

# Management's Discussion & Analysis

August 14, 2025

The following discussion of Melcor Developments' (Melcor's) financial condition and results of operations should be read in conjunction with the condensed interim consolidated financial statements and related notes for the quarter ended June 30, 2025, and management's discussion & analysis (MD&A) and consolidated financial statements for the fiscal year ended December 31, 2024.

The financial statements underlying this MD&A, including 2024 comparative information, have been prepared 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, unless otherwise noted. All dollar amounts included in this MD&A are Canadian dollars unless otherwise specified.

Melcor's Board of Directors approved the content of this MD&A on August 14, 2025, on the recommendation of the Audit Committee.

## Other Information

Additional information about Melcor, including our annual information form, information circular and annual and quarterly reports, is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## Non-standard Measures

We refer to terms that are not specifically defined in the CPA Handbook and do not have any standardized meaning prescribed by IFRS Accounting Standards. These non-standard measures may not be comparable to similar measures presented by other companies. We believe that these non-standard measures are useful in assisting investors in understanding components of our financial results. For a definition of these measures, refer to the section "Non-GAAP and Non-standard Measures".

## 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 MD&A 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. Forward-looking statements may involve, but are not limited to, comments with respect to our strategic initiatives for 2025 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 Risks in our annual MD&A and the updated risk disclosure contained in the Business Environment & Risks section contained 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 Melcor or on its behalf.

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## Our Business

Melcor is a diversified real estate development and asset management company. We transform real estate from raw land to high-quality residential communities and commercial developments. We develop and manage mixed-use residential, business and industrial parks, office buildings, retail commercial centres and golf courses.

Since 1923, our focus has been the business of real estate. We've built over 170 communities and commercial projects across western Canada since the 1950s and have helped to shape much of Alberta's landscape. As at June 30, 2025, we manage 4.48 million square feet (sf) in commercial real estate assets and 447 residential rental units. We have been a public company since 1968 (TSX: MRD).

**We are committed to building communities that enrich quality of life - communities where people live, work, shop and play.**

Melcor operates four integrated divisions that together manage the full life cycle of real estate development:

- 1 **Land:** acquires raw land and plans residential communities and commercial developments
- 2 **Properties:** operates a portfolio of commercial and residential properties and development of commercial properties, including 56 income-producing properties (as at June 30, 2025) representing 4.00 million sf in gross leasable area.
- 3 **Golf:** owning and operating championship golf courses associated with our residential communities.
- 4 **Corporate:** orchestrates strategic planning, financial governance, risk mitigation guiding the organization through dynamic market shifts towards sustained and adaptive success.

The following diagram illustrates how each of our divisions complement one another to create and enhance value from our real estate assets:



In addition to extending the value of our asset base, these diversified operating segments enable us to manage our business through real estate cycles (both general market conditions and the seasonality associated with construction and development) and diversify our revenue base.

While building a sustainable business, we also focus on building sustainable communities by sharing our time and resources to make them stronger. We are proud to support a number of worthy causes and charities that enrich the communities where we operate.

Our headquarters are in Edmonton, Alberta, with regional offices across Alberta, in Kelowna, British Columbia and in Phoenix, Arizona. Our developments span western Canada and Colorado and Arizona in the US.

Our history and our culture form our strong foundation: the authentic values of a family-run organization building deep relationships with our clients, our business partners and our employees.

## Glossary of Acronyms

Common Acronyms			
<b>CRU</b>	commercial retail unit	<b>NCIB</b>	normal course issuer bid
<b>FFO</b>	funds from operations	<b>NOI</b>	net operating income
<b>GAAP</b>	generally accepted accounting principles	<b>sf</b>	square feet
<b>G&amp;A</b>	general and administrative expense	<b>SLR</b>	straight-line rent
<b>GBV</b>	gross book value	<b>WABR</b>	weighted average base rent
<b>GLA</b>	gross leasable area		

## Second Quarter Highlights

Readers are reminded that established key performance measures may not have standardized meaning under GAAP. For further information on Melcor's non-standard measures, Non-GAAP measures, operating measures and Non-GAAP ratios, refer to the Non-GAAP and non-standard measures section.

(\$000s except as noted)	Three months ended June 30			Six months ended June 30		
	2025	2024	Change %	2025	2024	Change %
Revenue	100,139	69,707	43.7	150,882	119,455	26.3
Gross margin <sup>1</sup>	55.0 %	50.3 %	9.3	54.6 %	49.1 %	11.2
Net income	7,258	23,340	(68.9)	12,274	36,128	(66.0)
Net margin <sup>1</sup>	7.2 %	33.5 %	(78.5)	8.1 %	30.2 %	(73.2)
FFO <sup>2</sup>	36,125	20,115	79.6	49,910	33,863	47.4
Per Share Data (\$)						
Basic earnings	0.24	0.76	(68.4)	0.41	1.18	(65.3)
Diluted earnings	0.24	0.76	(68.4)	0.40	1.18	(66.1)
FFO <sup>3</sup>	1.19	0.65	83.1	1.65	1.10	50.0
Dividends	0.11	0.11	—	0.22	0.22	—

As at (\$000s except share and per share amounts)	June 30, 2025	December 31, 2024	Change %
Total assets	2,035,077	2,108,553	(3.5)
Shareholders' equity	1,235,032	1,242,630	(0.6)
Total shares outstanding	30,193,350	30,367,626	(0.6)
Per Share Data (\$)			
Book value <sup>(3)</sup>	40.90	40.92	—

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.

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

### MELCOR REIT TRANSACTION (the "Transaction")

In late 2024, Melcor and Melcor REIT ("REIT" or "the REIT") announced they entered into an arrangement agreement (the "Arrangement") whereby Melcor would acquire its unowned equity interest (approximately 44.6%) in Melcor REIT Limited Partnership ("REIT LP") for \$5.50 per Class A LP Unit, for a total consideration of \$71.30 million (the "REIT LP Sale"). Proceeds from the REIT LP Sale were used to repurchase and cancel all of the REIT's outstanding participating trust units (each, a "Unit") for consideration (the "Consideration") of \$5.50 per Unit less any applicable withholding taxes.

The Arrangement was approved by the REIT's unitholders at a special meeting held on April 11, 2025, and the Court of King's Bench of Alberta granted the final order in respect of the Arrangement on April 16, 2025. On April 23, 2025 the transaction closed, and the REIT's Units were delisted from the Toronto Stock Exchange after the markets closed on April 24, 2025. The REIT has ceased to be a reporting issuer and terminated its public reporting obligations after the Units were delisted.

The Transaction resulted in Melcor directly owning 100% of the REIT and REIT LP. The REIT Unit liability was settled and a loss of \$0.91 million was recognized during the second quarter in adjustments related to REIT units. There was also an additional \$22.20 million in deferred tax expense recorded as a result of the Transaction, due to Melcor's ownership in the REIT LP increasing from 55.4% to 100%. Melcor previously only recorded its share of the REIT LP's deferred tax liabilities and has now recognized 100% of the REIT LP's deferred tax liabilities.

To date in 2025, we have recorded \$7.08 million in transaction costs and other fees related to the Transaction of which \$5.88 million were considered directly attributable to the acquisition and accordingly included in adjustments related to REIT units in the condensed interim consolidated statement of income, with the balance of costs recorded through general and administrative expenses.

Further details regarding the Transaction is contained in a REIT management information circular which was filed on SEDAR+ under the REIT's profile at [www.sedarplus.ca](http://www.sedarplus.ca).

### SECOND QUARTER HIGHLIGHTS:

Economic and political uncertainties, including interest rates and global trade, continue to pose risks, especially in relation to input construction costs. We continue to closely monitor the implications of tariffs on construction materials, as elevated input costs may increase overall building expenses in Alberta, potentially hindering real estate development and contributing to higher housing prices. Despite these challenges, Alberta continues to show resilience and development remained active though the second quarter.

To date in 2025, we have recorded revenue of \$150.88 million at a gross margin of 54.6%, up 26.3% from revenue of \$119.46 million in 2024 at a gross margin of 49.1%. Net income was down 68.9% or \$16.08 million to \$7.26 million in the period (Q2-2024: \$23.34 million) and down

66.0% or \$23.85 million to \$12.27 million year-to-date (Q2-2024: \$36.13 million). Net income in both the quarter and year-to-date was significantly impacted by the \$22.20 million of deferred tax expense recorded as a result of the Transaction. Income before income taxes was up 41.7% or \$11.66 million to \$39.59 million in the quarter and up 11.7% or \$5.00 million to \$47.80 million year-to-date.

Management believes that FFO more accurately reflects true operating performance and in the quarter FFO increased 79.6% to \$36.13 million (Q2-2024: \$20.12 million) and FFO has increased year-to-date by 47.4% to \$49.91 million (2024: \$33.86 million). The increase over 2024 is a result of higher gross profits which increased 56.8% in the quarter and is up 40.3% year-to-date. These amounts were partially offset by higher current income tax expense and higher professional fees associated with the Transaction that were included in G&A expenses.

Throughout the year, we maintained our conservative and disciplined approach to investment and development activities and the management of our assets and liabilities. Property sales in 2024 and early 2025 remain focused on pruning non-core assets in order to strengthen Melcor's financial position by reducing debt. In 2024 we sold four investment properties, and one additional property was sold in early 2025. These sales impact year-over-year comparatives in the Properties division.

The purchase of the publicly held REIT units resulted in a \$71.30 million cash outlay in the second quarter which was funded using availability on our credit facility, included in general debt. Prior to the closing of the transaction, the REIT units were recorded as a financial liability, in accordance with IFRS, and therefore the transaction did not materially affect total debt levels but did increase general debt.

Despite this large cash outlay, in the past 12 months we have reduced our general debt by 8.9% to \$601.05 million (Q2-2024: \$659.84 million) and since year-end general debt is down 1.7% (December 31, 2024: \$611.34 million). Our debt to equity ratio on June 30, 2025 was 0.65, down from 0.68 in Q2-2024, and 0.70 at the start of the year. We remain focused on maintaining a strong balance sheet and being prudent with spend in the current inflationary market.

## FINANCIAL HIGHLIGHTS

The real estate industry is impacted by the cyclical nature of development, demand for product, the timing of raw and multi-family land sales and lot registrations. Revenue and net income can also fluctuate significantly from quarter to quarter due to the timing of plan registrations. Lot sales, which have a significant impact on quarterly results, are uneven by nature and it is difficult to predict when they will close.

We continuously assess assets held in our Properties division, with aim to focus on our core Alberta market. We disposed of four investment properties in 2024, and one additional property was disposed of in early 2025 impacting current and comparative financial results which are adjusted for in our same-asset calculation.

### Revenue & Margins:

Consolidated revenue was up 43.7% to \$100.14 million in Q2-2025 (Q2-2024: \$69.71 million) and was up 26.3% to \$150.88 million year-to-date (2024: \$119.46 million). This increase is the result of higher revenue generated in our land division compared to Q2-2024 and year-to-date, partially offset by lower revenue generated by our Properties division. Gross profit was up 56.8% to \$55.04 million in Q2-2025 (Q2-2024: \$35.09 million), and up 40.3% or \$23.65 million to \$82.35 million year-to-date (2024: \$58.70 million), with our consolidated gross margin up 4.7% since Q2-2024 to 55.0%, and up 5.5% to 54.6% year-to-date.

In the second quarter, we closed on the sale of 154.40 acres of subdivided but unserviced lots (paper lots) for revenue in the quarter of \$49.67 million and gross profit of \$30.52 million. To date in 2025 we have sold a total of 198.40 acres in the US for revenue of \$61.67 million and \$38.69 million in gross profit. There were no land sales in our US region in the Q2-2024 comparative period or 2024 year-to-date.

To date in 2025, our Land division has contributed 60.5% of total revenue before intersegment elimination compared to 48.7% in 2024. Our Properties division contributed 35.5% of revenue before intersegment eliminations in 2025 compared to 46.7% in 2024. Revenues from our Properties division were down 4.0% to \$26.24 million in the quarter (Q2-2024: \$27.33 million) and down 4.1% to \$53.62 million year-to-date (2024: \$55.89 million) as a result of recent property disposals partially offset by revenue generated from newly developed commercial properties developed in our Properties division.

The US contributed 52.6% of total revenue or \$52.65 million in the quarter and 44.9% or \$67.70 million in the year, with our land division contributing \$49.67 million in the quarter and \$61.67 million year-to-date. This compares to total revenues of \$4.53 million in the quarter and \$8.16 million year-to-date in 2024 (6.5% and 6.8% of total revenue respectively). This large increase is the result of land sales in our US region, as noted above.

### Net Income & FFO:

In the second quarter net income was down 68.9% to \$7.26 million (Q2-2024: \$23.34 million) and down 66.0% to \$12.27 million year-to-date (2024: \$36.13 million). The decrease was the result of an additional \$22.20 million in deferred income taxes recorded in the quarter as a result of the Transaction, as described on page 2, which negatively impacted net income.

Additionally, Melcor incurred \$7.08 million in transaction costs and other fees related to this transaction to date in 2025 which negatively impacted net income. \$5.88 million of these costs were considered directly attributable to the acquisition and accordingly included in adjustments related to REIT units, with the balance of costs recorded through general and administrative expenses. Costs included in adjustments related to REIT units have been adjusted for in our FFO calculations.

Other non-cash items that have a significant impact on net income include:

- *Fair value adjustments on investment properties:* in Q2-2025, we have recorded a fair value loss on investment properties of \$3.08 million in the quarter (Q2-2024: fair value gain of \$0.86 million) and a fair value gain of \$1.02 million year-to-date (2024: fair value loss \$7.97 million) impacting our net income year-to-date.

- *Change in the REIT's unit price:* this change has a counter-intuitive impact on net income as an increase in unit value decreases net income. The fair value adjustment on REIT units was a loss of \$0.91 million in the quarter and a loss of \$3.24 million year-to-date compared to a gain of \$5.83 million in the quarter and a gain of \$17.89 million year-to-date in 2024 contributing a swing of \$6.74 million in the period and \$21.13 million year-to-date negatively affecting our net income.
- *Non-cash financing costs:* we have recorded non-cash financing recoveries of \$0.58 million in the quarter and non-cash financing costs of \$0.91 million year-to-date. This compares to 2024 non-cash financing costs of \$1.10 million in the quarter and non-cash financing recoveries of \$0.13 million year-to-date.

These non-cash gains and losses 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.

FFO increased by 79.6% to \$36.13 million in Q2-2025 (Q2-2024: \$20.12 million) and increased by 47.4% to \$49.91 million year-to-date (2024: \$33.86 million). FFO increased as a result of higher gross profit, which increased 61.7% or \$21.67 million to \$56.80 million in the quarter (Q2-2024: \$35.13 million) and increased 36.7% or \$23.08 million to \$85.96 million year-to-date (2024: \$62.88 million). The increase in gross profit contributed to an increase in current income tax expense which was up \$6.59 million in the period and \$7.44 million year-to-date. FFO was also impacted by higher G&A expenses incurred as a result of the Transaction which closed on April 23, 2025. Included in G&A are items excluded for the purpose of calculating FFO, including depreciation on corporate assets and stock based compensation. Excluding these items, G&A expenses were up \$1.78 million or 15.6% over 2024, of which \$1.20 million relates to higher professional fees incurred as a result of the Transaction.

## DIVISIONAL OPERATING HIGHLIGHTS

Our **Land** division revenue was up 83.0% or \$30.92 million in Q2-2025 to \$68.15 million (Q2-2024: \$37.23 million) and up 56.8% or \$33.13 million to \$91.43 million year-to-date (2024: \$58.30 million). The increase was attributed to our US region, which contributed \$49.67 million to revenues in the quarter and \$61.67 million year-to-date. Included in revenue in the quarter was the sale of 154.40 acres of subdivided but unserviced lots (paper lots) which contributed to the 198.40 total acres sold in the US year-to-date. Our Canadian market, saw a decrease in revenues of \$17.36 million in the quarter and \$15.15 million year-to-date directly attributed to lower single-family lot sales and acre sales in both the period and year-to-date over 2024.

Our **Properties** division accounted for 35.5% of total revenue, before intersegment eliminations compared to 46.8% in 2024 year-to-date. Occupancy decreased over year-end to 81.6% (December 31, 2024: 86.1%) and was down over last year (Q2-2024: 86.5%). During the quarter we completed 208,293 sf in renewals and an additional 58,534 sf of new leasing. Our Properties division currently has 71,842 sf under active development or awaiting lease-up on three projects (Chestermere Station, Winterburn Point, and Greenwich) and we completed construction on one building in Woodbend Market adding 9,913 sf to our portfolio. Construction and leasing activity resulted in a \$0.88 million fair value gain in the period and \$1.95 million year-to-date.

In our **Golf** division, rounds of golf were up 8.8% to 53,674 rounds played to date (2024: 49,346 rounds) and revenue is up 10.6% or \$0.58 million to \$6.02 million year-to-date (2024: \$5.44 million).

## ASSET DISPOSITIONS

We continue to focus on pruning non-core assets within our portfolio.

### 2025 Dispositions:

- Melcor Crossing, a retail power centre located in Grande Prairie, AB for net proceeds of \$47.63 million
- 5 residential units located at the Edge at Grayhawk in Phoenix, AZ for net proceeds of \$2.03 million (US\$1.43 million)

### 2024 Dispositions:

- 14 residential units located at the Edge at Grayhawk in Phoenix, AZ for net proceeds of \$6.14 million (US\$4.47 million)
- 104th Street Building, an office building located in Edmonton, AB for net proceeds of \$2.69 million (\$0.90 million at JV%)
- Lethbridge Industrial, an industrial building located in Lethbridge, AB for net proceeds of \$4.34 million
- Parliament Place, an office building located in Regina, SK for net proceeds of \$4.84 million
- Richter Street Building, an office building located in Kelowna, BC for net proceeds of \$7.48 million

In 2025, Melcor will focus on divesting select non-core assets to generate cash for the purpose of reducing borrowings on our line of credit. This credit facility was utilized to repay maturing debentures in late 2024 and fund the purchase of the approximately 44.6% unowned equity interest in the REIT in April 2025. Asset sales will be conducted with careful consideration of long-term shareholder value.

## SHAREHOLDER HIGHLIGHTS

We continue to focus on returning value to our shareholders:

- We repurchased 174,276 shares for cancellation pursuant to the NCIB at a cost of \$2.24 million to date in 2025.
- On August 14, 2025, we declared a quarterly dividend of \$0.13 per share, payable on September 29, 2025, to shareholders of record on September 15, 2025. The dividend is an eligible dividend for Canadian tax purposes.
- On April 23, 2025 Melcor acquired its unowned equity interest in the REIT for \$5.50 per Unit. The REIT used the proceeds to purchase and cancel all of the REIT's outstanding participating trust units.

## Funds From Operations (FFO)

FFO is a non-GAAP measure used in the real estate industry to measure operating performance. Refer to the Non-GAAP Measures section. We believe that FFO is an important measure of the performance of our real estate assets. FFO per share adjusts for certain non-cash items included in income such as fair value adjustments on investment properties and REIT units.

Below is a reconciliation of net income to FFO:

(\$000s)	Three months ended June 30			Six months ended June 30		
	2025	2024	Change %	2025	2024	Change %
<b>Net income for the period</b>	<b>7,258</b>	23,340	(68.9)	<b>12,274</b>	36,128	(66.0)
Amortization of tenant incentives	<b>1,759</b>	42	4088.1	<b>3,606</b>	4,180	(13.7)
Fair value adjustment on investment properties	<b>3,081</b>	(862)	(457.4)	<b>(1,017)</b>	7,971	(112.8)
Depreciation on property and equipment	<b>420</b>	423	(0.7)	<b>537</b>	565	(5.0)
Stock based compensation expense	<b>356</b>	285	24.9	<b>672</b>	581	15.7
Non-cash finance costs (recoveries)	<b>(575)</b>	1,100	(152.3)	<b>911</b>	(127)	(817.3)
Gain on sale of asset	<b>(115)</b>	(6)	1816.7	<b>(116)</b>	(53)	118.9
Deferred income taxes	<b>22,776</b>	1,626	1300.7	<b>23,925</b>	2,507	854.3
Fair value adjustment on REIT units	<b>907</b>	(5,833)	(115.5)	<b>3,240</b>	(17,889)	(118.1)
Transaction costs on REIT units acquisition	<b>258</b>	–	nm	<b>5,878</b>	–	nm
<b>FFO<sup>1</sup></b>	<b>36,125</b>	20,115	79.6	<b>49,910</b>	33,863	47.4
<b>FFO per share<sup>2</sup></b>	<b>\$1.19</b>	\$0.65	83.1	<b>\$1.65</b>	\$1.10	50.0

1 Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.

2 Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section for further information.

FFO was up 79.6% or \$16.01 million to \$36.13 million in the period (Q2-2024: \$20.12 million), and up 47.4% or \$16.05 million to \$49.91 million year-to-date (2024: \$33.86 million).

Gross profit increased 56.8% or \$19.95 million to \$55.04 million in the period (Q2-2024: \$35.09 million) and was up 40.3% or \$23.65 million to \$82.35 million year-to-date (2024: \$58.70 million). This increase includes non-cash items such as amortization of tenant incentives and straight-line rent adjustments which can swing period over period as new leases commence. Excluding amortization of tenant incentives (non-cash), gross profit was up 61.7% or \$21.67 million in the period and up 36.7% or \$23.08 million year-to-date which had a positive impact on FFO. The increase in gross profit is directly attributed to our US land sales occurring in both the period and year-to-date.

Higher gross profit resulted in an increase in current income tax expense of \$6.59 million in the period and \$7.44 million year-to-date reducing FFO. The Transaction between Melcor and REIT resulted in deferred tax expense of \$22.20 million recognized on closing, impacting our overall income tax expense in both the period and year-to-date. This amount is adjusted for in the FFO calculations above. For more information on the tax impact of the transaction refer to page 15.

As a result of the Transaction, Melcor also incurred significant transaction costs which reduced overall income year-to-date. Costs considered directly attributable and incremental to the transaction were included in the adjustment on REIT Units in the amount of \$0.26 million in the period and \$5.88 million year-to-date, and have been adjusted out of our FFO calculation above.

G&A expenses in Q2-2025 were stable over Q2-2024, and up 14.6% or \$1.84 million year-to-date. Included in G&A professional fees were incurred as a result of the Transaction which has contributed to \$1.20 million of total G&A year-to-date negatively impacting FFO.

Other factors that impacted FFO was interest income, which was up 11.6% or \$0.08 million in the quarter and up 41.7% or \$0.52 million year-to-date, and finance costs excluding non-cash finance costs were down 7.7% or \$0.52 million in the quarter and down 6.1% or \$0.87 million year-to-date.

## Divisional Results

Our business is comprised of four integrated and complementary divisions:

- 1 **Land**, which acquires raw land for future commercial and residential community development;
- 2 **Properties**, which manages the construction of high-quality income properties, oversees the leasing and property management of our diverse portfolio of assets, including 56 income-producing properties (as at June 30, 2025);
- 3 **Golf**, which owns and operates championship golf courses associated with Melcor residential communities; and,
- 4 **Corporate**, which carries out support functions including accounting, treasury, information technology, marketing, administration, legal and human resources.

Subsequent to the transaction, we changed our segment reporting to combine our former "REIT" and "Properties" together into our "Properties" division.



The following table summarizes the results of our operating divisions:

	Land		Properties		Golf	
	Three months June 30		Three months June 30		Three months June 30	
(\$000s except as noted)	2025	2024	2025	2024	2025	2024
Revenue	68,150	37,234	26,240	27,327	5,914	5,296
Portion of total revenue %	68 %	53 %	26 %	39 %	6 %	8 %
Cost of sales	(31,341)	(20,913)	(11,490)	(11,550)	(2,293)	(2,183)
Gross profit	36,809	16,321	14,750	15,777	3,621	3,113
Gross margin % <sup>1</sup>	54 %	44 %	56 %	58 %	61 %	59 %
Portion of total margin <sup>1</sup>	67 %	46 %	27 %	45 %	7 %	9 %
General and administrative expense	(2,100)	(1,991)	(1,615)	(1,700)	(1,187)	(1,094)
Fair value adjustment on investment properties	—	—	(3,081)	862	—	—
Gain on sale of assets	—	—	—	—	115	6
Interest income	547	650	235	43	3	3
Segment earnings	35,256	14,980	10,289	14,982	2,552	2,028

	Land		Properties		Golf	
	Six months June 30		Six months June 30		Six months June 30	
(\$000s except as noted)	2025	2024	2025	2024	2025	2024
Revenue	91,433	58,300	53,624	55,894	6,016	5,439
Portion of total revenue %	61 %	49 %	35 %	47 %	4 %	5 %
Cost of sales	(41,874)	(33,629)	(23,861)	(24,436)	(2,845)	(2,748)
Gross profit	49,559	24,671	29,763	31,458	3,171	2,691
Gross margin % <sup>1</sup>	54 %	42 %	56 %	56 %	53 %	49 %
Portion of total margin <sup>1</sup>	60 %	42 %	36 %	53 %	4 %	5 %
General and administrative expense	(3,933)	(3,922)	(3,479)	(3,301)	(1,571)	(1,449)
Fair value adjustment on investment properties	—	—	1,017	(7,971)	—	—
Gain on sale of assets	—	—	—	—	116	53
Interest income	1,360	1,118	302	88	7	6
Segment earnings	46,986	21,867	27,603	20,274	1,723	1,301

Divisional results are shown before intersegment eliminations and exclude corporate division.

1. Supplementary financial measure. Refer to Non-GAAP and Non-Standard Measures section for further details.

## Land

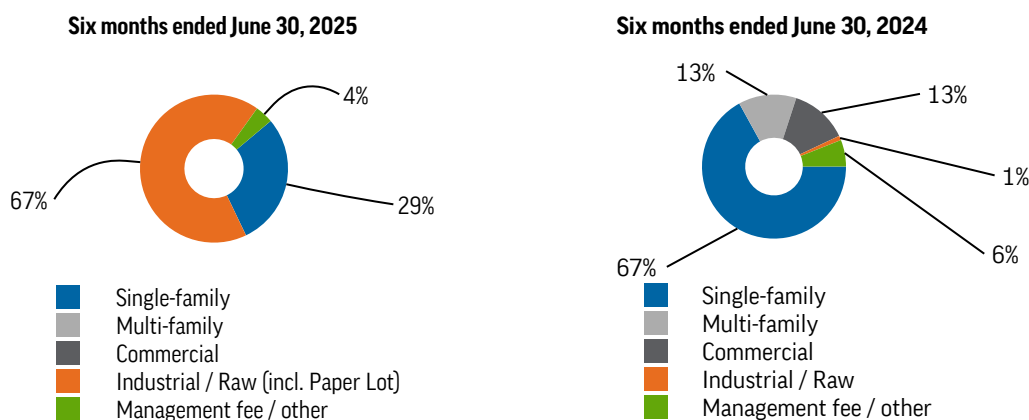
Our Land division acquires raw land in strategic urban corridors and subsequently plans, develops and markets this land as builder-ready urban communities and large-scale commercial and industrial centres. This process includes identifying and evaluating land acquisitions, site planning, obtaining approvals from municipalities, developing the land, construction, marketing and ultimately selling the lots to home builders (for residential communities) or developers (for commercial/industrial centres). The division also sells sites to our Properties division, which in turn develops commercial properties on the land.

Master-planned mixed-use residential communities comprise the majority of Land's portfolio. We create efficient and sustainable urban communities by establishing an overall vision for each community and the amenities that will make it a desirable place to live. Residential lots and multi-family parcels are sold to home builders who share our passion for quality and with whom we have long-standing relationships.

Our focus is to grow market share and income by ensuring that we have an appropriate land mix and the right inventory in high demand areas in growing regions. We proactively manage our agreement receivables by maintaining an exclusive builder clientele and working closely with those builders.

## Sales Activity

### REVENUE BY TYPE



Land division revenue is cyclical in nature and highly dependent on the demand for new homes in the regions where we hold land as well as the timing of single-family lot registrations, and the timing of raw, commercial, industrial and multi-family land sales. Because of this, Land revenue and income can fluctuate significantly from period to period.

Consolidated	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
<b>Canada Sales data: (including joint ventures at 100%)<sup>1</sup></b>				
Single-family sales (number of lots)	113	259	193	325
Gross average revenue per single-family lot (\$)	203,508	185,535	191,380	180,701
Multi-family sales (acres)	—	—	—	12.20
Gross average revenue per multi-family acre (\$)	—	—	—	1,082,213
Commercial sales (acres)	—	1.10	—	9.65
Gross average revenue per commercial land acre (\$)	—	2,000,000	—	1,395,959
Industrial sales (acres)	1.63	—	1.63	1.45
Gross average revenue per industrial land acre (\$)	1,500,920	—	1,500,920	470,000
Other land sales - raw, other (acres)	—	—	21.77	—
Gross average revenue per other land acre (\$)	—	—	50,691	—
<b>US Sales data:</b>				
Other land sales - raw, unserviced (paper lots), other	154.40	—	198.40	—
Gross average revenue per paper lot (\$)	315,712	—	293,540	—
<b>Divisional results: (including joint ventures at Melcor's interest)<sup>1</sup></b>				
Revenue (\$'000s)	68,150	37,234	91,433	58,300
Earnings (\$'000s)	35,256	14,980	46,986	21,867

1. The number of lots and acres in the table above includes joint ventures at 100%; however, revenue and earnings are reported at Melcor's interest.

Revenues were up 83.0% or \$30.92 million to \$68.15 million in the period (Q2-2024: \$37.23 million), and up 56.8% or \$33.13 million to \$91.43 million year-to-date (2024: \$58.30 million). Earnings were up 135.4% or \$20.28 million to \$35.26 million in the period (Q2-2024: \$14.98 million) and up 114.9% or \$25.12 million to \$46.99 million year-to-date (2024: \$21.87 million).

Gross margin in our Land division is strongly impacted by the mix of both product type and location of inventory sold, and can vary period over period. Gross margin increased over Q2-2024 by 23.3% to 54.0% (Q2-2024: 43.8%), and increased by 28.1% to 54.2% (2024: 42.3%) as a direct result of the unserviced (paper lot) sales occurring in our US region which contributed \$30.71 million with a margin of 61.8% in the period and \$39.03 million with a margin of 63.3% year-to-date.

Our US region successfully closed on the sale of 154.40 acres of subdivided but unserviced lots (paper lots) in the second quarter. To date in 2025 we have sold a total of 198.40 acres of this land in the US. These sales contributed \$49.67 million (US\$35.88 million) in revenues and



\$30.52 million (US\$22.18 million) in earnings in the period, and \$61.67 million (US\$44.24 million) in revenues and \$38.69 million (US\$27.98 million) in earnings year-to-date. There were no sales in our US region in the Q2-2024 comparative period or 2024 year-to-date.

When focusing on our Canadian market only, revenue was down 48.4% or \$17.36 million to \$18.48 million in the quarter (Q2-2024: \$35.84 million), and down 26.6% or \$15.15 million to \$41.76 million year-to-date (2024: \$56.91 million). To date in 2024, we sold 21.85 acres of commercial and multi-family land for revenue of \$15.19 million; no commercial or multi-family land has been sold to date in 2025. Additionally, contributing to our Canadian variance, our revenues from single-family lots was down \$12.81 million with 193 single-family lot sales year-to-date compared to 325 single-family lot sales in 2024.

Our Edmonton region had the largest volume of single-family lot sales with 41 lots sold in Q2-2025, and 99 lots sold year-to-date, down from 113 lots sold in Q2-2024 and 151 lots sold in 2024 year-to-date. In our Calgary region, we closed on 22 single-family lots in the quarter, and 24 single-family lots year-to-date, down from 103 single-family lots sold in Q2-2024 and 114 single-family lots sold year-to-date in 2024. The timing of plan registrations can have a significant impact on when revenue is recorded and often occurs in the latter half of the calendar year as construction is completed in our communities.

The average sale price on single-family lots increased 9.7% in the quarter over Q2-2024, and was up 5.9% over 2024 year-to-date. Single-family lot sales cover a wide mix of product categories at various price points from starter town homes and duplexes to lakefront estate lots.

In response to ongoing economic uncertainty, Melcor has been focused on pre-sales before developing new phases. This approach enables us to secure sales in advance of phase development and provide certainty around pricing before costs are incurred. The strategy has been well received, with strong pre-sale activity providing an encouraging outlook for the year. We continue to develop new phases in communities where demand is evident.

To date in 2025, we have registered one phase in our Calgary region and one phase in our Lethbridge region (2024: three new phases in one community located in our Edmonton region).

### Regional Sales Analysis

A summary of our lot and acre sales (excluding raw land / unserviced land) by region is as follows:

	Three months ended			Three months ended		
	June 30, 2025			June 30, 2024		
<i>(including joint ventures at 100%)</i>	Single-family (Lots)	Multi-family (Acres)	Other (Acres)	Single-family (Lots)	Multi-family (Acres)	Other (Acres)
Edmonton Region	41	–	–	113	–	–
Red Deer	19	–	–	36	–	–
Calgary Region	22	–	1.63	103	–	1.10
Lethbridge	30	–	–	4	–	–
Kelowna	1	–	–	3	–	–
United States	–	–	–	–	–	–
	113	–	1.63	259	–	1.10

	Six months ended			Six months ended		
	June 30, 2025			June 30, 2024		
<i>(including joint ventures at 100%)</i>	Single-family (Lots)	Multi-family (Acres)	Other (Acres)	Single-family (Lots)	Multi-family (Acres)	Other (Acres)
Edmonton Region	99	–	–	151	9.87	10.00
Red Deer	34	–	–	51	–	–
Calgary Region	24	–	1.63	114	–	1.10
Lethbridge	34	–	–	6	2.33	–
Kelowna	2	–	21.77	3	–	–
United States	–	–	–	–	–	–
	193	–	23.40	325	12.20	11.10

Single-family lot sales may vary significantly quarter over quarter as plan registrations typically occur in the latter half of the year.

## Inventory

A summary of the movement in our developed lot inventory is as follows:

Six months ended June 30, 2025					Six months ended June 30, 2024			
	CANADA			USA	CANADA			USA
(including joint ventures at 100%)	Single- family (Lots)	Multi-family (Acres)	Other (Acres)	Single-family (Lots)	Single- family (Lots)	Multi-family (Acres)	Other (Acres)	Single-family (Lots)
Open	436	34.54	94.68	1	606	49.83	113.48	1
New developments	16	—	13.58	—	64	4.80	8.55	—
Internal sales	—	—	—	—	—	—	—	—
Sales	(193)	—	(1.63)	—	(325)	(12.20)	(11.10)	—
	259	34.54	106.63	1	345	42.43	110.93	1

We strategically monitor inventory levels and bring on appropriately sized new phases where market demand dictates.

## Raw land inventory

We acquire land in strategic growth corridors and maintain an inventory of land for future development in our primary markets. Raw land acquisitions are based on management's anticipation of market demand and development potential. The markets we operate in require significant infrastructure development and heavy capital investment, creating a barrier to entry. We continually investigate potential raw lands that complement our existing land holdings or provide attractive projects that are consistent with our overall strategy and management expertise. We acquire land when we find a good fit within these criteria.

To date in 2025, we purchased 24.96 acres in Leduc, AB for \$1.50 million. The land is adjacent to other land holdings that commenced development in 2025. In 2024 there was no raw land purchased to date.

Earlier in the year, we sold 21.77 acres of raw land in Mount Robson, BC for \$1.10 million. There were no sales of raw land in 2024.

We continue to monitor our land holdings and manage our cash position in order to capitalize on land acquisition opportunities as they arise.

## Properties

Our Properties division manages and leases of our existing income properties and develops of new income properties supporting our strategic objective of asset diversification, income growth and value creation.

On April 23, 2025 Melcor acquired its unowned equity interest (approximately 44.6%) of REIT LP, and now owns 100% of REIT LP. This strategic integration was aimed at creating operational synergies, particularly in leasing and property management functions. As a result, we have changed our segment reporting and the consolidated results reported in our Properties division now includes the combined operations of our previously reported "Properties" and "REIT" divisions.

## Property Development

The development component of our Properties division develops and manages construction while working in unison with our leasing team creating value on land primarily purchased from our Land division. We recognize fair value gains as development and leasing activities progress. Completed buildings are recognized at fair market value (based on third party appraisals) once construction and leasing activities are nearing completion.

Management fee revenue is comprised of fees paid by joint arrangement partners and is a percentage of total development costs incurred, which fluctuate period to period depending on the development stage of active projects.

## Owns & operates

Our Properties division also manages a portfolio of high-quality office, retail, industrial and residential properties, which are located across western Canada and the US. Currently our Properties division manages 4.48 million sf of income-producing commercial GLA and 447 residential units.

Our commercial property portfolio is primarily comprised of properties developed and transferred internally along with properties acquired from third parties elsewhere. In our management capacity, we are committed to efficient property management for optimized operating costs, occupancy and rental rates, providing our joint venture partners with best-in-class management services. We focus on client retention through continuous customer contact and ongoing service evaluations. We also enhance our portfolio by upgrading the appearance, functionality and desirability of our properties, thereby increasing their rental potential.

Our US properties provide the division with a stable income stream that diversifies our exposure to the western Canadian resource economy. We also own 11 parking lots and other assets which are held for the long-term, providing current stable income and future re-development potential.

Our portfolio under management has high occupancy rates with long-term tenancies from high-quality retail and commercial clients.

## Operating results

The following table summarizes the division's GLA, occupancy, average base rent, and development activities and the current and comparative figures now include both the previously reported "Properties" and "REIT" divisions:

(\$000s except as noted)	June 30, 2025	December 31, 2024
<b>Commercial properties GLA under management (sf, total)</b>	<b>4,477,836</b>	4,761,750
Properties owned and managed (sf)	<b>3,997,706</b>	4,281,251
Properties managed (sf)	<b>480,130</b>	480,499
Residential units managed	<b>447</b>	452
Occupancy - CAD	<b>82.8 %</b>	87.2 %
Occupancy - US	<b>73.8 %</b>	78.2 %
Weighted Average Base Rent (per sf) - CAD	<b>\$20.63</b>	\$19.91
Weighted Average Base Rent (per sf) - US	<b>\$22.86</b>	\$21.70
Fair value adjustment on investment properties (\$000)	<b>(928)</b>	(32,245)
<b>Commercial properties under development (sf, total)</b>		
Number of properties completed	<b>1</b>	5
Properties completed (sf)	<b>9,913</b>	95,558
Number of properties under active construction	<b>3</b>	4
Properties under active construction (sf)	<b>71,842</b>	81,755
Fair value recognized on properties under development (\$000s)	<b>1,945</b>	3,806

The following table summarizes the division's key performance measures:

(\$000s except as noted)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
<b>Revenue (total)</b>	<b>26,240</b>	27,327	<b>53,624</b>	55,894
Canadian properties	<b>22,705</b>	23,589	<b>46,465</b>	48,228
US properties	<b>2,977</b>	3,139	<b>6,031</b>	6,574
Management fees	<b>291</b>	319	<b>625</b>	560
Parking lots and other assets	<b>267</b>	280	<b>503</b>	532
Net operating income (NOI) <sup>1</sup>	<b>16,523</b>	15,840	<b>33,674</b>	35,625
Funds from operations <sup>1</sup>	<b>15,129</b>	14,162	<b>30,192</b>	32,425
Funds from operations per share <sup>2</sup>	<b>\$0.50</b>	\$0.46	<b>\$1.00</b>	\$1.06

<sup>1</sup> Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.

<sup>2</sup> Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section for further information.

The Properties division provided the asset and property management function for the REIT since its formation in 2013 and continues to manage the properties held in REIT LP following the Transaction.

## Canadian properties

Our Canadian property portfolio continues to grow via completions from internal development. At the end of Q2-2025, we had three properties under active construction or awaiting lease-up (71,842 sf), and completed construction on one property within our Woodbend development (9,913 sf). Properties recently completed have contributed an additional \$0.77 million to NOI in Q2-2025 (Q2-2024: \$0.58 million), and \$1.14 million year-to-date (2024: \$0.88 million) as detailed in same asset NOI table following.

Occupancy of our Canadian properties was 82.8%, down from 87.6% at Q2-2024, and 87.2% at year-end. Committed occupancy was 83.6%, down from 88.1% at Q2-2024, and down from 88.0% at year-end. Our occupancy in our Canadian properties was heavily impacted by the loss of one tenant which occupied 133,243 sf. Excluding this outlier, our Canadian occupancy was 86.0%, down 1.4% from year-end, and down 1.8% over Q2-2024.

Canadian weighted average base rent was up 5.6% or \$1.09 per sf to \$20.63 per sf compared to \$19.54 at Q2-2024 and up 3.6% or \$0.72 per sf from \$19.91 at year-end.

Fair value gains on properties under active development are recognized throughout the development process until the property is completed and recognized at fair market value. From new development we generated \$1.95 million in fair value gains compared to \$0.87 million to date in 2024. Our 2025 fair value gains relate to development activities in our Winterburn Point development located in West Edmonton, and additional CRU's being built in our Woodbend Market development located in Leduc, AB.

A breakdown of our fair value adjustments on properties under development by region is as follows:

(\$000s and at JV%, except as noted)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Northern Alberta	883	1,231	1,945	1,277
Southern Alberta	–	(408)	–	(408)
	883	823	1,945	869

Net operating income (NOI) and same asset NOI are non-standard metrics used in the real estate industry to measure the performance of Melcor's properties. The IFRS Accounting Standards measurement is most directly comparable to NOI and same asset NOI is segment earnings.

The following is a reconciliation of Canadian properties same asset net operating income (NOI) to gross profit:

(\$000s except as noted)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Same-asset NOI <sup>1</sup>	14,233	14,699	28,926	29,374
Third party disposals / Assets held for sale	(9)	1,345	755	2,738
Properties recently completed construction	767	584	1,139	882
NOI <sup>1</sup>	14,991	16,628	30,820	32,994
Amortization of tenant incentives	(1,282)	(1,580)	(2,846)	(3,445)
Straight-line rent adjustment	129	(77)	194	(40)
Gross profit	13,838	14,971	28,168	29,509

1 Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.

Gross profit was down 7.6% or \$1.13 million to \$13.84 million compared to Q2-2024, and down 4.5% or \$1.34 million to \$28.17 million year-to-date (2024: \$29.51 million). NOI decreased by 9.8% or \$1.64 million compared to Q2-2024, and was down 6.6% or \$2.17 million to \$30.82 million year-to-date (2024: \$32.99 million).

Gross profit and NOI are impacted by recent property sales and commercial development. Same asset NOI is adjusted for these factors for a more direct period-over-period comparison. Recently completed development projects contributed an additional \$0.77 million to NOI in Q2-2025 (Q2-2024: \$0.58 million), and \$1.14 million year-to-date (2024: \$0.88 million).

On a same-asset basis, NOI was down 3.2% or \$0.47 million to \$14.23 million (Q2-2024: \$14.70 million) and down 1.5% or \$0.45 million to \$28.93 million year-to-date (2024: \$29.37 million).

### US properties

Revenue on US properties was down 5.2% to \$2.98 million in the quarter (Q2-2024: \$3.14 million) and down 8.3% or \$0.54 million to \$6.03 million year-to-date (2024: \$6.57 million). NOI and same-asset NOI were up 29.1% or \$0.25 million to \$1.10 million in the quarter (Q2-2024: \$0.86 million) and up 4.5% or \$0.09 million to \$2.03 million year-to-date (2024: \$1.94 million).

Our US properties have seen a reduction in occupancy to 73.8% since year-end (December 31, 2024: 78.2%) and since Q2-2024 (77.9%). Additionally, we have sold 5 units at our Edge at Greyhawk in the period and sold an additional 14 units in 2024 which has contributed to the declining revenues and NOI over the comparative period.

US weighted average base rent was up 6.2% or \$1.34 per sf to \$22.86 per sf compared to \$21.52 per sf at Q2-2024, and was up 5.3% or \$1.16 per sf since year-end at \$21.70 per sf.

A reconciliation of US properties same-asset NOI to gross profit is as follows:

(\$000s except as noted)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Same-asset NOI <sup>1</sup>	1,104	855	2,025	1,937
Third party disposals	—	—	—	—
NOI <sup>1</sup>	1,104	855	2,025	1,937
Foreign currency translation	428	317	829	694
Amortization of tenant incentives	(477)	(422)	(760)	(735)
Straight-line rent adjustment	(143)	56	(499)	53
Gross profit	912	806	1,595	1,949

1 Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.

### Management fees & other

Management fees on development is comprised of fees paid by joint arrangement partners and are a percentage of total development costs incurred, which fluctuate period to period depending on the development stage of the active projects. Management fees earned on development during 2025 was \$0.18 million, up from \$0.13 million in 2024.

Management fees are earned under the asset management and property management agreements with the REIT and under other joint venture agreements where Melcor acts as the asset manager. Melcor's portion of the management fees are eliminated on consolidation including amounts charged to the REIT. After eliminating entries, management fees earned on asset and property management during 2025 were \$0.44 million, up from \$0.43 million in 2024.

Revenue from parking stalls and other assets was down 4.6% in the quarter to \$0.27 million from \$0.28 million in Q2-2024, and down 5.5% to \$0.50 million from \$0.53 million in 2024. These revenues are ancillary to our business and tend to fluctuate from period to period.

### FFO

FFO was up 6.8% or \$0.97 million to \$15.13 million in Q2-2025 (Q2-2024: \$14.16 million), and down 6.9% or \$2.23 million to \$30.19 million year-to-date (2024: \$32.43 million). The reduction in FFO is due to lower income as a result of the recent property sales; partially offset by recent property completions previously under development. Segment earnings were down 31.3% or \$4.69 million to \$10.29 million (Q2-2024: \$14.98 million) and up 36.1% or \$7.33 million to \$27.60 million year-to-date (2024: \$20.27 million).

### Fair Value of Investment Portfolio

The fair value of our income properties portfolio decreased by \$46.81 million over December 31, 2024. The components leading to the change in fair value include:

- the sale of Melcor Grande Prairie, which sold in Q2-2025 for a selling price of \$48.00 million, reducing our investment properties by \$46.81 million;
- fair value gains increased our portfolio value by \$1.60 million related to adjustments on properties from external valuation professionals and other adjustments impacting fair value recognized in the period, offset by \$0.59 million fair value loss recognized on our asset held for sale sold in the current year;
- the sale of 5 residential units at Edge at Grayhawk reducing the portfolio value by \$2.03 million.
- property improvements and direct leasing costs of \$1.05 million, increasing fair value.
- development costs and capitalized borrowings on development increasing the portfolio by \$5.60 million.
- foreign currency translation loss of \$4.99 million, and changes to tenant improvements and straight-line rent.

A breakdown of our fair value adjustment in our Properties division by geographic region and asset type is as follows:

(\$000s)	June 30, 2025			December 31, 2024		
	Investment Properties	Properties Under Development	Total	Investment Properties	Properties Under Development	Total
Northern Alberta	(99)	1,945	1,846	(27,932)	3,806	(24,126)
Southern Alberta	(2,332)	—	(2,332)	(655)	—	(655)
British Columbia/Saskatchewan	(182)	—	(182)	1,649	—	1,649
US	1,685	—	1,685	(5,307)	—	(5,307)
	(928)	1,945	1,017	(32,245)	3,806	(28,439)

Investment properties were valued by Melcor's internal valuation team as at June 30, 2025. Our qualified external valuation professionals valued 29 of the 81 legal phases with a fair value of \$327.39 million. This resulted in fair value loss of \$0.93 million recorded to date in 2025 as fair value adjustments on investment properties in the statements of income and comprehensive income. In 2024 our qualified external valuation professionals valued 59 of the 82 legal phases with a fair value of \$736.48 million which resulted in a fair value loss of \$32.25 million for the year.

The gains recognized on our US residential properties in 2025 are correlated with the recent sales of units at the Edge at Greyhawk, along tenant incentives recognized on the properties which do not affect fair value. Our US commercial properties continue to face challenges, and valuations have resulted in an increase in capitalization rates in our Arizona and Colorado region and in 2024 we recognized fair value decreases on those properties.

## Golf

Our Golf division owns and manages championship golf courses built to add value to Melcor residential communities.

The division's goal is to provide a high standard of service to our customers to maximize their enjoyment at our golf courses and to enhance divisional performance through revenue growth and cost savings.

Our golf courses aspire to achieve consistent course conditions and quality, and to be recognized as championship public golf courses with state-of-the-art clubhouses that contribute to our ability to attract tournaments and events. Achieving these goals enables us to find the appropriate balance between the revenue levels of course fees, number of rounds played and customer satisfaction and enjoyment.

All courses opened in the second quarter of 2025, with the exception of Black Mountain located in Kelowna, BC which opened March 26, 2025. Our golf courses had a strong quarter with revenues up 11.7% or \$0.62 million to \$5.91 million in the period (Q2-2024: \$5.30 million) and up 10.6% or \$0.58 million to \$6.02 million year-to-date (2024: \$5.44 million).

Ownership Interest		2025		2024	
		Season opened	Rounds of Golf	Season opened	Rounds of Golf
<i>Managed by Melcor:</i>					
Lewis Estates (Edmonton)	60%	April 15	12,404	April 10	11,706
The Links (Spruce Grove)	100%	April 15	13,548	April 11	11,719
Black Mountain (Kelowna)	100%	March 26	17,776	March 22	17,113
<i>Managed by a Third Party:</i>					
Jagare Ridge (Edmonton)	50%	April 24	9,946	April 22	8,808

## General & Administrative Expense

G&A expenses were stable in the quarter at \$6.76 million (Q2-2024: \$6.71 million) and up 14.6% or \$1.84 million to \$14.41 million year-to-date (2024: \$12.57 million).

Our year-to-date G&A was impacted by costs associated with the transaction between Melcor and the REIT as described on page 3. Included in our Corporate division G&A, are year-to-date expenses of \$1.20 million related to the transaction that were not included in adjustments related to REIT units.

Excluding costs related to the transaction, G&A was stable at \$6.72 million in the period (Q2-2024: \$6.71 million) and up 5.1% to \$13.20 million year-to-date (2024: \$12.57 million). Our remaining G&A expense categories remain on budget, and fairly stable over the prior year. G&A as a percent of total revenues was 8.7% year-to-date compared to 10.5% in 2024.

Management continues to prudently monitor and manage controllable expenses.



## Income Tax Expense

The statutory tax rate is 23.0% for the three and six months ended June 30, 2025 (Q2-2024: 23.0%). The most significant adjustment impacting the 2025 effective tax rate was the increase in deferred tax as a result of the Transaction. Prior to the close of the Transaction, MDL was only taxable on its share of the REIT and, as a result, recorded 55.4% of the REIT LP's deferred tax balance. On close of the Transaction, MDL owns 100% of REIT LP and recognized 100% of the deferred tax balances related to the REIT LP. This resulted in an increase in deferred tax expense of \$22.20 million during the second quarter. Other items that impact the effective tax rate include the fair value adjustment on investment properties, which is not subject to tax, permanent differences related to revaluation adjustments on REIT units, transaction costs, different tax rates in subsidiaries and the non-taxable portion of REIT income prior to the Transaction (after removal of fair value adjustments on Class B units).

## Liquidity & Capital Resources

The following table represents selected information as at June 30, 2025, compared with December 31, 2024.

As at (\$000s except as noted)	June 30, 2025	December 31, 2024
Cash & cash equivalents	84,139	54,338
Restricted cash	—	1,329
Accounts receivable	9,603	17,853
Agreements receivable	115,650	157,412
Revolving credit facilities	109,805	85,422
Accounts payable and accrued liabilities	45,362	52,119
Total assets	2,035,077	2,108,553
Total liabilities	800,045	865,923
Debt to equity ratio <sup>1</sup>	0.65	0.70

<sup>1</sup> Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section for further information.

We employ a range of strategies to maintain operations and facilitate growth. Our principal liquidity needs are to:

- Fund recurring expenses;
- Meet debt service requirements;
- Make dividend payments;
- Fund land development; and
- Fund investing activities such as the discretionary purchase of land inventory and/or investment property purchases.

We are able to meet our capital needs through a number of sources, including cash generated from operations, long and short-term borrowings from our syndicated credit facility, mortgage financings, and the issuance of common shares. Our primary use of capital includes paying operating expenses, sustaining capital requirements on land and property development projects, completing real estate acquisitions, debt principal and interest payments and paying dividends when declared by our board of directors.

We believe that internally generated cash flows, supplemented by borrowings through our credit facility and mortgage financing, where required, will be sufficient to cover our normal operating and capital expenditures. We regularly review our credit facility limits and manage our capital requirements accordingly.

We do not currently have any other plans to raise additional capital through the issuance of common shares, or preferred shares; however, under certain circumstances, we would consider these means to facilitate growth through acquisition or to reduce the utilized level on our credit facility.

## Financing & Liquidity

Total liquidity (cash and credit facilities availability) was \$191.71 million as at June 30, 2025 (December 31, 2024: \$128.38 million). Our total general debt outstanding was \$601.05 million as at June 30, 2025 (December 31, 2024: \$611.34 million).

A summary of our debt is as follows:

As at (\$000s)	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

We are subject to financial covenants on our revolving credit facilities. The covenants include a maximum debt to total capital ratio of 60% to 125%; a minimum debt service coverage ratio of 1.25 to 3.00; and a minimum net book value of shareholder's equity of \$140.00 million related to a subsidiary credit facility to \$300.00 million. As at June 30, 2025 and throughout the period, we were in compliance with our financial covenants.

These metrics are non-standard measures used to assess compliance with our lending agreements and are not specifically defined in the CPA Handbook or in IFRS Accounting Standards. These non-standard measures may not be comparable to similar measures presented by other companies.

## Sources & Uses of Cash

The following table summarizes our cash flow from (used in) operating, investing and financing activities, as reflected in our consolidated statement of cash flow:

(\$000s)	Three months ended		Six months ended	
	30-Jun-2025	30-Jun-2024	June 30, 2025	June 30, 2024
Cash flow from operating activities	47,103	25,375	78,318	27,236
Cash flow from (used in) investing activities	1,590	57	47,042	(1,436)
Cash flow used in financing activities	(22,486)	(16,310)	(94,024)	(20,577)

### Operating Activities:

Cash from operating activities was up \$21.73 million to \$47.10 million in Q2-2025 (Q2-2024: \$25.38 million) and up \$51.08 million to \$78.32 million (2024: \$27.24 million) year-to-date. Cash from operating activities is significantly impacted by the timing of development and sales activity and swings in working capital and net income, adjusted for non-cash items.

Agreements receivable can fluctuate period over period depending on the timing of payments received. In Q2-2025, collections on agreements receivable positively impacted cash flows by \$8.69 million, compared to \$8.42 million in Q2-2024. Over the course of 2025, collections increased by \$33.42 million, contributing to the year-to-date cash inflow of \$41.76 million up from \$8.34 million in 2024.

Development activities in Q2-2025 contributed net cash outflows of \$1.50 million (Q2-2024: \$2.28 million), and cash outflows of \$5.79 million year-to-date (2024: \$1.77 million). Payment of tenant incentives and direct leasing costs were up \$0.59 million to \$1.31 million in the quarter (Q2-2024: \$0.71 million) and down \$1.82 million to \$2.13 million year-to-date (2024: \$3.94 million). These costs can vary period over period, based on the timing of renewals and new leases signed in the trailing periods.

### Investing Activities:

Cash from investing activities resulted in net cash inflows of \$1.59 million in Q2-2025 (Q2-2024: \$0.06 million) and cash inflows of \$47.04 million year-to-date (2024: cash outflows of \$1.44 million).

In early 2025, we sold one property classified as assets held for sale at year-end, located in Grande Prairie, AB, for a sale price of \$48.00 million less transaction costs resulting in net proceeds on sale of \$47.38 million. Proceeds from the sale were used to repay the outstanding principal balance on the mortgage of \$29.71 million with remaining proceeds used to pay down our credit facilities. Deposits of \$0.25 million, classified as restricted cash at year end, were also received on closing.

We also sold 5 residential units at our Edge complex located in Phoenix, AZ for net proceeds of \$2.03 million year-to-date (USD\$1.43 million).

We remain committed to strengthening our asset base through ongoing asset enhancement projects. Investment in our properties include active construction on new development and upgrades to income-generating assets within the Properties division. In Q2-2025, we invested \$1.81 million in properties under development, compared to \$3.60 million in Q2-2024, bringing the total to \$5.60 million year-to-date (2024: \$5.14 million). Additionally, we invested \$0.40 million during the quarter to our income-generating properties, with a year to date investment of \$0.50 million, down from \$0.55 million and \$1.09 million respectively.

### **Financing Activities:**

Cash used in financing activities was \$22.49 million in Q2-2025, up from \$16.31 million in Q2-2024 and was \$94.02 million year-to-date, up from \$20.58 million to date in 2024.

On April 23, 2025, we acquired our unowned equity interest (approximately 44.6%) in REIT LP for \$5.50 per Class A LP Unit in cash consideration (see page 3 for more details). This resulted in cash outflows of \$71.30 million in both the period and year-to-date. Melcor funded the purchase using availability on our revolving credit facility, which saw a net increase of \$57.94 million in the period and \$24.38 million year-to-date.

Earlier in the year, in Q1-2025, we closed on the sale of Melcor Crossing, located in Grande Prairie, AB, with proceeds received on closing were used to pay down the outstanding mortgage of \$29.71 million, included in general debt, with remaining cash used to reduce borrowings on our credit facilities.

We also received proceeds from general debt of \$13.68 million in the quarter and \$15.21 million year-to-date. On a year-to-date basis, this includes \$9.00 million from new mortgages and \$6.21 million on project specific financing at our commercial development at Winterburn Point, located in Edmonton, AB.

On August 14, 2025, we declared a quarterly dividend of \$0.13 per share, with \$0.22 per share dividends paid to date for a total of \$3.32 million in Q2-2025 and \$6.66 million year-to-date. This compares to a \$0.11 per share dividend paid in Q2-2024 and \$0.22 per share to date in 2024 for a total of \$3.36 million and \$6.72 million respectively.

## **Share Data**

Melcor has been a public company since 1968 and trades under the symbol "MRD" on the Toronto Stock Exchange. As at June 30, 2025 there were 30,193,350 common shares issued and outstanding and 339,132 restricted share units. Each and restricted share unit is convertible to one common share upon exchange. There is only one class of common shares issued.

## **Off Balance Sheet Arrangements, Contractual Obligations, Business Environment & Risks, Critical Accounting Estimates, Changes in Accounting Policies**

There are no material changes to the above titled sections at June 30, 2025 in comparison to the December 31, 2024 annual MD&A. Refer to note 3 of the condensed interim consolidated financial statements for changes in accounting policies.

## **Normal Course Issuer Bid**

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 was 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 months ended June 30, 2025, 174,276 shares were purchased for cancellation by Melcor pursuant to the NCIB's at a cost of \$2.24 million (December 31, 2024: 356,703 shares purchased at a cost of \$4.33 million). Share capital was reduced by \$0.43 million (December 31, 2024: \$0.78 million) and retained earnings was reduced by \$1.81 million (December 31, 2024: \$3.55 million). Retained earnings was also reduced by \$0.05 million (December 31, 2024: \$0.07 million) for the tax on net share buyback.

## Quarterly Results

The following table presents a summary of our unaudited operating results for the past eight quarters. This information should be read in conjunction with the related financial statements, notes to the financial statements and management's discussion and analysis.

	2025		2024				2023	
(\$000s)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	100,139	50,743	170,538	59,508	69,707	49,748	125,134	88,781
Net income (loss)	7,258	5,016	32,384	(34,984)	23,340	12,788	10,311	28,883
FFO <sup>1</sup>	36,125	13,426	43,436	16,507	20,115	13,748	37,562	22,416
<b>Per Share (\$)</b>								
Basic earnings (loss)	0.24	0.17	1.07	(1.15)	0.76	0.42	0.34	0.94
Diluted earnings (loss)	0.24	0.16	1.05	(1.15)	0.76	0.42	0.34	0.94
FFO basic <sup>2</sup>	1.19	0.44	1.44	0.54	0.65	0.45	1.21	0.73
Book value <sup>2</sup>	40.90	41.07	40.92	39.56	40.81	40.01	39.45	39.50

<sup>1</sup> Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.

<sup>2</sup> Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section for further information.

We have historically experienced variability in our results of operations from quarter to quarter due to the seasonal nature of the development business and the timing of plan registrations with the municipalities. We typically experience the highest sales in our Land division in the third and fourth quarters, as this is when the majority of plans register. The fair value adjustments in our Properties division are seasonally affected, as the majority of construction in Alberta takes place during the spring and summer months.

## Subsequent Events

Refer to note 15 of the interim consolidated financial statements for information pertaining to subsequent events.

## Internal Control over Financial Reporting & Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were material changes to internal control over financial reporting during the quarter ended June 30, 2025, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## Non-GAAP and Non-standard Measures

Throughout this MD&A, we refer to terms known as non-GAAP financial performance measures that are not specifically defined in the CPA Canada Handbook or in IFRS Accounting Standards. These non-standard measures may not be comparable to similar measures presented by other companies. We use REALpac definitions for items such as FFO except that, for FFO, we include an adjustment for amortization of deferred financing fees, which is included in non-cash financing costs.

We believe that these non-GAAP and non-standard measures are useful in assisting investors in understanding components of our financial results.

The non-GAAP and non-standard terms that we refer to in this MD&A are defined below.

**Net operating income (NOI):** a non-GAAP financial measure defined as rental revenue, adjusted for amortization of tenant improvements and straight-line rent adjustments, less direct operating expenses as presented in the statement of income and comprehensive income. A reconciliation of NOI to the most comparable IFRS Accounting Standards measure, net income, is shown in the below tables:

### Properties

(\$000s)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
<b>Segment Earnings</b>	<b>10,289</b>	14,982	<b>27,603</b>	20,274
Fair value adjustment on investment properties	<b>3,081</b>	(862)	<b>(1,017)</b>	7,971
General and administrative expenses	<b>1,615</b>	1,700	<b>3,479</b>	3,301
Interest income	<b>(235)</b>	(43)	<b>(302)</b>	(88)
Amortization of tenant incentives	<b>1,759</b>	42	<b>3,606</b>	4,180
Straight-line rent adjustment	<b>14</b>	21	<b>305</b>	(13)
<b>Divisional NOI</b>	<b>16,523</b>	15,840	<b>33,674</b>	35,625

Further discussion over NOI can be found in the Properties Divisional Results sections of the MD&A.

**Same-asset NOI:** Same-asset NOI is a non-GAAP financial measure that compares the NOI on assets that have been owned for the entire current and comparative period and are classified for continuing use. Further discussion over same-asset NOI can be found in the Properties Divisional Results sections of the MD&A. This measure compares the NOI with assets that have been owned for the entire current and comparative period.

**Fair value of investment properties:** Fair value of investment properties is a supplementary financial measure and is calculated as the sum of the balance sheet balances for investment properties, assets held for sale, and other assets (TI's and SLR).

**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 the number of common shares outstanding.

**Debt to equity ratio:** this is a non-GAAP financial ratio and is calculated as total debt over total equity. Refer to the Liquidity & Capital Resources section of the MD&A for further discussion.

**Portion of total revenue:** Portion of total revenue is a supplementary financial measure and is calculated as divisional revenue over total consolidated revenue. Refer to the Divisional Results section of the MD&A for further information.

**Portion of total gross profit:** Portion of total gross profit is a supplementary financial measure and is calculated as divisional gross profit over total consolidated gross profit. Refer to the Divisional Results section of the MD&A for further information.

**Funds from operations (FFO):** FFO is a non-GAAP financial measure and is defined as net income in accordance with IFRS Accounting Standards, 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, directly attributable transaction costs to the REIT Units acquisition, 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.

Further discussion over FFO, including a reconciliation from net income, can be found in the Funds from Operations section of the MD&A and in the tables below:

## Consolidated

(\$000s)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
<b>Net income for the period</b>	<b>7,258</b>	23,340	<b>12,274</b>	36,128
Amortization of tenant incentives	<b>1,759</b>	42	<b>3,606</b>	4,180
Fair value adjustment on investment properties	<b>3,081</b>	(862)	<b>(1,017)</b>	7,971
Depreciation on property and equipment	<b>420</b>	423	<b>537</b>	565
Stock based compensation expense	<b>356</b>	285	<b>672</b>	581
Non-cash finance costs (recoveries)	<b>(575)</b>	1,100	<b>911</b>	(127)
Gain on sale of asset	<b>(115)</b>	(6)	<b>(116)</b>	(53)
Deferred income taxes	<b>22,776</b>	1,626	<b>23,925</b>	2,507
Fair value adjustment on REIT units	<b>907</b>	(5,833)	<b>3,240</b>	(17,889)
Transaction costs on REIT units acquisition	<b>258</b>	–	<b>5,878</b>	–
<b>FFO</b>	<b>36,125</b>	20,115	<b>49,910</b>	33,863

## Properties

(\$000s)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
<b>Segment Earnings</b>	<b>10,289</b>	14,982	<b>27,603</b>	20,274
Fair value adjustment on investment properties	<b>3,081</b>	(862)	<b>(1,017)</b>	7,971
Amortization of tenant incentives	<b>1,759</b>	42	<b>3,606</b>	4,180
<b>Divisional FFO</b>	<b>15,129</b>	14,162	<b>30,192</b>	32,425

**FFO per share:** FFO per share is a non-GAAP financial ratio and is defined as FFO over basic weighted average common shares outstanding. Refer to the Funds From Operations section of the MD&A for further discussion.