



Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2025

(Unaudited, in thousands of Canadian dollars)

Condensed Interim Consolidated Statement of Income

Unaudited (\$000s)	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Revenue (note 8)	100,139	69,707	150,882	119,455
Cost of sales	(45,099)	(34,616)	(68,530)	(60,756)
Gross profit	55,040	35,091	82,352	58,699
General and administrative expense	(6,755)	(6,714)	(14,405)	(12,565)
Fair value adjustment on investment properties (note 5 and 13)	(3,081)	862	1,017	(7,971)
Adjustments related to REIT units (note 12 and 13)	(1,165)	5,833	(9,118)	17,370
Gain on sale of assets	115	6	116	53
Operating earnings	44,154	35,078	59,962	55,586
Interest income	797	714	1,780	1,256
Foreign exchange gain	321	16	325	51
Finance costs (note 9)	(5,687)	(7,882)	(14,271)	(14,099)
Net finance costs	(4,569)	(7,152)	(12,166)	(12,792)
Income before income taxes	39,585	27,926	47,796	42,794
Income tax expense (note 15)	(32,327)	(4,586)	(35,522)	(6,666)
Net income for the period	7,258	23,340	12,274	36,128
Income per share:				
Basic income per share	0.24	0.76	0.41	1.18
Diluted income per share	0.24	0.76	0.40	1.18

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Comprehensive (Loss) Income

Unaudited (\$000s)	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Net income for the period	7,258	23,340	12,274	36,128
Other comprehensive income				
Items that may be reclassified subsequently to net income:				
Currency translation differences	(11,591)	1,641	(11,608)	6,604
Comprehensive (loss) income	(4,333)	24,981	666	42,732

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Financial Position

Unaudited (\$000s)	June 30, 2025	December 31, 2024
ASSETS		
Cash and cash equivalents	84,139	54,338
Restricted cash	—	1,329
Accounts receivable	9,603	17,853
Income taxes recoverable	6,140	4,886
Agreements receivable	115,650	157,412
Land inventory (note 4)	707,670	708,047
Assets held for sale (note 6 and 13)	27,700	48,000
Investment properties (note 5 and 13)	1,017,912	1,044,374
Property and equipment	11,165	11,288
Other assets	53,238	58,643
Derivative financial assets (note 13)	1,860	2,383
	2,035,077	2,108,553
LIABILITIES		
Accounts payable and accrued liabilities	45,362	52,119
Income taxes payable	4,484	7,367
Provision for land development costs	57,946	59,829
General debt (note 7)	601,048	611,339
Deferred income tax liabilities	91,205	67,212
REIT units (note 12 and 13)	—	68,057
	800,045	865,923
SHAREHOLDERS' EQUITY		
Share capital (note 10)	69,441	69,866
Contributed surplus	5,498	4,826
Accumulated other comprehensive income (AOCI)	29,431	41,039
Retained earnings	1,130,662	1,126,899
	1,235,032	1,242,630
	2,035,077	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				Total equity
	Share capital	Contributed surplus	AOCI	Retained earnings	
Balance at January 1, 2025	69,866	4,826	41,039	1,126,899	1,242,630
Net income for the period	—	—	—	12,274	12,274
Cumulative translation adjustment	—	—	(11,608)	—	(11,608)
Transactions with equity holders					
Dividends	—	—	—	(6,655)	(6,655)
Share repurchase (note 10)	(425)	—	—	(1,811)	(2,236)
Tax on share repurchase (note 10)	—	—	—	(45)	(45)
Employee share options					
Value of services recognized	—	672	—	—	672
Balance at June 30, 2025	69,441	5,498	29,431	1,130,662	1,235,032

Unaudited (\$'000's)	Equity attributable to Melcor's shareholders				Total equity
	Share capital	Contributed surplus	AOCI	Retained earnings	
Balance at January 1, 2024	69,493	5,036	24,660	1,110,389	1,209,578
Net income for the period	—	—	—	36,128	36,128
Cumulative translation adjustment	—	—	6,604	—	6,604
Transactions with equity holders					
Dividends	—	—	—	(6,718)	(6,718)
Share repurchase (note 10)	(400)	—	—	(1,723)	(2,123)
Tax on share repurchase (note 10)	—	—	—	(34)	(34)
Employee share options					
Value of services recognized	—	581	—	—	581
Balance at June 30, 2024	69,093	5,617	31,264	1,138,042	1,244,016

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Cash Flows

Unaudited (\$'000's)	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
CASH FLOWS FROM (USED IN)				
OPERATING ACTIVITIES				
Net income for the period	7,258	23,340	12,274	36,128
Non cash items:				
Amortization of tenant incentives	1,759	42	3,606	4,180
Depreciation of property and equipment	420	423	537	565
Stock based compensation expense	356	285	672	581
Non-cash finance costs (recoveries) (note 9)	(575)	1,100	911	(127)
Straight-line rent adjustment	14	21	305	(13)
Fair value adjustment on investment properties (note 5 and 13)	3,081	(862)	(1,017)	7,971
Fair value adjustment on REIT units (note 12 and 13)	907	(5,833)	3,240	(17,889)
Gain on sale of assets	(115)	(6)	(116)	(53)
Deferred income taxes	22,776	1,626	23,925	2,507
	35,881	20,136	44,337	33,850
Agreements receivable	8,691	8,418	41,762	8,341
Development activities	(1,501)	(2,281)	(5,785)	(1,766)
Purchase of land inventory (note 4)	(1,500)	—	(1,500)	—
Payment of tenant lease incentives and direct leasing costs	(1,307)	(714)	(2,127)	(3,944)
Change in restricted cash	1,023	—	1,023	—
Operating assets and liabilities	5,816	(184)	608	(9,245)
	47,103	25,375	78,318	27,236
INVESTING ACTIVITIES				
Additions to investment properties (note 5)	(2,210)	(4,149)	(6,094)	(6,224)
Net proceeds from disposal of investment properties (note 5)	811	1,779	2,033	2,725
Net proceeds from disposal of assets held for sale (note 6)	—	7,480	47,378	7,480
Change in restricted cash	—	—	250	—
Purchase of short-term investments	—	(5,075)	—	(5,075)
Redemption of short investments	3,215	187	3,773	187
Purchase of property and equipment	(380)	(171)	(454)	(658)
Proceeds on disposal of property and equipment	154	6	156	129
	1,590	57	47,042	(1,436)
FINANCING ACTIVITIES				
Revolving credit facilities	57,937	(11,547)	24,383	(7,465)
Proceeds from general debt	13,677	11,000	15,211	11,431
Repayment of general debt	(13,490)	(11,275)	(47,552)	(15,702)
Purchase of REIT units (note 1)	(71,297)	—	(71,297)	—
Transaction costs on REIT units acquisition (note 12)	(4,857)	—	(5,878)	—
Dividends paid	(3,323)	(3,355)	(6,655)	(6,718)
Common shares repurchased (note 10)	(1,133)	(1,133)	(2,236)	(2,123)
	(22,486)	(16,310)	(94,024)	(20,577)
FOREIGN EXCHANGE GAIN ON CASH HELD IN A FOREIGN CURRENCY	(1,540)	(641)	(1,535)	(518)
INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	24,667	8,481	29,801	4,705
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	59,472	30,914	54,338	34,690
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	84,139	39,395	84,139	39,395
Total income taxes paid	4,335	2,438	15,044	6,372
Total interest paid	7,021	8,030	14,779	16,550

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, 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 June 30, 2025 Melton Holdings Ltd. holds approximately 52.0% of the outstanding shares and pursuant to IAS 24, Related party disclosures, is the ultimate controlling shareholder of Melcor.

On September 12, 2024, Melcor and Melcor REIT ("REIT" or "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" or "the Partnership"). Melcor's owned 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") for cash consideration of \$5.50 per unit.

On April 23, 2025, the transaction closed and Melcor purchased its unowned equity interest in REIT LP for \$5.50 per Class A LP Unit or \$71,297 in cash consideration (the "REIT LP Sale" or "the Transaction"). 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. The Transaction resulted in Melcor directly owning 100% of the REIT and REIT LP. The REIT unit liability was also settled and a loss of \$907 on settlement was recognized during the second quarter in adjustments related to REIT units (note 12).

In the six months ended June 30, 2025, we recorded \$7,081 in transaction costs and other fees related to the Transaction. Included in adjustments related to REIT units is \$5,878 of these costs which were considered directly attributable to the Transaction (note 12). Remaining costs were recorded through general and administrative expenses.

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 August 14, 2025.

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

	June 30, 2025	December 31, 2024
Raw land held	350,423	355,283
Land under development	229,071	196,614
Developed land	128,176	156,150
	707,670	708,047

Land is recorded at the lower of cost and net realizable value. During the six month period ended June 30, 2025 we purchased 24.96 acres of land in Leduc, Alberta at a cost of \$1,500 for cash (2024 - no land was purchased).

5. INVESTMENT PROPERTIES

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

		Six months ended June 30 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	554	—	554
Property improvements	499	—	499
Development costs	5,526	—	5,526
Capitalized borrowing costs	69	—	69
Disposals	(2,033)	(46,807)	(48,840)
Fair value adjustment on investment properties	1,602	(585)	1,017
Investment properties transferred to assets held for sale (note 6)	(27,041)	27,041	—
Other adjustments	(646)	—	(646)
Foreign currency translation (included in OCI)	(4,992)	—	(4,992)
Balance - end of period	1,017,912	27,041	1,044,953

Year ended
December 31, 2024

	Investment Properties	Held for sale (note 6)	Total
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 six month period ended June 30, 2025:

- We disposed of five residential units in Arizona for net sale price of \$2,033 (US\$1,432) 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 year.

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 June 30, 2025, assets held for sale includes two retail properties with a fair value of \$27,700 (including investment property of \$27,041, tenant incentives of \$36 and straight-line rent of \$623). As at June 30, 2025 management has listed these assets for sale with the intention to sell the properties. As at December 31, 2024, assets held for sale included one retail property with a fair value of \$48,000 (including investment property of \$47,392, tenant incentives of \$237 and straight-line rent adjustments of \$371).

Disposals in the six month period ended June 30, 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 credit facility.

- 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 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 credit facility.

7. GENERAL DEBT		
	June 30, 2025	December 31, 2024
Revolving credit facilities	109,805	85,422
Project specific financing	20,330	14,119
Debt on investment properties	470,913	511,798
General debt	601,048	611,339

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

	Six months ended June 30, 2025	Year ended December 31, 2024
Balance - beginning of period	14,119	7,724
Cash movements		
New project financing	6,211	6,395
Balance - end of period	20,330	14,119

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

	Six months ended June 30, 2025	Year ended December 31, 2024
Balance - beginning of period	511,798	507,463
Cash movements		
Principal repayments		
Scheduled amortization on debt	(8,474)	(17,563)
Mortgage repayments	(39,078)	(13,480)
New mortgages	9,000	31,000
Non-cash movements		
Deferred financing fees capitalized	(169)	(563)
Amortization of deferred financing fees	500	722
Change in derivative fair value swap	(234)	359
Foreign currency translation included in OCI	(2,430)	3,860
Balance - end of period	470,913	511,798

8. REVENUE

Total Revenues	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Revenue from contracts	76,696	46,399	104,762	72,219
Revenue from other sources	23,443	23,308	46,120	47,236
	100,139	69,707	150,882	119,455

Timing of contract revenue recognition	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
At a point in time	70,457	40,123	93,347	60,458
Over time	6,239	6,276	11,415	11,761
	76,696	46,399	104,762	72,219

9. FINANCE COSTS

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Interest on revolving credit facilities	1,688	2,181	3,138	4,350
Interest on convertible debentures	—	586	—	1,173
Interest on general debt	5,144	4,768	9,653	9,964
Financing costs and bank charges	168	232	1,156	588
Gain on settlement of interest rate swap	(1)	(1)	(1)	(51)
Defeasance costs	—	—	799	—
Non cash financing costs (recoveries)	(575)	1,100	911	(127)
	6,424	8,866	15,656	15,897
Less: capitalized interest	(737)	(984)	(1,385)	(1,798)
	5,687	7,882	14,271	14,099

Finance costs paid during the six months ended June 30, 2025 were \$14,779 (2024 - \$16,550). Non cash financing costs (recoveries) include fair value adjustment on derivatives.

10. SHARE CAPITAL

Issued and outstanding common shares at June 30, 2025 are 30,193,350 (December 31, 2024 – 30,367,626 shares).

On June 7, 2024 Melcor commenced a Normal Course Issuer (NCIB) which allowed 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 paid for shares repurchased under the plan is the market price at the time of acquisition. The NCIB expired on June 6, 2025.

On June 10, 2025 Melcor commenced a Normal Course Issuer (NCIB) which allows us to purchase up to 1,511,087 shares for cancellation, representing approximately 5% of the issued and outstanding shares up to a maximum daily limit of 1,466 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 9, 2026.

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.

During the six month period ended June 30, 2025, 174,276 shares were purchased for cancellation by Melcor pursuant to the NCIBs at a cost of \$2,236 (December 31, 2024 - 356,703 shares purchased at a cost of \$4,328). Retained earnings was also reduced by \$45 (December 31, 2024 - \$70) for the tax on net share buyback.

11. SEGMENTED INFORMATION

Subsequent to the transaction described in note 1, there were changes to our segmented reporting where our former division "REIT" was combined into one division with "Properties". Comparative information has been restated to be consistent with the presentation of the new segments.

Geographic Analysis

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

External Revenues	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
United States	52,647	4,532	67,695	8,155
Canada	47,492	65,175	83,187	111,300
Total	100,139	69,707	150,882	119,455

Total Assets

As at	June 30, 2025	December 31, 2024
United States	229,610	255,292
Canada	1,805,467	1,853,261
Total	2,035,077	2,108,553

Divisional Analysis

Our divisions reported the following results:

For the three months ended June 30, 2025	Land	Properties	Golf	Corporate	Subtotal	Intersegment Elimination	Total
Revenue	68,150	26,240	5,914	—	100,304	(165)	100,139
Cost of sales	(31,341)	(11,490)	(2,293)	—	(45,124)	25	(45,099)
Gross profit	36,809	14,750	3,621	—	55,180	(140)	55,040
General and administrative expense	(2,100)	(1,615)	(1,187)	(1,993)	(6,895)	140	(6,755)
Fair value adjustment on investment properties	—	(3,081)	—	—	(3,081)	—	(3,081)
Gain on sale of assets	—	—	115	—	115	—	115
Interest income	547	235	3	12	797	—	797
Segment earnings (loss)	35,256	10,289	2,552	(1,981)	46,116	—	46,116
Finance costs							(5,687)
Foreign exchange gain							321
Adjustments related to REIT units							(1,165)
Income before tax							39,585
Income tax expense							(32,327)
Net income for the period							7,258

For the three months ended June 30, 2024	Land	Properties	Golf	Corporate	Subtotal	Intersegment Elimination	Total
Revenue	37,234	27,327	5,296	—	69,857	(150)	69,707
Cost of sales	(20,913)	(11,550)	(2,183)	—	(34,646)	30	(34,616)
Gross profit	16,321	15,777	3,113	—	35,211	(120)	35,091
General and administrative expense	(1,991)	(1,700)	(1,094)	(2,049)	(6,834)	120	(6,714)
Fair value adjustment on investment properties	—	862	—	—	862	—	862
Gain on sale of assets	—	—	6	—	6	—	6
Interest income	650	43	3	18	714	—	714
Segment earnings (loss)	14,980	14,982	2,028	(2,031)	29,959	—	29,959
Finance costs							(7,882)
Foreign exchange gain							16
Adjustments related to REIT units							5,833
Income before tax							27,926
Income tax expense							(4,586)
Net income for the period							23,340

For the six months ended June 30, 2025	Land	Properties	Golf	Corporate	Subtotal	Intersegment Elimination	Total
Revenue	91,433	53,624	6,016	—	151,073	(191)	150,882
Cost of sales	(41,874)	(23,861)	(2,845)	—	(68,580)	50	(68,530)
Gross profit	49,559	29,763	3,171	—	82,493	(141)	82,352
General and administrative expense	(3,933)	(3,479)	(1,571)	(5,563)	(14,546)	141	(14,405)
Fair value adjustment on investment properties	—	1,017	—	—	1,017	—	1,017
Gain on sale of assets	—	—	116	—	116	—	116
Interest income	1,360	302	7	111	1,780	—	1,780
Segment earnings (loss)	46,986	27,603	1,723	(5,452)	70,860	—	70,860
Finance costs							(14,271)
Foreign exchange gain							325
Adjustments related to REIT units							(9,118)
Income before tax							47,796
Income tax expense							(35,522)
Net income for the period							12,274

For the six months ended June 30, 2024	Land	Properties	Golf	Corporate	Subtotal	Intersegment Elimination	Total
Revenue	58,300	55,894	5,439	—	119,633	(178)	119,455
Cost of sales	(33,629)	(24,436)	(2,748)	—	(60,813)	57	(60,756)
Gross profit	24,671	31,458	2,691	—	58,820	(121)	58,699
General and administrative expense	(3,922)	(3,301)	(1,449)	(4,014)	(12,686)	121	(12,565)
Fair value adjustment on investment properties	—	(7,971)	—	—	(7,971)	—	(7,971)
Gain on sale of assets	—	—	53	—	53	—	53
Interest income	1,118	88	6	44	1,256	—	1,256
Segment earnings (loss)	21,867	20,274	1,301	(3,970)	39,472	—	39,472
Finance costs							(14,099)
Foreign exchange gain							51
Adjustments related to REIT units							17,370
Income before tax							42,794
Income tax expense							(6,666)
Net income for the period							36,128

12. NON-CONTROLLING INTEREST IN MELCOR REIT

As described in note 1, Melcor acquired the remaining 44.6% publicly held interest in the REIT on April 23, 2025 and now owns 100% of the REIT and REIT LP. The balance of the non-controlling interest is \$nil (December 31, 2024 - \$68,057).

Prior to the close of the Transaction, we accounted for the 44.6% publicly held interest in the REIT as a financial liability measured at fair value through profit or loss ("FVTPL"). We recorded adjustments related to REIT units for the three and six months ended June 30, 2025 of \$1,165 loss and \$9,118 loss (June 30, 2024 - \$5,833 gain and \$17,370 gain). This includes directly attributable transaction costs for the three and six months ended June 30, 2025 of \$258 and \$5,878 related to the Transaction.

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

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Fair value adjustment on REIT units (note 13)	(907)	5,833	(3,240)	17,889
Transaction costs on REIT units acquisition (note 1)	(258)	—	(5,878)	—
Distributions to REIT unitholders	—	—	—	(519)
Adjustments related to REIT units	(1,165)	5,833	(9,118)	17,370

The following tables summarizes the comparative financial information relating to Melcor's subsidiary, the REIT, that had material non-controlling interest (NCI), prior to the April 23, 2025 Transaction. The financial information is presented before intra-group eliminations.

As at	December 31, 2024
Assets	662,876
Liabilities (excluding Class B LP units)	410,046
Net assets	252,830
Cost of NCI	103,934
Fair value of NCI	68,057

	For the three months ended June 30, 2024	For the six months ended June 30, 2024
Rental revenue	17,858	36,763
Net income and comprehensive income	10,514	20,866
Cash flows from operating activities	2,633	7,481
Cash flows from investing activities	2,214	1,722
Cash flows used in financing activities, before distributions to REIT unitholders	(5,414)	(8,679)
Cash flows used in financing activities - cash distributions to REIT unitholders	—	(519)
Net increase (decrease) in cash and cash equivalents	(567)	5

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.

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.

	June 30, 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	1,017,912	—	1,017,912	1,017,912	1,044,374	1,044,374
Assets held for sale	Level 3	27,700	—	27,700	27,700	48,000	48,000
Financial liabilities							
General debt, excluding derivative financial liability	Level 3	—	599,793	599,793	588,576	609,850	587,159
REIT units	Level 1	—	—	—	—	68,057	68,057
Derivative financial liabilities							
Interest rate swaps	Level 2	1,255	—	1,255	1,255	1,489	1,489
Derivative financial assets							
Interest rate swaps	Level 2	1,860	—	1,860	1,860	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 valuers 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 six months ended June 30, 2025, 29 legal phases included in investment properties with a fair value of \$327,393 were valued by external valuation professionals (year ended December 31, 2024 - 59 legal phases included in investment properties with a fair value of \$736,485). Valuations performed during the six month period resulted in net fair value gains of \$1,017 (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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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 June 30, 2025 is \$1,290 (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		
June 30, 2025	Min	Max	Weighted Average	Min	Max	Weighted Average
Capitalization rate	5.00%	10.50%	6.82%	6.00%	6.25%	6.07%
Terminal capitalization rate	5.75%	9.50%	6.99%	6.25%	6.50%	6.31%
Discount rate	6.75%	10.50%	7.90%	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 \$61,100 (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 \$70,800 (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 has 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 June 30, 2025, the fair value of interest rate swap contracts was \$1,860 asset and \$1,255 liability (December 31, 2024 - \$2,383 asset and \$1,489 liability).

REIT units

REIT units were remeasured to fair value on a recurring basis and categorized as level 1 in the fair value hierarchy prior to the Transaction (note 1). The units were fair valued based on the trading price of the REIT units at date of acquisition.

During the six month period ended June 30, 2025, we recognized a fair value loss of \$3,240 (June 30, 2024 - gain of \$17,889) in the statement of income and comprehensive income (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 Division 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 \$324 (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 June 30, 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 \$1,301 (December 31, 2024 - \$995). We are not subject to other significant market risks pertaining to our financial instruments.

15. INCOME TAX

Prior to the close of the Transaction, Melcor was only taxable on our share of the REIT and as a result, recorded 55.4% of the REIT's deferred tax balances. On close of the Transaction, we own 100% of REIT LP and recognized 100% of the deferred tax balances related to the REIT LP. This resulted in a increase in deferred tax expense of \$22,201 during the second quarter.

Reconciliation of effective tax rate:

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Income before taxes	39,585	27,926	47,796	42,794
Statutory rate	23 %	23 %	23 %	23 %
	9,105	6,423	10,993	9,843
Non-deductible (non-taxable) portion of capital losses (gain) and fair value adjustments	340	(93)	77	898
Non-taxable portion of REIT income	(181)	(409)	(605)	(74)
Impact of different tax rates in subsidiaries	595	7	759	(6)
Non-deductible expenses	58	—	1,352	—
Non-deductible (non-taxable) fair value adjustments on REIT units	209	(1,342)	745	(3,995)
Impact of change in partnership percentage	22,201	—	22,201	—
Total tax expense	32,327	4,586	35,522	6,666

16. EVENTS AFTER THE REPORTING PERIOD

Dividends declared:

On August 14, 2025 our board of directors declared a dividend of \$0.13 per share payable on September 29, 2025 to shareholders of record on September 15, 2025.

Asset disposition:

On July 25, 2025 we entered into an unconditional agreement to dispose of an investment property for gross proceeds of approximately \$13,000 (US\$9,533). The sale is expected to close on August 25, 2025.