Management's Discussion & Analysis

November 6, 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 September 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 November 6, 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.

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.

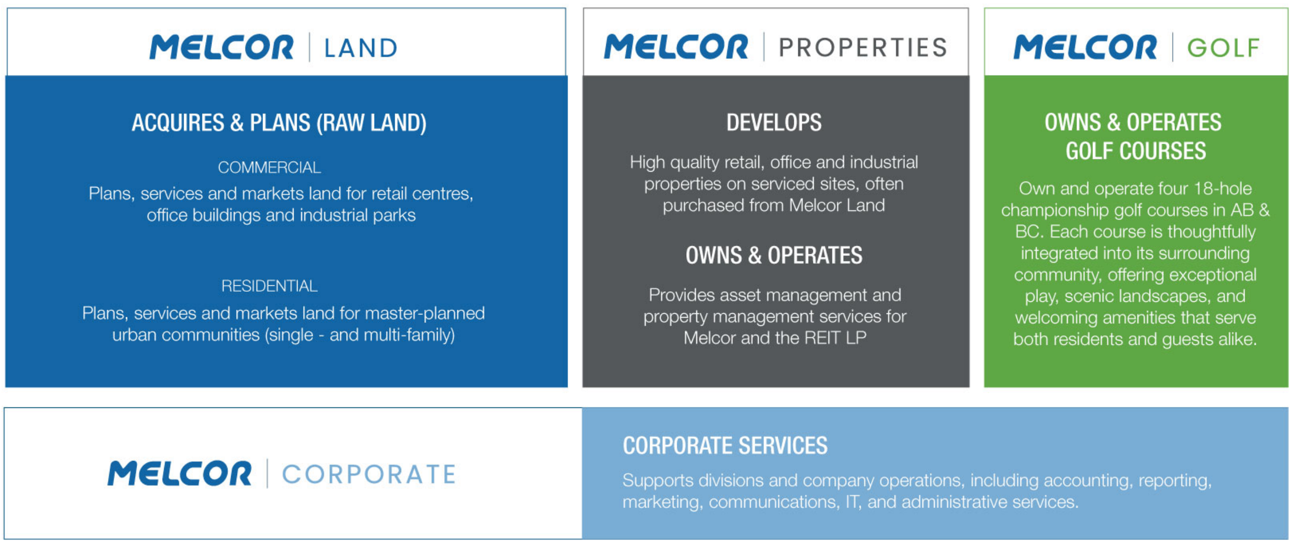
Since 1923, our focus has been the business of real estate. We've built over 170 communities and commercial projects across western Canada since the 1950s and have helped to shape much of Alberta's landscape. As at September 30, 2025, we manage 4.45 million square feet (sf) in commercial real estate assets and 446 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**: owns and operates a portfolio of commercial and residential properties and development of commercial properties, including 55 income-producing properties (as at September 30, 2025) representing 3.96 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 though 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			
CRU	commercial retail unit	**NCIB**	normal course issuer bid
FFO	funds from operations	**NOI**	net operating income
GAAP	generally accepted accounting principles	**sf**	square feet
G&A	general and administrative expense	**SLR**	straight-line rent
GBV	gross book value	**WABR**	weighted average base rent
GLA	gross leasable area		

Third 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.

($000s except as noted)	**Three months ended September 30**			**Nine months ended September 30**		
	2025	2024	Change %	**2025**	2024	Change %
Revenue	**72,543**	59,508	21.9	**223,425**	178,963	24.8
Gross margin[1]	**49.6 %**	48.1 %	3.1	**53.0 %**	48.8 %	8.6
Net income (loss)	**14,093**	(34,984)	140.3	**26,367**	1,144	2,204.8
Net margin[1]	**19.4 %**	(58.8)%	133.0	**11.8 %**	0.6 %	1,866.7
FFO[2]	**23,403**	16,507	41.8	**73,313**	50,370	45.5
Per Share Data ($)						
Basic earnings (loss)	**0.46**	(1.15)	140.0	**0.87**	0.04	2,075.0
Diluted earnings (loss)	**0.46**	(1.15)	140.0	**0.87**	0.04	2,075.0
FFO[3]	**0.77**	0.54	42.6	**2.42**	1.64	47.6
Dividends	**0.13**	0.11	18.2	**0.35**	0.33	6.1

As at ($000s except share and per share amounts)	**September 30, 2025**	December 31, 2024	Change %
Total assets	**2,059,320**	2,108,553	(2.3)
Shareholders' equity	**1,245,849**	1,242,630	0.3
Total shares outstanding	**30,110,046**	30,367,626	(0.8)
Per Share Data ($)			
Book value [3]	**41.38**	40.92	1.1

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")

Melcor and Melcor REIT ("REIT" or "the REIT") entered into an arrangement agreement (the "Arrangement") in late 2024 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").

The Arrangement was approved by the REIT's unitholders and the Court of King's Bench of Alberta granted the final order in respect of the Arrangement in early 2025. The Transaction closed on April 23, 2025 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. 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.

Melcor now directly owns 100% of the REIT and REIT LP and the REIT Unit liability has been settled. As a result of the Transaction, there was an additional $22.20 million in deferred tax expense recorded as Melcor's ownership in the REIT LP increasing from 55.4% to 100%. We also 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.

THIRD QUARTER HIGHLIGHTS:

We have continued to navigate a dynamic economic environment influenced by global trade tensions, fluctuating interest rates and increasing construction costs. Tariffs on essential building materials remain a key concern, as elevated input costs may impact overall building expenses in Alberta, potentially hindering real estate development and contributing to higher housing prices. Throughout these economic and political uncertainties, Alberta has demonstrated resilience, and demand for new development has remained steady.

To date in 2025, we have recorded revenue of $223.43 million at a gross margin of 53.0%, up 24.8% from revenue of $178.96 million in 2024 at a gross margin of 48.8%. Net income was up $49.08 million to $14.09 million in the period from a net loss of $34.98 million in Q3-2024 and was up $25.22 million to $26.37 million year-to-date from $1.14 million in 2024.

Net income continues to be significantly impacted by non-cash items including swings in fair value adjustments. Included in 2025 year-to-date net income was a $22.20 million deferred tax expense recorded on close of the Transaction, negatively impacting net income in the year. In the quarter we recorded a fair value loss on investment properties of $6.30 million (Q3-2024: loss of $17.64 million) and to date in 2025 we have recorded a loss of $5.28 million (2024: loss of $25.61 million). Adjustment related to REIT Units resulted in a loss of $9.12 million year-to-date, which includes fair value adjustments on REIT Units and transaction costs directly attributable to the REIT acquisition (2024: loss of $9.72 million related to fair value adjustment on REIT Units and distributions to REIT unitholders).

Management believes that FFO more accurately reflects true operating performance. In the quarter FFO increased 41.8% to $23.40 million (Q3-2024: $16.51 million) and year-to-date FFO increased by 45.5% to $73.31 million (2024: $50.37 million). The increase over 2024 is primarily due to higher gross profits which increased 25.8% in the quarter and is up 35.5% year-to-date.

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 to date in 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 as at September 30, 2025, we have sold two additional investment properties. These sales impact year-over-year comparatives in the Properties division. Subsequent to the quarter, in October 2025 we sold two additional retail properties located in Edmonton, AB, which were classified as assets held for sale at quarter end.

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 Accounting Standards, 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 7.5% to $593.93 million (Q3-2024: $642.08 million) and since year-end general debt is down 2.8% (December 31, 2024: $611.34 million). Our debt to equity ratio on September 30, 2025 was 0.65, down from 0.72 in Q3-2024, and 0.70 at the start of the year.

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 an aim of focusing on our core Alberta market. We disposed of four investment properties in 2024, and sold two additional properties in the nine-months ended September 30, 2025

As at September 30, 2025 we classified three properties as assets held for sale. Subsequent to the quarter, we closed on the sale two of these properties. We adjust for both sold assets and assets listed as held for sale in our same-asset calculations.

Revenue & Margins:

Consolidated revenue was up 21.9% to $72.54 million in Q3-2025 (Q3-2024: $59.51 million) and was up 24.8% to $223.43 million year-to-date (2024: $178.96 million). This increase is the result of higher revenue generated in our Land division compared to Q3-2024 and year-to-date, partially offset by lower revenue generated by our Properties division. Gross profit was up 25.8% to $35.99 million in Q3-2025 (Q3-2024: $28.61 million), and up 35.5% to $118.34 million year-to-date (2024: $87.31 million), with consolidated gross margin up 1.5% since Q3-2024 to 49.6%, and up 4.2% year-to-date to 53.0%.

Our Land division contributed 59.1% of total revenue before intersegment elimination to date in 2025 compared to 47.7% in 2024. Our Properties division contributed 35.7% of revenue before intersegment eliminations in 2025 compared to 46.3% in 2024. Revenues from our Properties division was down 3.6% to $26.16 million in the quarter (Q3-2024: $27.15 million) and down 3.9% to $79.78 million year-to-date (2024: $83.04 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 5.1% or $3.71 million of total revenue in the quarter and 32.0% or $71.41 million in the year including revenue from our Land division of $0.54 million in the quarter and $62.20 million year-to-date. This compares to total revenues of $3.45 million in the quarter and $11.61 million year-to-date in 2024 (5.8% and 6.5% of total revenue respectively). The increase in year-to-date revenue from our Land division relates to the sale of 198.40 acres of subdivided but unserviced land (paper lots) in the first half of the year for revenue of $62.20 million and gross profit of $39.56 million. There were no land sales in our US region in the 2024 comparative periods.

Net Income & FFO:

In the third quarter net income was $14.09 million up $49.08 million from a net loss of $34.98 million in Q3-2024 and was $26.37 million year-to-date up $25.22 million from $1.14 million in 2024. The increase in net income was significantly impacted by non-cash items including fair value adjustments on investment properties and adjustments related to REIT Units, as detailed below.

Non-cash items that had a significant impact on net income include:

- *Fair value adjustments on investment properties*: in Q3-2025 we recorded a fair value loss on investment properties of $6.30 million (Q3-2024: fair value loss of $17.64 million) and year-to-date we have recorded a fair value loss of $5.28 million (2024: fair value loss $25.61 million).
- *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. To date in 2025, we recorded a fair value loss of $3.24 million compared to a loss of $9.20 million in 2024. No amounts were recorded in the quarter as the Transaction closed in the second quarter (Q3-2024: fair value loss of $27.09 million).
- *Non-cash financing costs*: we recorded non-cash financing costs of $0.97 million in the quarter and non-cash financing costs of $1.88 million year-to-date. This compares to 2024 non-cash financing costs of $4.01 million in the quarter and non-cash financing costs of $3.88 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.

Additionally in 2025, Melcor incurred $7.08 million in transaction costs and other fees related to the REIT Unit acquisition 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. The Transaction resulted in an additional $22.20 million in deferred income taxes recorded in the second quarter, as described on page 2, which negatively impacted net income and is also adjusted for in our FFO calculations.

FFO increased by 41.8% to $23.40 million in Q3-2025 (Q3-2024: $16.51 million) and increased by 45.5% to $73.31 million year-to-date (2024: $50.37 million). FFO increased as a result of higher gross profit, up 21.9% or $6.76 million to $37.60 million in the quarter (Q3-2024: $30.85 million) and up 31.8% or $29.84 million to $123.56 million year-to-date (2024: $93.72 million). FFO was also impacted by higher G&A expenses incurred as a result of the Transaction which closed on April 23, 2025.

DIVISIONAL OPERATING HIGHLIGHTS

Our **Land** division revenue was up 49.8% or $13.60 million in Q3-2025 to $40.93 million (Q3-2024: $27.33 million) and up 54.6% or $46.74 million to $132.36 million year-to-date (2024: $85.63 million). The increase was attributed to our US region, which contributed $62.20 million in revenues year-to-date from the sale of 198.40 acres of subdivided but unserviced lots (paper lots) sold in the first half of the year. Our Canadian market, saw an increase in revenues of $13.30 million in the quarter and year-to-date has seen an overall reduction in revenues of $13.65 million, the result of lower single-family lot sales and acre sales over 2024.

Our **Properties** division accounted for 35.7% of total revenue, before intersegment eliminations compared to 46.4% in 2024 year-to-date. Occupancy decreased over year-end to 81.6% (December 31, 2024: 86.1%) and was down over last year (Q3-2024: 86.5%). During the quarter we completed 289,447 sf in renewals and an additional 130,777 sf of new leasing. Our Properties division currently has 47,140 sf under active development or awaiting lease-up on three buildings (Chestermere Station and Greenwich) and we completed construction on three buildings in the quarter located in our Winterburn Point (West Edmonton, AB) development adding 24,990 sf to our portfolio and one building was completed earlier in the year located in our Woodbend Market (Leduc, AB) adding 9,913 sf, for a cumulative 34,903 sf added to our portfolio year-to-date. Construction and leasing activities have resulted in a $0.49 million fair value gain in the period (Q3-2024: $1.02 million) and gains of $2.44 million year-to-date (2024: $1.89 million).

In our **Golf** division, rounds of golf were up 4.0% to 120,173 rounds played to date (2024: 115,595 rounds) and revenue is up 8.7% or $0.93 million to $11.63 million year-to-date (2024: $10.70 million). Thanks to a mild fall season, three of our courses remained operational as of September 30, 2025, with the final round of golf occurring on November 2, 2025. All courses are now closed for the season.

ASSET DISPOSITIONS

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

2025 Dispositions (year-to-date):

- Evans Business Centre, an office building located in Scottsdale, AZ for net proceeds of $12.96 million (US$9.37 million)
- Melcor Crossing, a retail power centre located in Grande Prairie, AB for net proceeds of $47.63 million
- Six residential units located at the Edge at Grayhawk in Scottsdale, AZ for net proceeds of $2.42 million (US$1.72 million)

2025 Dispositions - Subsequent to quarter end:

- Coast Home Centre, a retail building located in Edmonton, AB for proceeds of $14.85 million, less transaction costs
- Westgrove Common, a retail power centre located in Spruce Grove, AB for proceeds of $12.70 million, less transaction costs

2024 Dispositions (annual):

- 14 residential units located at the Edge at Grayhawk in Scottsdale, 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

We continue to focus on divesting select non-core assets to generate cash for the purpose of reducing debt. We used availability on our credit facility to repay maturing REIT debentures in late 2024 and also to fund the purchase of the unowned equity interest in the REIT in April 2025. Asset sales have been, and will continue to be, conducted with careful consideration of long-term shareholder value.

SHAREHOLDER HIGHLIGHTS

We continue to focus on returning value to our shareholders:

- We repurchased 257,580 shares for cancellation pursuant to the NCIB at a cost of $3.46 million to date in 2025.
- 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.
- To date in 2025 we have paid dividends of $0.35 per share, up from $0.33 per share to date in 2024.
- On November 6, 2025, we declared a quarterly dividend of $0.13 per share, payable on December 31, 2025, to shareholders of record on December 15, 2025. The dividend is an eligible dividend for Canadian tax purposes.

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 September 30			Nine months ended September 30		
	2025	2024	Change %	**2025**	2024	Change %
Net income (loss) for the period	**14,093**	(34,984)	(140.3)	**26,367**	1,144	2204.8
Amortization of tenant incentives	**1,613**	2,239	(28.0)	**5,219**	6,419	(18.7)
Fair value adjustment on investment properties	**6,299**	17,643	(64.3)	**5,282**	25,614	(79.4)
Depreciation on property and equipment	**463**	494	(6.3)	**1,000**	1,059	(5.6)
Stock based compensation expense	**293**	333	(12.0)	**965**	914	5.6
Non-cash finance costs	**967**	4,010	(75.9)	**1,878**	3,883	(51.6)
Gain on sale of asset	**(10)**	(3)	233.3	**(126)**	(56)	125.0
Deferred income taxes	**(315)**	(318)	(0.9)	**23,610**	2,189	978.6
Fair value adjustment on REIT Units	**–**	27,093	(100.0)	**3,240**	9,204	(64.8)
Transaction costs on REIT Units acquisition	**–**	–	nm	**5,878**	–	nm
FFO[1]	**23,403**	16,507	41.8	**73,313**	50,370	45.5
FFO per share[2]	**$0.77**	$0.54	42.6	**$2.42**	$1.64	47.6

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 41.8% or $6.90 million to $23.40 million in the period (Q3-2024: $16.51 million), and up 45.5% or $22.94 million to $73.31 million year-to-date (2024: $50.37 million).

Gross profit increased 25.8% or $7.38 million to $35.99 million in the period (Q3-2024: $28.61 million) and was up 35.5% or $31.04 million to $118.34 million year-to-date (2024: $87.31 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 21.9% or $6.76 million in the period and up 31.8% or $29.84 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 the first half of the year.

Higher gross profit resulted in an increase in current income tax expense of $5.18 million in the period and $12.62 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 with no transaction costs occurring in the period and $5.88 million of transaction costs year-to-date, and have been adjusted out of our FFO calculation above.

G&A expenses in Q3-2025 were down 21.6% or $1.71 million over Q3-2024, and up 0.7% or $0.14 million year-to-date. Included in G&A are professional fees incurred as a result of the Transaction which account for $1.20 million of total G&A year-to-date, negatively impacting FFO.

Other factors that impacted FFO was interest income, which was up 50.8% or $0.37 million in the quarter and up 45.1% or $0.90 million year-to-date, and finance costs excluding non-cash finance costs were down 6.7% or $0.47 million in the quarter and down 6.3% or $1.34 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 55 income-producing properties (as at September 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 September 30		Three months September 30		Three months September 30	
($000s except as noted)	**2025**	2024	**2025**	2024	**2025**	2024
Revenue	**40,931**	27,327	**26,159**	27,147	**5,618**	5,261
Portion of total revenue %	**56 %**	46 %	**36 %**	45 %	**8 %**	9 %
Cost of sales	**(23,184)**	(16,573)	**(10,440)**	(11,589)	**(2,948)**	(2,818)
Gross profit	**17,747**	10,754	**15,719**	15,558	**2,670**	2,443
Gross margin %[1]	**43 %**	39 %	**60 %**	57 %	**48 %**	46 %
Portion of total margin[1]	**49 %**	37 %	**43 %**	54 %	**7 %**	8 %
General and administrative expense	**(2,049)**	(2,081)	**(1,468)**	(2,309)	**(832)**	(846)
Fair value adjustment on investment properties	**—**	—	**(6,299)**	(17,643)	**–**	–
Gain on sale of assets	**—**	—	**–**	–	**10**	3
Interest income	**834**	665	**62**	54	**4**	5
Segment earnings (loss)	**16,532**	9,338	**8,014**	(4,340)	**1,852**	1,605

	Land		Properties		Golf	
	Nine months September 30		Nine months September 30		Nine months September 30	
($000s except as noted)	**2025**	2024	**2025**	2024	**2025**	2024
Revenue	**132,364**	85,627	**79,783**	83,041	**11,634**	10,700
Portion of total revenue %	**59 %**	48 %	**36 %**	46 %	**5 %**	6 %
Cost of sales	**(65,058)**	(50,202)	**(34,301)**	(36,025)	**(5,793)**	(5,566)
Gross profit	**67,306**	35,425	**45,482**	47,016	**5,841**	5,134
Gross margin %[1]	**51 %**	41 %	**57 %**	57 %	**50 %**	48 %
Portion of total margin[1]	**57 %**	40 %	**38 %**	54 %	**5 %**	6 %
General and administrative expense	**(5,982)**	(6,003)	**(4,947)**	(5,610)	**(2,403)**	(2,295)
Fair value adjustment on investment properties	**—**	—	**(5,282)**	(25,614)	**–**	–
Gain on sale of assets	**—**	—	**–**	–	**126**	56
Interest income	**2,194**	1,783	**364**	142	**11**	11
Segment earnings	**63,518**	31,205	**35,617**	15,934	**3,575**	2,906

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

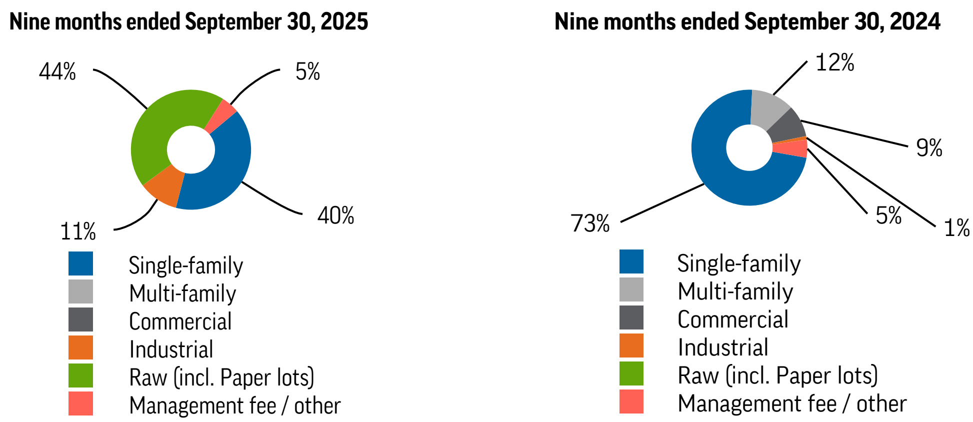
Our Land division acquires raw land in strategic urban corridors and subsequently plans, develops and markets this land as builder-ready urban communities and large-scale commercial and industrial centres. This process includes identifying and evaluating land acquisitions, site planning, obtaining approvals 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 September 30		Nine months ended September 30	
	2025	2024	**2025**	2024
Canada Sales data: (including joint ventures at 100%)[1]				
Single-family sales (number of lots)	**272**	196	**465**	521
Gross average revenue per single-family lot ($)	**168,805**	189,903	**178,175**	184,162
Multi-family sales (acres)	**–**	4.25	**–**	16.45
Gross average revenue per multi-family acre ($)	**–**	730,000	**–**	991,216
Commercial sales (acres)	**–**	–	**–**	9.65
Gross average revenue per commercial land acre ($)	**–**	–	**–**	1,395,959
Industrial sales (acres)	**7.57**	–	**9.20**	1.45
Gross average revenue per industrial land acre ($)	**1,599,888**	–	**1,582,337**	470,000
Other land sales - raw, other (acres)	**–**	–	**21.77**	–
Gross average revenue per other land acre ($)	**–**	–	**50,691**	–
US Sales data:				
Other land sales - raw, unserviced (paper lots), other	**–**	–	**198.40**	–
Gross average revenue per paper lot ($)	**–**	–	**296,658**	–
Divisional results: (including joint ventures at Melcor's interest)[1]				
Revenue ($000s)	**40,931**	27,327	**132,364**	85,627
Earnings ($000s)	**16,532**	9,338	**63,518**	31,205

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 49.8% or $13.60 million to $40.93 million in the period (Q3-2024: $27.33 million), and up 54.6% or $46.74 million to $132.36 million year-to-date (2024: $85.63 million). Earnings were up 77.0% or $7.19 million to $16.53 million in the period (Q3-2024: $9.34 million) and up 103.6% or $32.31 million to $63.52 million year-to-date (2024: $31.21 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 Q3-2024 by 10.2% to 43.4% (Q3-2024: 39.4%), and increased by 22.7% to 50.8% (2024: 41.4%). Included in our year-to-date gross margin were the sale of unserviced land (paper lot) sales occurring in the first half of the year within our US region which sold at a margin of 63.6%.

In our US markets, we have sold 198.40 acres to date in 2025. These sales resulted in $62.20 million (US$44.63 million) in revenues and $39.09 million (US$28.03 million) in earnings. There were no US sales in the 2024 comparative periods.

When focusing on our Canadian markets only, revenue was up 49.1% or $13.30 million to $40.39 million in the quarter (Q3-2024: $27.10 million), and was down 16.3% or $13.65 million to $70.16 million year-to-date (2024: $83.81 million). The decrease in year-to-date revenue comparative to 2024 was largely due to lower developed acre sales. In 2024 we sold 26.10 acres of commercial and multi-family land for revenue of $18.29 million; no commercial or multi-family land has been sold to date in 2025. Additionally, single family lot sales were down to 465 single-family lot sales year-to-date compared to 521 single-family lot sales in 2024 contributing to the decrease in land revenue over 2024 of $8.68 million.

Our Edmonton region had the largest volume of single-family lot sales in Q3-2025 with 195 lots sold, and 294 lots sold year-to-date, up from 140 lots sold in Q3-2024 and 291 lots sold in 2024 year-to-date. In our Calgary region, we sold 19 single-family lots in the quarter, and 43 single-family lots year-to-date, compared to 36 single-family lots sold in Q3-2024 and 150 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 decreased 11.1% in the quarter over Q3-2024, and decreased 3.3% 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.

Melcor continues to focus on pre-sales before developing new phases or launching new communities in response to ongoing economic uncertainty enabling us to secure sales in advance of costs being incurred and provides certainty around pricing and overall demand. This strategy has been well received by our builder groups, with strong pre-sale activity providing an encouraging outlook for the remainder of the year.

We continue to develop new phases in communities where demand is evident and to date in 2025, we have registered eleven phases across ten communities and have begun development in three new Edmonton communities. Included in these registrations were six registrations in our Edmonton region, one registration in our Red Deer region, two registration in our Calgary region and two registrations in our Lethbridge region (2024: nine new phases across six communities).

Regional Sales Analysis

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

	Three months ended September 30, 2025			Three months ended September 30, 2024		
(including joint ventures at 100%)	**Single- family (Lots)**	**Multi-family (Acres)**	**Other (Acres)**	Single- family (Lots)	Multi-family (Acres)	Other (Acres)
Edmonton Region	**195**	**–**	**–**	140	4.25	–
Red Deer	**55**	**–**	**–**	9	–	–
Calgary Region	**19**	**–**	**7.57**	36	–	–
Lethbridge	**2**	**–**	**–**	7	–	–
Kelowna	**1**	**–**	**–**	4	–	–
United States	**–**	**–**	**–**	–	–	–
	272	**–**	**7.57**	196	4.25	–

	Nine months ended September 30, 2025			Nine months ended September 30, 2024		
(including joint ventures at 100%)	**Single- family (Lots)**	**Multi-family (Acres)**	**Other (Acres)**	Single- family (Lots)	Multi-family (Acres)	Other (Acres)
Edmonton Region	**294**	**–**	**–**	291	14.12	10.00
Red Deer	**89**	**–**	**–**	60	–	–
Calgary Region	**43**	**–**	**9.20**	150	–	1.10
Lethbridge	**36**	**–**	**–**	13	2.33	–
Kelowna	**3**	**–**	**–**	7	–	–
United States	**–**	**–**	**–**	–	–	–
	465	**–**	**9.20**	521	16.45	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:

	Nine months ended September 30, 2025				Nine months ended September 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	436	–	31.97	–	331	4.80	8.55	–
Sales	(465)	–	(9.20)	–	(521)	(16.45)	(11.10)	–
	407	34.54	117.45	1	416	38.18	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.

In the quarter, we purchased 5.51 acres in Red Deer, AB for $0.50 million. Additionally, we purchased an additional 24.96 acres in Leduc, AB for $1.50 million earlier in the year. In 2024 there was no raw land purchased in the comparative periods.

Earlier in the year, we sold 21.77 acres of raw land in Mount Robson, BC for $1.10 million. There were no raw land sales 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 4.45 million sf of income-producing commercial GLA and 446 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)	**September 30, 2025**	December 31, 2024
Commercial properties GLA under management (sf, total)	**4,454,352**	4,761,750
Properties owned and managed (sf)	**3,964,935**	4,281,251
Properties managed (sf)	**489,417**	480,499
Residential units managed	**446**	452
Occupancy - CAD	**82.7 %**	87.2 %
Occupancy - US	**73.2 %**	78.2 %
Weighted Average Base Rent (per sf) - CAD	**$21.00**	$19.91
Weighted Average Base Rent (per sf) - US	**$23.23**	$21.70
Fair value adjustment on investment properties ($000)	**(7,718)**	(32,245)
Commercial properties under development (sf, total)		
Number of buildings completed	**4**	5
Properties completed (sf)	**34,903**	95,558
Number of buildings under active construction	**3**	4
Properties under active construction (sf)	**47,140**	81,755
Fair value recognized on properties under development ($000s)	**2,436**	3,806

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

($000s except as noted)	Three months ended September 30		Nine months ended September 30	
	2025	2024	**2025**	2024
Revenue (total)	**26,159**	27,147	**79,783**	83,041
Canadian properties	**22,523**	23,338	**68,988**	71,566
US properties	**3,174**	3,223	**9,205**	9,797
Management fees	**229**	320	**854**	880
Parking lots and other assets	**233**	266	**736**	798
Net operating income (NOI)[1]	**16,856**	17,347	**50,530**	52,972
Funds from operations[1]	**15,926**	15,542	**46,118**	47,967
Funds from operations per share[2]	**$0.53**	$0.51	**$1.53**	$1.57

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.*

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 Q3-2025, we had three buildings under active construction or awaiting lease-up (47,140 sf), and to date in 2025 we have completed construction on four buildings within our Woodbend (9,913 sf) and Winterburn Point (24,990 sf) developments. Properties recently completed have contributed an additional $0.97 million to NOI in Q3-2025 (Q3-2024: $0.17 million), and $2.11 million year-to-date (2024: $1.06 million) as detailed in the same asset NOI table following.

Occupancy of our Canadian properties was 82.7%, down from 87.6% at Q3-2024, and 87.2% at year-end. Committed occupancy was 84.4%, down from 88.1% at Q3-2024, and down from 88.0% at year-end. Occupancy in our Canadian properties was materially impacted by the departure of a tenant that previously occupied 133,243 sf. Excluding this outlier, our Canadian occupancy was 86.0%, down 1.2% from year-end, and down 1.6% over Q3-2024.

Canadian weighted average base rent was up 6.9% or $1.35 per sf to $21.00 per sf compared to $19.65 at Q3-2024 and up 5.5% or $1.09 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 have generated $2.44 million in fair value gains in 2025 compared to $1.89 million to date in 2024. Our 2025 fair value gains relate to development activities in our Winterburn Point development located in West Edmonton, AB including the completion of two CRU's and a gas station, and one CRU's under construction 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 September 30		Nine months ended September 30	
	2025	2024	**2025**	2024
Northern Alberta	**491**	938	**2,436**	2,215
Southern Alberta	**—**	84	**—**	(324)
	491	1,022	**2,436**	1,891

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 September 30		Nine months ended September 30	
	2025	2024	**2025**	2024
Same-asset NOI[1]	**14,045**	14,130	**41,685**	42,363
Third party disposals / Assets held for sale	**648**	1,957	**2,713**	5,837
Properties recently completed construction	**967**	173	**2,105**	1,055
NOI[1]	**15,660**	16,260	**46,503**	49,255
Amortization of tenant incentives	**(1,365)**	(1,937)	**(4,217)**	(5,383)
Straight-line rent adjustment	**449**	442	**639**	402
Gross profit	**14,744**	14,765	**42,925**	44,274

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

Gross profit was down 0.1% or $0.02 million to $14.74 million compared to Q3-2024, and down 3.0% or $1.35 million to $42.93 million year-to-date (2024: $44.27 million). NOI decreased by 3.7% or $0.60 million compared to Q3-2024, and was down 5.6% or $2.75 million to $46.50 million year-to-date (2024: $49.26 million).

Gross profit and NOI are impacted by recent property sales and new commercial development. Same asset NOI adjusts for these factors to provide a more direct period-over-period comparison. Recently completed development projects contributed an additional $0.97 million to NOI in Q3-2025 (Q3-2024: $0.17 million), and $2.11 million year-to-date (2024: $1.06 million).

On a same-asset basis, NOI was down 0.6% or $0.09 million to $14.05 million (Q3-2024: $14.13 million) and down 1.6% or $0.68 million to $41.69 million year-to-date (2024: $42.36 million).

US properties

Revenue on US properties was down 1.5% to $3.17 million in the quarter (Q3-2024: $3.22 million) and down 6.0% to $9.21 million year-to-date (2024: $9.80 million). NOI increased 7.4% or $0.06 million to $0.86 million in the quarter (Q3-2024: $0.80 million) and was up 5.3% or $0.15 million to $2.88 million year-to-date (2024: $2.73 million).

Revenue includes non-cash items such as the amortization of tenant incentives and straight-line rent adjustments. These items are excluded from NOI to provide a more accurate reflection of the properties operating cash flow. While reported revenue declined during the period and year-to-date, both NOI and same-asset NOI increased due to the exclusion of these non-cash items. The reduction in cash-based revenue was offset by a greater decrease in operating expenses, resulting in higher NOI.

On a same-asset basis, NOI was up 9.9% or $0.07 million to $0.82 million (Q3-2024: $0.75 million) and up 3.3% or $0.08 million to $2.61 million year-to-date (2024: $2.52 million).

Our US properties have seen a reduction in occupancy to 73.2% since year-end (December 31, 2024: 78.2%) and since Q3-2024 (77.9%). Additionally, we have sold six units at our Edge at Greyhawk in the period and sold an additional 14 units in 2024 which has impacted our year-to-date results.

US weighted average base rent was up 5.4% or $1.20 per sf to $23.23 per sf compared to $22.03 per sf at Q3-2024, and was up 7.1% or $1.53 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 September 30		Nine months ended September 30	
	2025	2024	**2025**	2024
Same-asset NOI[1]	**824**	750	**2,606**	2,523
Third party disposals	**31**	46	**273**	210
NOI[1]	**855**	796	**2,879**	2,733
Foreign currency translation	**341**	291	**1,148**	984
Amortization of tenant incentives	**(248)**	(302)	**(1,002)**	(1,036)
Straight-line rent adjustment	**27**	8	**(468)**	61
Gross profit	**975**	793	**2,557**	2,742

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 $0.20 million, up from $0.24 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 up to $0.65 million from $0.64 million in 2024.

Revenue from parking stalls and other assets was down 12.4% in the quarter to $0.23 million from $0.27 million in Q3-2024, and down 7.8% to $0.74 million from $0.80 million in 2024. These revenues are ancillary to our business and tend to fluctuate from period to period.

FFO

FFO was up 2.5% or $0.38 million to $15.93 million in Q3-2025 (Q3-2024: $15.54 million), and down 3.9% or $1.85 million to $46.12 million year-to-date (2024: $47.97 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.

Fair Value of Investment Portfolio

The fair value of our income properties portfolio decreased by $62.95 million over December 31, 2024. The components leading to the change in fair value include:

- the sale of Melcor Crossing (Grande Prairie, AB) which sold in Q2-2025 for a selling price of $48.00 million, reducing our investment properties by $46.81 million;
- the sale of Evans Business Centre (Scottsdale, AZ), which sold in Q3-2025 for a selling price of $13.19 million (US$9.53 million), reducing our investment properties by $12.76 million (US$9.23 million);
- the sale of six residential units at Edge at Grayhawk (Scottsdale, AZ), reducing the portfolio value by $2.42 million (US$1.72 million);
- fair value losses decreased our portfolio value by $5.64 million related to adjustments on properties from external valuation professionals and other adjustments impacting fair value recognized in the period, offset by a $0.36 million fair value gain recognized on our assets held for sale sold in the current year;
- property improvements and direct leasing costs of $2.02 million, increasing fair value;
- development costs and capitalized borrowings on development increasing the portfolio by $6.10 million; and,
- foreign currency translation loss of $2.98 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)	September 30, 2025			December 31, 2024		
	Investment Properties	**Properties Under Development**	**Total**	Investment Properties	Properties Under Development	Total
Northern Alberta	**(9,927)**	**2,436**	**(7,491)**	(27,932)	3,806	(24,126)
Southern Alberta	**(3,550)**	**–**	**(3,550)**	(655)	–	(655)
British Columbia/Saskatchewan	**(176)**	**–**	**(176)**	1,649	–	1,649
US	**5,935**	**–**	**5,935**	(5,307)	–	(5,307)
	(7,718)	**2,436**	**(5,282)**	(32,245)	3,806	(28,439)

Investment properties were valued by Melcor's internal valuation team as at September 30, 2025. Our qualified external valuation professionals valued 44 of the 80 legal phases with a fair value of $428.59 million. This resulted in fair value loss of $7.72 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 related to the recent sales of units at the Edge at Greyhawk, and the sale of our office property Evans Business Centre, located in Scottsdale, AZ. Additionally, tenant incentives recognized on the properties which do not affect fair value have been included in our year-to-date adjustments. 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.

Our golf courses continue to provide strong and stable results with revenues up 6.8% or $0.36 million to $5.62 million in the period (Q3-2024: $5.26 million) and up 8.7% or $0.93 million to $11.63 million year-to-date (2024: $10.70 million). Our number of rounds played in the year were up 4.0% to 120,173 rounds (2024: 115,595), with our three of our four courses still opened at the end of the third quarter.

The Links and Black Mountain courses saw the largest contribution to the increase in number of rounds played with the Links up 9.9% and Black Mountain was up 5.9% year-to-date.

	Ownership Interest	2025			2024		
		Season opened	**Seasoned closed**	**Rounds of Golf**	Season opened	Seasoned closed	Rounds of Golf
Managed by Melcor:							
Lewis Estates (Edmonton)	60%	**April 15**	**November 2**	**28,176**	April 10	October 18	28,125
The Links (Spruce Grove)	100%	**April 15**	**November 2**	**31,153**	April 11	October 18	28,334
Black Mountain (Kelowna)	100%	**March 26**	**November 2**	**37,046**	March 22	November 3	34,993
Managed by a Third Party:							
Jagare Ridge (Edmonton)	50%	**April 24**	**October 14**	**23,798**	April 22	October 14	24,143

General & Administrative Expense

G&A expenses were down 21.6% or $1.71 million to $6.20 million in the quarter (Q3-2024: $7.90 million) and up 0.7% or $0.14 million to $20.60 million year-to-date (2024: $20.47 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 down 5.2% to $19.40 million year-to-date (2024: $20.47 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 11.4% 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 nine months ended September 30, 2025 (Q3-2024: 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 September 30, 2025, compared with December 31, 2024.

As at ($000s except as noted)	**September 30, 2025**	December 31, 2024
Cash & cash equivalents	**79,169**	54,338
Restricted cash	**–**	1,329
Accounts receivable	**9,188**	17,853
Agreements receivable	**125,032**	157,412
Revolving credit facilities	**105,908**	85,422
Accounts payable and accrued liabilities	**61,975**	52,119
Total assets	**2,059,320**	2,108,553
Total liabilities	**813,471**	865,923
Debt to equity ratio[1]	**0.65**	0.70

1 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 $193.14 million as at September 30, 2025 (December 31, 2024: $128.38 million). Our total general debt outstanding was $593.93 million as at September 30, 2025 (December 31, 2024: $611.34 million).

A summary of our debt is as follows:

As at ($000s)	**September 30, 2025**	December 31, 2024
Revolving credit facilities	**105,908**	85,422
Project specific financing	**21,502**	14,119
Debt on investment properties	**466,521**	511,798
General debt	**593,931**	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 September 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 September 30		Nine months ended September 30	
	2025	2024	**2025**	2024
Cash flow (used in) from operating activities	**(4,853)**	29,414	**73,465**	56,650
Cash flow from (used in) investing activities	**12,046**	(5,504)	**59,088**	(6,940)
Cash flow used in financing activities	**(13,555)**	(23,272)	**(107,579)**	(43,849)

Operating Activities:

Cash used in operating activities resulted in cash outflows of $4.85 million in Q3-2025 down $34.27 million from cash inflows of $29.41 million in Q3-2024 and cash inflows of $73.47 million year-to-date up $16.82 million from $56.65 million in 2024. Cash from operating activities is significantly impacted by the timing of development and sales activity, 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 Q3-2025, collections on agreements receivable negatively impacted cash flows by $9.38 million, compared to a positive impact of $18.24 million in Q3-2024. Over the course of 2025, collections increased by $5.80 million, contributing to the year-to-date cash inflow of $32.38 million up from $26.58 million in 2024.

Development activities in Q3-2025 contributed net cash outflows of $28.04 million (Q3-2024: $16.76 million), and cash outflows of $33.83 million year-to-date (2024: $18.53 million). Payment of tenant incentives and direct leasing costs were down $0.40 million to $1.75 million in the quarter (Q3-2024: $2.15 million) and down $2.22 million to $3.88 million year-to-date (2024: $6.09 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 $12.05 million in Q3-2025 compared to cash outflows of $5.50 million in Q3-2024 and cash inflows of $59.09 million year-to-date over cash outflows of $6.94 million in 2024.

In early 2025, we sold one property classified as assets held for sale, 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.

In our US region, to date we have sold six residential units at our Edge complex located in Scottsdale, AZ for net proceeds of $2.42 million (US$1.72 million) and sold one office property located in Scottsdale, AZ for net proceeds of $12.96 million (US$9.37 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 2025, we invested $6.10 million in properties under development, compared to $12.02 million in 2024. Additionally, we invested $1.12 million in 2025 to our income-generating properties, down from $2.21 million in 2024.

Financing Activities:
Cash used in financing activities was $13.56 million in Q3-2025, down from $23.27 million in Q3-2024 and was $107.58 million year-to-date, up from $43.85 million to date in 2024.

On April 23, 2025, we acquired our unowned equity interest 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 year-to-date. Melcor funded the purchase using availability on our revolving credit facility. Melcor also incurred significant transaction costs. Costs considered directly attributable and incremental to the Transaction were included in the Adjustment on REIT Units and $5.88 million of transaction costs recorded year-to-date.

Cash used for the repayment of general debt was up $8.28 million to $14.36 million in the period (Q3-2024: $6.08 million and up $40.13 million to $61.91 million year-to-date (2024: $21.79 million). Included in our repayment of general debt was mortgage repayments of $49.51 million related to mortgage repayments and $12.40 million in scheduled mortgage payments. Despite draws on our facility related to the Transaction, we saw a net decrease of $3.90 million in the period and a net increase of $20.49 million year-to-date on our revolving credit facilities.

Mortgage repayments during the year included paydowns on properties sold in the year. In the quarter, we closed on the sale of Evans Business Centre, located in Scottsdale, AZ, with proceeds used to paydown the outstanding mortgage of $3.46 million (US$2.48 million). Earlier in the year, we closed on the sale of Melcor Crossing, located in Grande Prairie, AB, with proceeds used to pay down the outstanding mortgage of $29.71 million.

We also received proceeds from general debt of $9.84 million in the quarter (Q3-2024: $23.79 million) and $25.05 million year-to-date (2024: $35.22 million). On a year-to-date basis, this includes $17.67 million from new mortgages and $7.38 million on project specific financing at our commercial development at Winterburn Point, located in Edmonton, AB.

On November 6, 2025, we declared a quarterly dividend of $0.13 per share, with $0.35 per share dividends paid to date for a total of $3.92 million in Q3-2025 and $10.57 million year-to-date. This compares to a $0.11 per share dividend paid in Q3-2024 and $0.33 per share to date in 2024 for a total of $3.35 million and $10.06 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 September 30, 2025 there were 30,110,046 common shares issued and outstanding and 325,200 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 September 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 nine months ended September 30, 2025, 257,580 shares were purchased for cancellation by Melcor pursuant to the NCIB's at a cost of $3.46 million (December 31, 2024: 356,703 shares purchased at a cost of $4.33 million). Share capital was reduced by $0.62 million (December 31, 2024: $0.78 million) and retained earnings was reduced by $2.84 million (December 31, 2024: $3.55 million). Retained earnings was also reduced by $0.07 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
($000s)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenue	72,543	100,139	50,743	170,538	59,508	69,707	49,748	125,134
Net income (loss)	14,093	7,258	5,016	32,384	(34,984)	23,340	12,788	10,311
FFO[1]	23,403	36,125	13,426	43,436	16,507	20,115	13,748	37,562
Per Share ($)								
Basic earnings (loss)	0.46	0.24	0.17	1.07	(1.15)	0.76	0.42	0.34
Diluted earnings (loss)	0.46	0.24	0.16	1.05	(1.15)	0.76	0.42	0.34
FFO basic[2]	0.77	1.19	0.44	1.44	0.54	0.65	0.45	1.21
Book value[2]	41.38	40.90	41.07	40.92	39.56	40.81	40.01	39.45

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.

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 16 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 September 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 September 30		Nine months ended September 30	
	2025	2024	**2025**	2024
Segment earnings (loss)	**8,014**	(4,340)	**35,617**	15,934
Fair value adjustment on investment properties	**6,299**	17,643	**5,282**	25,614
General and administrative expenses	**1,468**	2,309	**4,947**	5,610
Interest income	**(62)**	(54)	**(364)**	(142)
Amortization of tenant incentives	**1,613**	2,239	**5,219**	6,419
Straight-line rent adjustment	**(476)**	(450)	**(171)**	(463)
Divisional NOI	**16,856**	17,347	**50,530**	52,972

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 September 30		Nine months ended September 30	
	2025	2024	**2025**	2024
Net income (loss) for the period	**14,093**	(34,984)	**26,367**	1,144
Amortization of tenant incentives	**1,613**	2,239	**5,219**	6,419
Fair value adjustment on investment properties	**6,299**	17,643	**5,282**	25,614
Depreciation on property and equipment	**463**	494	**1,000**	1,059
Stock based compensation expense	**293**	333	**965**	914
Non-cash finance costs	**967**	4,010	**1,878**	3,883
Gain on sale of asset	**(10)**	(3)	**(126)**	(56)
Deferred income taxes	**(315)**	(318)	**23,610**	2,189
Fair value adjustment on REIT Units	**–**	27,093	**3,240**	9,204
Transaction costs on REIT Units acquisition	**–**	–	**5,878**	–
FFO	**23,403**	16,507	**73,313**	50,370

Properties

($000s)	Three months ended September 30		Nine months ended September 30	
	2025	2024	**2025**	2024
Segment earnings (loss)	**8,014**	(4,340)	**35,617**	15,934
Fair value adjustment on investment properties	**6,299**	17,643	**5,282**	25,614
Amortization of tenant incentives	**1,613**	2,239	**5,219**	6,419
Divisional FFO	**15,926**	15,542	**46,118**	47,967

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.