class A LP Units (approximately 13.0 million units). On November 25, 2024, Melcor and the REIT announced that they entered into an amended and restated arrangement agreement with Melcor REIT GP Inc. (the "Amended Arrangement Agreement") which increased the cash consideration to $5.50 per unit. Completion of the transaction was subject to various closing conditions, including court approval and the approval by the unitholders.

On April 11, 2025, the unitholders voted in favour of a special resolution to approve the plan of arrangement for Melcor to purchase its unowned equity interest in Melcor REIT LP for $5.50 per Class A LP Unit or $71,297 in cash consideration (the "REIT LP Sale"). The transaction closed on April 23, 2025 and in accordance with the Amended Arrangement Agreement, the REIT used the proceeds from the REIT LP Sale to redeem and cancel all of the REIT's outstanding trust units.

This transaction will result in a loss on settlement of the REIT units that will be recognized in the second quarter. Other impacts from this transaction that will be recorded in the second quarter, include an increase in deferred tax liabilities. We were only taxable on our share (55.4%) of the REIT and as a result, recorded 55.4% of the REIT's deferred tax balances. Subsequent to the transaction closing, we own 100% of the REIT LP and will be recognizing 100% of the deferred tax balances related to the REIT LP.

As at March 31, 2025, we have recorded $6,788 in transaction costs and other fees related to this transaction, including $3,500 in success fees that are due on completion of the transaction. Included in Adjustments related to REIT units is $5,620 of these costs which are considered directly attributable to the acquisition of the remaining 44.6% publicly held interest in the REIT. Remaining costs were recorded through general and administrative expenses in the quarter.

Our quarterly results are impacted by the cyclical nature of our business environment. Income can fluctuate significantly from period to period due to the timing of plan registrations, the cyclical nature of real estate and construction markets, and the mix of lot sales and product types.

2. BASIS OF PRESENTATION

We prepare our condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

The statement of financial position is presented without reference to current assets or current liabilities. The operating cycle of an entity involved in real estate investment and development is normally considered to be longer than one year. Thus, the concept of current assets and current liabilities is not considered relevant and there is no need to segregate the balance sheet to disclose assets or liabilities that are expected to be settled within the immediately following year.

These condensed interim consolidated financial statements should be read in conjunction with our annual consolidated financial statements for the year ended December 31, 2024, which have been prepared in accordance with IFRS Accounting Standards.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on May 13, 2025.

(Unaudited – in $000s except per share, share and acre amounts)

3. MATERIAL ACCOUNTING POLICIES, NEW STANDARDS AND CRITICAL ACCOUNTING ESTIMATES

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those of the previous financial year. There are no new or amended standards adopted during the year.

NEW AND AMENDED STANDARDS NOT YET ADOPTED

IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures were amended to clarify the date of recognition and derecognition of some financial assets and liabilities. The amendment provides guidance on new disclosure for certain instruments with contractual terms that can change cash flows such as instruments with features linked to the achievement of environment, social and governance (ESG) targets and disclosures for equity instruments designated at fair value through comprehensive income. The amended standard is required to be applied for annual periods beginning on or after January 1, 2026. The impact of this standard on our financial statements is not yet determined.

IFRS 18, Presentation and Disclosure in Financial Statements is a new standard on financial statement presentation and disclosure with a focus on updates to the statement of profit or loss. IFRS 18 will replace IAS 1, Presentation of Financial Statements and will retain many of the existing principles in IAS 1. The new standard is required to be applied for annual periods beginning on or after January 1, 2027. The impact of this standard on our financial statements is not yet determined.

4. LAND INVENTORY

	March 31, 2025	December 31, 2024
Raw land held	**354,778**	355,283
Land under development	**204,799**	196,614
Developed land	**147,314**	156,150
	706,891	708,047

Land is recorded at the lower of cost and net realizable value. During the three month period ended March 31, 2025 no land was purchased (2024 - no land was purchased).

5. INVESTMENT PROPERTIES

The following table summarizes the change in investment properties during the period:

			Three months ended March 31, 2025
	Investment Properties	Held for sale (note 6)	**Total**
Balance - beginning of period	1,044,374	47,392	**1,091,766**
Additions			
Direct leasing costs	272	—	**272**
Property improvements	94	—	**94**
Development costs	3,764	—	**3,764**
Capitalized borrowing costs	26	—	**26**
Disposals	(1,222)	(46,807)	**(48,029)**
Fair value adjustment on investment properties	4,683	(585)	**4,098**
Other adjustments	(614)	—	**(614)**
Foreign currency translation (included in OCI)	(82)	—	**(82)**
Balance - end of period	1,051,295	—	**1,051,295**

(Unaudited – in $000s except per share, share and acre amounts)

	Investment Properties	Held for sale (note 6)	Total
			Year ended December 31, 2024
Balance - beginning of year	1,084,906	32,143	1,117,049
Additions			
Direct leasing costs	1,930	—	1,930
Property improvements	2,401	—	2,401
Development costs	13,667	—	13,667
Capitalized borrowing costs	120	—	120
Fair value adjustment on investment properties	(25,302)	(3,137)	(28,439)
Investment properties reclassified to assets held for sale	(65,876)	65,876	—
Assets held for sale reclassified to investment properties	31,338	(31,338)	—
Disposals	(7,034)	(16,858)	(23,892)
Other adjustments	—	706	706
Foreign currency translation (included in OCI)	8,224	—	8,224
Balance - end of year	1,044,374	47,392	1,091,766

In accordance with our policy we record our investment properties at fair value. Fair value adjustments on investment properties are primarily driven by changes in capitalization rates and stabilized net operating income ("NOI"). Supplemental information on fair value measurement, including valuation techniques and key inputs, is included in note 13.

Disposals in the three month period ended March 31, 2025:

- We disposed of three residential units in Arizona for net sale price of $1,222 (US$849) net of transaction costs.

We also disposed of one investment property classified as assets held for sale. Refer to note 6 for details on investment properties classified as held for sale and sold during the current period.

Disposals in prior year ended December 31, 2024:

- We disposed of fourteen residential units in Arizona for net sale price of $6,136 (US$4,465) net of transaction costs.
- We also disposed of an investment property in Edmonton, Alberta for net sale price of $898 (net of transaction costs) and including tenant incentives of $114 and straight-line rent of $42.

During 2024, we also disposed of three investment properties classified as assets held for sale. Refer to note 6 for details on investment properties classified as held for sale and sold during the comparative year.

6. ASSETS HELD FOR SALE

As at March 31, 2025, there are no properties classified as assets held for sale.

Disposals in the three month period ended March 31, 2025:

- On February 24, 2025 we disposed of an investment property classified as assets held for sale, for a purchase price of $48,000 less transaction costs of $372. This investment property had a fair value of $48,000 (including investment property of $47,392, tenant incentives of $237 and straight-line rent adjustments of $371). The price was settled in cash, excluding working capital adjustments. Proceeds from the sale were used to repay the outstanding principal balance on the mortgage of $29,712 with remaining proceeds and restricted cash of $250 being used to pay down our credit facilities.

Disposals in prior year ended December 31, 2024:

- On May 10, 2024 we disposed of an investment property classified as assets held for sale, for net proceeds of $7,480, resulting from a purchase price of $7,800 less transaction costs of $320. The price was settled in cash, excluding working capital adjustments. This property had a fair value of $7,800 (including investment property of $7,730, tenant incentive of $51 and straight line rent of $19). The sold property was pledged as collateral on a different mortgage and as such the bank required $5,075 from the net proceeds be held as additional security in short-term investments. GICs included in short-term investments mature monthly and the proceeds are used to repay the mortgage. Net cash of $2,405 was used to reduce borrowings on our REIT credit facility.

(Unaudited – in $000s except per share, share and acre amounts)

- On October 1, 2024 we disposed of an investment property classified as assets held for sale, for net proceeds of $4,344, resulting from a purchase price of $4,495 less transaction costs of $151. This property had a fair value of $4,495 (including investment property of $4,430, tenant incentive of $48 and straight line rent of $17). The price was settled in cash, excluding mortgage payout and working capital adjustments. Proceeds from the sale were used to repay the outstanding balance of $1,116 on the mortgage with the remaining cash being used to reduce our borrowings on our REIT credit facility.
- On November 22, 2024 we disposed of an investment property classified as assets held for sale, for net proceeds of $4,836, resulting from a purchase price of $5,000 less transaction costs of $164. This property had a fair value of $5,000 (including investment property of $4,698, tenant incentive of $277 and straight line rent of $25). The price was settled in cash, excluding mortgage payout and working capital adjustments. Proceeds from the sale were used to repay the outstanding balance of $1,901 on the mortgage with the remaining cash being used to reduce our borrowings on our REIT credit facility.

7. GENERAL DEBT

	March 31, 2025	December 31, 2024
Melcor - revolving credit facilities	38,988	60,568
REIT - revolving credit facility	12,880	24,854
Project specific financing	15,653	14,119
Debt on investment properties	478,505	511,798
General debt	546,026	611,339

The REIT revolving credit facility was retained by Melcor in conjunction with the transaction described in note 1.

The change in project specific financing during the period is summarized as follows:

	Three months ended March 31, 2025	Year ended December 31, 2024
Balance - beginning of period	14,119	7,724
Cash movements		
New project financing	1,534	6,395
Balance - end of period	15,653	14,119

The change in debt on investment properties during the period is as follows:

	Three months ended March 31, 2025	Year ended December 31, 2024
Balance - beginning of period	511,798	507,463
Cash movements		
Principal repayments		
Scheduled amortization on debt	(4,350)	(17,563)
Mortgage repayments	(29,712)	(13,480)
New mortgages	—	31,000
Non-cash movements		
Deferred financing fees capitalized	(24)	(563)
Amortization of deferred financing fees	322	722
Change in derivative fair value swap	514	359
Foreign currency translation included in OCI	(43)	3,860
Balance - end of period	478,505	511,798

(Unaudited – in $000s except per share, share and acre amounts)

8. REVENUE

Total Revenues	For the three months ended March 31, 2025	March 31, 2024
Revenue from contracts	**28,066**	25,820
Revenue from other sources	**22,677**	23,928
	50,743	49,748

Timing of contract revenue recognition	For the three months ended March 31, 2025	March 31, 2024
At a point in time	**22,890**	20,335
Over time	**5,176**	5,485
	28,066	25,820

9. FINANCE COSTS

	For the three months ended March 31, 2025	March 31, 2024
Interest on Melcor - revolving credit facilities	**1,085**	1,411
Interest on REIT - revolving credit facility	**365**	758
Interest on REIT - convertible debentures	**—**	587
Interest on general debt	**4,509**	5,196
Financing costs and bank charges	**988**	356
Gain on settlement of interest rate swap	**—**	(50)
Defeasance costs	**799**	—
Non cash financing costs (recoveries)	**1,486**	(1,227)
	9,232	7,031
Less: capitalized interest	**(648)**	(814)
	8,584	6,217

Finance costs paid during the three months ended March 31, 2025 were $7,758 (2024 - $8,520). Non cash financing costs (recoveries) include fair value adjustment on derivatives.

10. SHARE CAPITAL

Issued and outstanding common shares at March 31, 2025 are 30,280,470 (December 31, 2024 – 30,367,626 shares).

On June 7, 2023 Melcor commenced a Normal Course Issuer (NCIB) which allowed us to purchase up to 1,562,431 shares for cancellation, representing approximately 5% of the issued and outstanding shares up to a maximum daily limit of 1,617 shares unless acquired under a block purchase exception. The price that Melcor paid for shares repurchased under the plan is the market price at the time of acquisition. The NCIB expired on June 6, 2024.

On June 7, 2024 Melcor commenced a Normal Course Issuer (NCIB) which allows us to purchase up to 1,525,527 shares for cancellation, representing approximately 5% of the issued and outstanding shares up to a maximum daily limit of 1,552 shares unless acquired under a block purchase exception. The price that Melcor pays for shares repurchased under the plan is the market price at the time of acquisition. The NCIB expires on June 6, 2025.

In connection with the commencement of the NCIB, Melcor also entered into an automatic purchase plan agreement with a broker to allow for the purchase of common shares under the NCIB at times when Melcor ordinarily would not be active in the market due to regulatory restrictions or self imposed trading blackout periods.

(Unaudited – in $000s except per share, share and acre amounts)

During the three months ended March 31, 2025, 87,156 shares were purchased for cancellation by Melcor pursuant to the NCIB at a cost of $1,103 (December 31, 2024 - 356,703 shares purchased at a cost of $4,328). Retained earnings was also reduced by $22 (December 31, 2024 - $70) for the tax on net share buyback.

11. SEGMENTED INFORMATION

Geographic Analysis

A reconciliation of our revenues and assets by geographic location is as follows:

External Revenues	For the three months ended March 31, 2025	March 31, 2024
United States	**15,048**	3,623
Canada	**35,695**	46,125
Total	**50,743**	49,748

Total Assets

As at	March 31, 2025	December 31, 2024
United States	**264,048**	255,292
Canada	**1,772,035**	1,853,261
Total	**2,036,083**	2,108,553

Divisional Analysis

Our divisions reported the following results:

For the three months ended March 31, 2025	Land	Properties	REIT	Golf	Corporate	Subtotal	Intersegment Elimination	Total
Revenue	23,283	11,368	17,530	102	—	**52,283**	(1,540)	**50,743**
Cost of sales	(10,533)	(5,153)	(7,724)	(552)	—	**(23,962)**	531	**(23,431)**
Gross profit	12,750	6,215	9,806	(450)	—	**28,321**	(1,009)	**27,312**
General and administrative expense	(1,833)	(1,511)	(926)	(384)	(3,570)	**(8,224)**	574	**(7,650)**
Fair value adjustment on investment properties	—	2,951	712	—	—	**3,663**	435	**4,098**
Gain on sale of assets	—	—	—	1	—	**1**	—	**1**
Interest income	813	33	34	4	99	**983**	—	**983**
Segment earnings (loss)	11,730	7,688	9,626	(829)	(3,471)	**24,744**	—	**24,744**
Finance costs								**(8,584)**
Foreign exchange gain								**4**
Adjustments related to REIT units								**(7,953)**
Income before tax								**8,211**
Income tax expense								**(3,195)**
Net income for the period								**5,016**

(Unaudited – in $000s except per share, share and acre amounts)

For the three months ended March 31, 2024	Land	Properties	REIT	Golf	Corporate	Subtotal	Intersegment Elimination	Total
Revenue	21,066	11,696	18,905	143	—	51,810	(2,062)	49,748
Cost of sales	(12,716)	(5,121)	(8,334)	(565)	—	(26,736)	596	(26,140)
Gross profit	8,350	6,575	10,571	(422)	—	25,074	(1,466)	23,608
General and administrative expense	(1,931)	(1,248)	(1,020)	(355)	(1,965)	(6,519)	668	(5,851)
Fair value adjustment on investment properties	—	(575)	(9,056)	—	—	(9,631)	798	(8,833)
Gain on sale of assets	—	—	—	47	—	47	—	47
Interest income	468	31	14	3	26	542	—	542
Segment earnings (loss)	6,887	4,783	509	(727)	(1,939)	9,513	—	9,513
Finance costs								(6,217)
Foreign exchange gain								35
Adjustments related to REIT units								11,537
Income before tax								14,868
Income tax expense								(2,080)
Net income for the period								12,788

12. NON-CONTROLLING INTEREST IN MELCOR REIT

In accordance with our policy, we account for the remaining 44.6% publicly held interest in the REIT as a financial liability measured at fair value through profit or loss (“FVTPL”). As at March 31, 2025 the REIT units had a fair value of $70,390 (December 31, 2024 - $68,057).

We recorded adjustments related to REIT units for the three months ended March 31, 2025 of $7,953 (March 31, 2024 - $11,537).

As illustrated in the table below, the adjustment is comprised of:

	For the three months ended	
	March 31, 2025	March 31, 2024
Fair value adjustment on REIT units (note 13)	**(2,333)**	12,056
Transaction costs on REIT units acquisition (note 1)	**(5,620)**	—
Distributions to REIT unitholders	**—**	(519)
Adjustments related to REIT units	**(7,953)**	11,537

Included in adjustments related to REIT units are $5,620 in directly attributable transaction costs related to the acquisition of the remaining 44.6% publicly held interest in the REIT resulting in 100% ownership interest. The acquisition of the remaining 44.6% publicly held interest in the REIT closed on April 23, 2025 and will be recorded in the second quarter. Refer to note 1 for additional details.

(Unaudited – in $000s except per share, share and acre amounts)

The following tables summarize the financial information relating to Melcor's subsidiary, the REIT, that has material non-controlling interest (NCI), before intra-group eliminations.

As at	March 31, 2025	December 31, 2024
Assets	613,226	662,876
Liabilities (excluding Class B LP units)	357,009	410,046
Net assets	256,217	252,830
Cost of NCI	103,934	103,934
Fair value of NCI	70,390	68,057

	For the three months ended	
	March 31, 2025	March 31, 2024
Rental revenue	17,530	18,905
Net income and comprehensive income	484	10,352
Cash flows from operating activities	3,309	4,848
Cash flows from (used in) investing activities	48,092	(492)
Cash flows used in financing activities, before distributions to REIT unitholders	(52,853)	(3,265)
Cash flows used in financing activities - cash distributions to REIT unitholders	—	(519)
Net (decrease) increase in cash and cash equivalents	(1,452)	572

13. FAIR VALUE MEASUREMENT

Fair value is the price that market participants would be willing to pay for an asset or liability in an orderly transaction under current market conditions at the measurement date.

The fair value of Melcor's financial instruments are determined as follows:

- the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, agreements receivable and accounts payable and accrued liabilities approximate their fair values based on the short term maturities of these financial instruments.
- fair values of general debt are estimated by discounting the future cash flows associated with the debt at market interest rates (Level 3).
- fair values of interest rate swaps are estimated by discounting the future cash flows associated with the instrument at market interest rates (Level 2).
- fair value of REIT units are estimated based on the closing trading price of the REIT’s trust units (Level 1).

In addition, Melcor carries its investment properties and assets held for sale at fair value, which is determined based on the accepted valuation methods of direct income capitalization or discounted future cash flows (Level 3).

The fair value hierarchy categorizes fair value measurement into three levels based upon the inputs to valuation technique, which are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

There were no transfers between the levels of the fair value hierarchy during the period.

(Unaudited – in $000s except per share, share and acre amounts)

The following table summarizes Melcor's assets and liabilities carried at fair value and its financial assets and liabilities where carrying value does not approximate fair value.

	March 31, 2025					December 31, 2024	
	Fair Value Hierarchy	**Fair Value**	**Amortized Cost**	**Total Carrying Value**	**Total Fair Value**	**Total Carrying Value**	**Total Fair Value**
Non-financial assets							
Investment properties	**Level 3**	**1,051,295**	**—**	**1,051,295**	**1,051,295**	1,044,374	1,044,374
Assets held for sale	**Level 3**	**—**	**—**	**—**	**—**	48,000	48,000
Financial liabilities							
General debt, excluding derivative financial liability	**Level 3**	**—**	**545,596**	**545,596**	**526,187**	609,850	587,159
REIT units	**Level 1**	**70,390**	**—**	**70,390**	**70,390**	68,057	68,057
Derivative financial liabilities							
Interest rate swaps	**Level 2**	**430**	**—**	**430**	**430**	1,489	1,489
Derivative financial assets							
Interest rate swaps	**Level 2**	**1,783**	**—**	**1,783**	**1,783**	2,383	2,383

Investment properties

Investment properties are remeasured to fair value on a recurring basis, determined based on the accepted valuation methods of direct income capitalization or discounted future cash flows. The application of these valuation methods results in these measurements being classified as level 3 in the fair value hierarchy.

Under the discounted future cash flows method, fair values are determined by discounting the forecasted future cash flows over ten years plus a terminal value determined by applying a terminal capitalization rate to forecasted year eleven cash flows.

Under the direct income capitalization method, fair values are determined by dividing the stabilized net operating income of the property by a property specific capitalization rate.

The significant unobservable inputs in the Level 3 valuations are as follows:

- Capitalization rate - based on actual location, size and quality of the property and taking into consideration available market data as at the valuation date;
- Stabilized net operating income - revenue less direct operating expenses adjusted for items such as average lease up costs, vacancies, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items;
- Discount rate - reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Terminal capitalization rate - taking into account assumptions regarding vacancy rates and market rents;
- Estimated costs to complete for properties under development - based on expected completion dates considering development and leasing risks specific to each property and the status of approvals and/or permits; and
- Cash flows - based on the physical location, type and quality of the property and supported by the terms of existing leases, other contracts or external evidence such as current market rents for similar properties.

An increase in the cash flows or stabilized net operating income results in an increase in fair value of investment property whereas an increase in the capitalization rate, discount rate or terminal capitalization rate decreases the fair value of the investment property.

In determining the fair value of our investment properties judgment is required in assessing the 'highest and best use' as required under IFRS 13, *Fair value measurement*. We have determined that the current uses of our investment properties are their 'highest and best use'.

Melcor's executive management team is responsible for determining fair value measurements on a quarterly basis, including verifying all major inputs included in the valuation and reviewing the results. Melcor's management, along with the Audit Committee, discuss the valuation process and key inputs on a quarterly basis. At least once every two years, the valuations are performed by qualified external valuators who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

Investment properties are valued by Melcor's internal valuation team. For the three months ended March 31, 2025, 10 legal phases included in investment properties with a fair value of $113,410 were valued by external valuation professionals (year ended

(Unaudited – in $000s except per share, share and acre amounts)

December 31, 2024 - 59 legal phases included in investment properties with a fair value of $736,485). Valuations performed during the three month period resulted in net fair value gains of $4,098 (December 31, 2024 - net fair value losses of $28,439).

The following table summarizes the valuation approach, significant assumptions, and the relationship between the inputs and the fair value:

Asset	Valuation approach	Significant assumptions	Relationship between assumptions and fair value
Investment properties	Direct income capitalization or discounted cash flows	- Capitalization rate - Discount rate - Terminal rate - Stabilized NOI - Forecasted future cash flows	Inverse relationship between capitalization, discount and terminal rates and fair value (higher rates result in decreased fair value); whereas higher stabilized NOI or forecasted future cash flows results in increased fair value.
Properties under development	Direct income capitalization or discounted cash flows less cost to complete	- Capitalization rate - Discount rate - Terminal rate - Stabilized NOI - Forecasted future cash flows - Cost to complete	Inverse relationship between capitalization rate and fair value (higher capitalization rate results in lower fair value); whereas higher stabilized NOI results in increased fair value.
Properties under development - undeveloped land	Direct comparison	- Comparison to market transactions for similar assets	Land value reflects market value.

Weighted average annual stabilized net operating income for investment properties as at March 31, 2025 is $1,325 (December 31, 2024 - $1,504). Other significant valuation metrics and unobservable inputs are set out in the following table. Fair values are most sensitive to changes in capitalization rates.

	Investment Properties			**Properties under Development**		
March 31, 2025	**Min**	**Max**	**Weighted Average**	**Min**	**Max**	**Weighted Average**
Capitalization rate	**5.00%**	**10.50%**	**6.83%**	**6.00%**	**6.25%**	**6.09%**
Terminal capitalization rate	**5.75%**	**9.50%**	**6.99%**	**6.25%**	**6.50%**	**6.34%**
Discount rate	**6.75%**	**10.50%**	**7.91%**	**7.25%**	**7.25%**	**7.25%**

	Investment Properties			Properties under Development		
December 31, 2024	Min	Max	Weighted Average	Min	Max	Weighted Average
Capitalization rate	5.00%	10.50%	6.92%	6.00%	6.25%	6.11%
Terminal capitalization rate	5.75%	9.50%	6.96%	6.25%	6.50%	6.36%
Discount rate	6.75%	10.50%	7.85%	7.25%	7.25%	7.25%

An increase in capitalization rates by 50 basis points would decrease the fair value and carrying amount of investment properties by $61,000 (December 31, 2024 - $64,000). A decrease in capitalization rates by 50 basis points would increase the fair value and carrying amount of investment properties by $70,600 (December 31, 2024 - $74,000).

General debt, excluding derivative financial liabilities

The fair value of revolving credit facilities approximates the carrying value excluding unamortized financing costs. The facilities bear interest, at our option, at a rate per annum equal to either the bank's prime lending rate plus 0.75% to 1.75% or at the bank's then prevailing CORRA rate plus a stamping fee of 2.00% to 2.25%.

The fair value of project specific financing and debt on investment properties and golf course assets have been calculated by discounting the expected cash flows of each loan using a discount rate specific to each individual loan. The discount rate is determined using the bond yield for similar instruments of similar maturity adjusted for each individual project's specific credit risk. In determining the adjustment for credit risk, we consider current market conditions and other indicators of credit worthiness.

Derivative financial assets and liabilities

Our derivative financial assets and liabilities are comprised of floating for fixed interest rate swaps on mortgages (level 2).

The fair value of the interest rate swaps are calculated as the net present value of the future cash flows expected to arise on the variable and fixed portion, determined using applicable yield curves at the measurement date. As at March 31, 2025, the fair value of interest rate swap contracts was $1,783 asset and $430 liability (December 31, 2024 - $2,383 asset and $1,489 liability).

REIT units

REIT units are remeasured to fair value on a recurring basis and categorized as level 1 in the fair value hierarchy. The units are fair valued based on the trading price of the REIT units at the period end date. At March 31, 2025 the fair value of the REIT units was $70,390 (December 31, 2024 - $68,057), resulting in a fair value loss during the three months ended of $2,333 (March 31, 2024 - gain of $12,056) in the statement of income and comprehensive income for the period ended ended March 31, 2025 (note 12).

14. RISK MANAGEMENT

Melcor's exposure to risks as a result of holding financial instruments could be impacted. The impact on these risks is as follows:

a. Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Our financial assets that are exposed to credit risk consist of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, and agreements receivable measured at amortized cost and interest rate swaps measured at fair value. Our maximum exposure to credit risk is the carrying amount of these instruments.

We invest our cash and cash equivalents, restricted cash and short-term investments in bank accounts and short-term deposits with a major Canadian chartered bank. Accounts receivable balances include amounts due from other joint arrangement participants for their portion of management fees due to us as well as other various smaller balances due from municipal governments, other developers and tenants. Interest rate swaps are with approved counter-party banks. Counter-parties are assessed prior to, during and after the conclusion of the transactions to ensure exposure to credit risk is limited to an acceptable level.

We manage our credit risk in the Properties and REIT Divisions through careful selection of tenants and look to obtain national tenants or tenants in businesses with a long standing history, or perform financial background checks including business plan reviews for smaller tenants. We manage our concentration risk in the Properties Division by renting to an expansive tenant base, with no dependency on rents from any one specific tenant.

Accounts receivables have historically been significantly low risk due to their individual immaterial balances, the nature of the party they are due from (including joint venture participants under management by Melcor), and overall lack of historical write offs. At this time, based on management's best estimate of the current economic outlook, management has assessed and recorded the current expected credit loss at $47 (December 31, 2024 - $nil).

Agreements receivable are collateralized by specific real estate sold. Agreements receivable relate primarily to land sales in Alberta and, accordingly, collection risk is related to the economic conditions of that region. We manage credit risk by selling to certain qualified registered builders. Concentration risk is low as we sell to a large builder base, and no receivables are concentrated to one specific builder and Melcor maintains an approved builder list containing those builders which have a long standing track record, good volumes, positive perception in the industry, and strong history of repayment.

b. Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk to ensure that we have sufficient liquid financial resources to finance operations and meet long-term debt repayments. We monitor rolling forecasts of our liquidity, which includes cash and cash equivalents and the undrawn portion of the operating loan, on the basis of expected cash flows. In addition, we monitor balance sheet liquidity ratios against loan covenant requirements and maintain ongoing debt financing plans. We believe that we have access to sufficient capital through internally generated cash flows, external sources and undrawn committed borrowing facilities to meet current spending forecasts. We believe that based on the cash flow models created by management we have access to sufficient liquidity through internally generated cash flows, external sources and undrawn committed borrowing facilities to meet current financial obligations.

c. *Market Risk*

We are subject to interest rate cash flow risk as our revolving credit facilities and certain debt on investment properties bear interest at rates that vary in accordance with borrowing rates in Canada. Debt on investment properties issued at variable rates expose Melcor to cash flow interest rate risk. However, Melcor's policy is to fix the interest rate on its variable interest debt on investment properties. To manage this, we enter into interest rate swaps in which Melcor agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed on notional principal amount.

As at March 31, 2025, as in the previous year, after taking into account the effect of interest rate swaps, 100% of Melcor's debt on investment properties are at a fixed rate of interest, mitigating cash flow interest rate risk but resulting in fair value interest rate risk as the value of the interest rate swaps changes in response to changes in the market interest rates. The interest rate swaps are not designated as hedges for accounting purposes.

For each 1% change in the rate of interest on loans subject to floating rates, the change in annual interest expense is approximately $675 (December 31, 2024 - $995). We are not subject to other significant market risks pertaining to our financial instruments.

15. EVENTS AFTER THE REPORTING PERIOD

Dividends declared

On May 13, 2025 our board of directors declared a dividend of $0.11 per share payable on June 30, 2025 to shareholders of record on June 16, 2025.

REIT transaction

On April 23, 2025, we acquired the remaining 44.6% publicly held interest in the REIT resulting in a 100% ownership interest. Refer to note 1 for additional details.

US land sale

On April 10, 2025 we sold 154 acres of land for proceeds of $49,359 ($35,219 USD).