

## Management's Responsibility for Financial Reporting

The consolidated financial statements, management's discussion and analysis (MD&A) and all financial information contained in the annual report are the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, have incorporated estimates based on the best judgment of management.

To discharge its responsibility for financial reporting, management is responsible for implementing and maintaining adequate internal controls to provide reasonable assurance that the Company's assets are safeguarded, that transactions are properly authorized and that reliable financial information is relevant, accurate and available on a timely basis.

The consolidated financial statements have been examined by PricewaterhouseCoopers LLP, the Company's external auditors. The external auditors are responsible for examining the consolidated financial statements and expressing their opinion on the fairness of the financial statements in accordance with International Financial Reporting Standards. The auditor's report outlines the scope of their audit examination and states their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee is comprised of three financially literate and independent directors. This committee meets regularly with management and the external auditors to review significant accounting, financial reporting and internal control matters. PricewaterhouseCoopers LLP have unrestricted access to the Audit Committee with and without the presence of management. The Audit Committee reviews the financial statements, the auditor's report, and MD&A and submits its report to the Board of Directors for formal approval. The Audit Committee is also responsible for reviewing and recommending the annual appointment of external auditors and approving the external audit plan. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in the Annual Report based on the review and recommendation of the Audit Committee.



Timothy C. Melton  
Chief Executive Officer, Executive Chairman



Naomi Stefura, CA  
Chief Operating Officer, Chief Financial Officer

Edmonton, Alberta  
March 10, 2026



# Independent auditor's report

To the Shareholders of Melcor Developments Ltd.

---

## Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Melcor Developments Ltd. and its subsidiaries (together, the Company) as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

## What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of income for the years ended December 31, 2025 and 2024;
- the consolidated statements of comprehensive income for the years ended December 31, 2025 and 2024;
- the consolidated statements of financial position as at December 31, 2025 and 2024;
- the consolidated statements of changes in equity for the years ended December 31, 2025 and 2024;
- the consolidated statements of cash flows for the years ended December 31, 2025 and 2024; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

PricewaterhouseCoopers LLP  
Stantec Tower, 10220 103rd Avenue North West, Suite 2200  
Edmonton, Alberta, Canada T5J 0K4  
T.: +1 780 441 6700, F.: +1 780 441 6776  
Fax to mail: ca\_edmonton\_main\_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

---

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

---

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of investment properties and properties under development</b></p> <p>Refer to Note 3: Material accounting policies, Note 5: Critical accounting estimates, Note 10: Investment properties and Note 28: Fair value measurement to the consolidated financial statements.</p> <p>The Company measures its investment properties and properties under development at fair value and as at December 31, 2025, these assets were valued at \$908 million. The fair values of investment properties, which are determined by management using the direct income capitalization method or discounted future cash flows method, amounted to \$849 million and the fair values of properties under</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"><li>• Tested the design and operating effectiveness of internal controls related to the valuation of investment properties and properties under development, including management's review of certain assumptions used in the direct income capitalization method (less costs to complete, where applicable) and discounted future cash flows method.</li><li>• For a sample of investment properties and properties under development, tested how management determined the fair values based on the valuation methods of direct income capitalization (less costs to complete, where</li></ul>

## Key audit matter

development using the direct income capitalization method or discounted future cash flows method less costs to complete amounted to \$46 million. Under the direct income capitalization method, fair values are determined by dividing the stabilized net operating income of the property by a property specific capitalization rate. In applying the discounted future cash flows method, the forecasted future cash flows of each property are projected over ten years, a terminal value is applied and the cash flows are discounted using an appropriate discount rate.

Investment properties and properties under development were valued by the Company's internal valuation team as at December 31, 2025, of which 51 legal phases included in investment properties and properties under development with a fair value of \$570 million were also valued with the assistance of qualified independent external valuation professionals. At least once every two years, the valuations are performed by qualified external valuation professionals.

The assumptions in the valuation methods include stabilized net operating income, capitalization rates, discount rates, terminal capitalization rates, costs to complete and forecasted future cash flows, which involve assumptions of future rental income, including estimated market rental rates, vacancy rates and estimated direct operating costs. In determining the fair value of investment properties and properties under development, judgment is required by management.

We considered this a key audit matter due to judgment made by management when determining the fair values of the investment properties and properties under development and a high degree of complexity in assessing audit evidence related to certain assumptions made by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of real estate valuations.

## How our audit addressed the key audit matter

applicable) or discounted future cash flows, which included the following:

- Evaluated the appropriateness of the valuation methods used by management for valuations of properties.
- Tested the underlying data used in the methods.
- Evaluated whether stabilized net operating income, and forecasted future cash flows, including assumptions related to future rental income and estimated direct operating costs, were reasonable by considering the approved budget, and the current and historical results of the properties, as applicable.
- Evaluated the reasonableness of the capitalization rates for valuations of properties by considering available third party published economic data relevant to the properties.
- Evaluated whether costs to complete were reasonable by considering the stage of completion of the properties under development.
- Professionals with specialized skill and knowledge in the field of real estate valuations further assisted us in assessing the appropriateness of the methods and evaluating the reasonableness of the discount rates, capitalization rates, terminal capitalization rates, estimated market rental rates and vacancy rates.

---

## **Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

---

## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

---

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a

material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Steven Hollinger.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Edmonton, Alberta

March 10, 2026

# MELCOR DEVELOPMENTS LTD.

Consolidated Financial Statements

December 31, 2025

# Consolidated Statements of Income

For the years ended December 31 (\$000s)	2025	2024
Revenue (note 21)	410,547	349,501
Cost of sales (note 21)	(220,900)	(192,115)
Gross profit	189,647	157,386
General and administrative expense (note 21)	(29,378)	(30,012)
Fair value adjustment on investment properties (note 10 and 28)	(25,878)	(28,439)
Adjustments related to REIT units (note 25)	(9,118)	(14,777)
Gain on sale of assets	126	58
Operating earnings	125,399	84,216
Interest income	4,415	2,836
Foreign exchange gain	4,098	409
Finance costs (note 20)	(27,570)	(32,529)
Net finance costs	(19,057)	(29,284)
Income before income taxes	106,342	54,932
Income tax expense (note 22)	(48,323)	(21,404)
Net income for the year attributable to Melcor's shareholders	58,019	33,528
Earnings per share attributable to Melcor's shareholders (note 17):		
Basic earnings per share	1.92	1.10
Diluted earnings per share	1.91	1.09

See accompanying notes to the consolidated financial statements.

On behalf of Melcor's Board of Directors



Timothy C. Melton  
CEO, Executive Chairman



Bruce Pennock  
Audit Committee Chair

# Consolidated Statements of Comprehensive Income

<b>For the years ended December 31 (\$000s)</b>	<b>2025</b>	<b>2024</b>
Net income for the year attributable to Melcor's shareholders	58,019	33,528
Other comprehensive income		
Items that may be reclassified subsequently to net income:		
Currency translation differences (note 18)	(14,070)	16,379
Comprehensive income attributable to Melcor's shareholders	43,949	49,907

*See accompanying notes to the consolidated financial statements.*

# Consolidated Statements of Financial Position

(\$000s)	2025	2024
<b>ASSETS</b>		
Cash and cash equivalents	74,884	54,338
Restricted cash (note 3d)	—	1,329
Accounts receivable	13,909	17,853
Income taxes recoverable	541	4,886
Agreements receivable (note 7)	198,903	157,412
Land inventory (note 8)	716,615	708,047
Assets held for sale (note 11 and 28)	75,160	48,000
Investment properties (note 10 and 28)	907,793	1,044,374
Property and equipment (note 12)	10,750	11,288
Other assets (note 9)	50,893	58,643
Derivative financial instrument (note 28)	1,687	2,383
	<b>2,051,135</b>	<b>2,108,553</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (note 13)	52,269	52,119
Income taxes payable	2,884	7,367
Provision for land development costs (note 14)	92,930	59,829
General debt (note 15)	548,744	611,339
Deferred income tax liabilities (note 22)	86,235	67,212
REIT units (note 25 and 28)	—	68,057
	<b>783,062</b>	<b>865,923</b>
<b>SHAREHOLDERS' EQUITY</b>		
Equity attributable to Melcor's shareholders		
Share capital (note 16a)	69,697	69,866
Contributed surplus	4,844	4,826
Accumulated other comprehensive income (AOCI) (note 18)	26,969	41,039
Retained earnings	1,166,563	1,126,899
	<b>1,268,073</b>	<b>1,242,630</b>
	<b>2,051,135</b>	<b>2,108,553</b>

See accompanying notes to the consolidated financial statements.

## Consolidated Statements of Changes in Equity

(\$000s)	Equity attributable to Melcor's shareholders				Total equity
	Share capital	Contributed surplus	AOCI	Retained earnings	
<b>Balance at January 1, 2025</b>	69,866	4,826	41,039	1,126,899	1,242,630
Net income for the year	—	—	—	58,019	58,019
Cumulative translation adjustment (note 18)	—	—	(14,070)	—	(14,070)
<b>Transactions with equity holders</b>					
Dividends	—	—	—	(14,486)	(14,486)
Share repurchase (note 16a)	(978)	—	—	(3,797)	(4,775)
Share repurchase tax (note 16a)	—	—	—	(72)	(72)
Employee share based compensation					
Value of services recognized	—	1,330	—	—	1,330
Share issuance	809	(1,312)	—	—	(503)
<b>Balance at December 31, 2025</b>	69,697	4,844	26,969	1,166,563	1,268,073

(\$000s)	Equity attributable to Melcor's shareholders				Total equity
	Share capital	Contributed surplus	AOCI	Retained earnings	
<b>Balance at January 1, 2024</b>	69,493	5,036	24,660	1,110,389	1,209,578
Net income for the year	—	—	—	33,528	33,528
Cumulative translation adjustment (note 18)	—	—	16,379	—	16,379
<b>Transactions with equity holders</b>					
Dividends	—	—	—	(13,400)	(13,400)
Share repurchase (note 16a)	(780)	—	—	(3,548)	(4,328)
Share repurchase tax (note 16a)	—	—	—	(70)	(70)
Employee share based compensation					
Value of services recognized	—	1,238	—	—	1,238
Share issuance	1,153	(1,448)	—	—	(295)
<b>Balance at December 31, 2024</b>	69,866	4,826	41,039	1,126,899	1,242,630

See accompanying notes to the consolidated financial statements.

# Consolidated Statements of Cash Flows

For the years ended December 31 (\$000s)	2025	2024
<b>CASH FLOWS FROM (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net income for the year	58,019	33,528
Non cash items:		
Amortization of tenant incentives (note 9)	6,618	8,217
Depreciation of property and equipment (note 12)	1,156	1,247
Stock based compensation expense (note 16f and 21)	1,330	1,238
Non cash financing costs (note 20)	1,233	3,974
Straight-line rent adjustment	(345)	99
Fair value adjustment on investment properties (note 10 and 28)	25,878	28,439
Fair value adjustment on REIT units (note 25 and 28)	3,240	14,259
Gain on sale of assets	(126)	(58)
Deferred income taxes (note 22)	18,911	2,962
Cash provided by operating activities before changes in non-cash working capital	115,914	93,905
Agreements receivable	(41,493)	(31,342)
Development activities (note 3t)	21,233	40,500
Payment of tenant incentives and direct leasing costs	(4,708)	(9,287)
Change in restricted cash (note 3d)	1,023	791
Purchase of land inventory (note 8)	(2,656)	—
Operating assets and liabilities (note 3t)	4,255	4,059
	93,568	98,626
<b>INVESTING ACTIVITIES</b>		
Additions to investment properties (note 10)	(8,346)	(16,188)
Net proceeds from disposal of investment properties (note 10)	15,740	7,034
Net proceeds from disposal of assets held for sale (note 11)	74,280	16,660
Change in restricted cash (note 3d)	250	(250)
Purchase of short-term investments	—	(5,075)
Redemption of short-term investments	3,773	1,302
Purchase of property and equipment (note 12)	(668)	(931)
Proceeds from disposal of assets	176	133
	85,205	2,685
<b>FINANCING ACTIVITIES</b>		
Redemption of debentures	—	(46,000)
Revolving credit facilities	(6,047)	(24,414)
Proceeds from general debt	33,236	37,395
Repayment of general debt	(87,528)	(31,043)
Settlement of REIT Units (note 1)	(71,297)	—
Transaction costs on settlement of REIT Units (note 25)	(5,878)	—
Dividends paid	(14,486)	(13,400)
Common shares repurchased (note 16a)	(4,775)	(4,328)
Share capital issued	(503)	(295)
	(157,278)	(82,085)
<b>FOREIGN EXCHANGE (LOSS) GAIN ON CASH HELD IN A FOREIGN CURRENCY</b>	(949)	422
<b>INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	20,546	19,648
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	54,338	34,690
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	74,884	54,338

See accompanying notes to the consolidated financial statements.

## 1. DESCRIPTION OF THE BUSINESS

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

Melcor Developments Ltd. ("Melcor" or "we") is incorporated in Canada. The registered office is located at Suite 900, 10310 Jasper Avenue Edmonton, AB T5J 1Y8. We operate in Canada and the United States ("US"). Our shares are traded on the Toronto Stock Exchange under the symbol "MRD". As at December 31, 2025 Melton Holdings Ltd. holds approximately 52.1% of the outstanding shares and pursuant to IAS 24, Related Party Disclosures, is the ultimate controlling shareholder of Melcor.

On September 12, 2024, Melcor and Melcor REIT ("REIT" or "the REIT") announced that they entered into an arrangement agreement with Melcor REIT GP Inc. (the "Arrangement Agreement") pursuant to which, among other steps, Melcor would acquire its unowned equity interest (approximately 44.6%) in Melcor REIT Limited Partnership ("REIT LP" or "the Partnership"). Melcor's unowned equity interest in REIT LP comprised of all REIT LP's outstanding Class A LP Units (approximately 13.0 million units). On November 25, 2024, Melcor and the REIT announced that they entered into an amended and restated arrangement agreement with Melcor REIT GP Inc. (the "Amended Arrangement Agreement") for an increase in cash consideration of \$5.50 per unit from \$4.95 per unit.

On April 23, 2025, the transaction closed and Melcor purchased its unowned equity interest in REIT LP for \$5.50 per Class A LP Unit or \$71,297 in cash consideration (the "REIT LP Sale" or "the Transaction"). In accordance with the Amended Arrangement Agreement, the REIT used the proceeds from the REIT LP Sale to redeem and cancel all of the REIT's outstanding trust units. The Transaction resulted in Melcor directly owning 100% of the REIT and REIT LP. The REIT unit liability was also settled on close of the transaction (note 25).

For the year ended December 31, 2025, we recorded \$7,081 in transaction costs and other fees related to the Transaction. Included in adjustments related to REIT units is \$5,878 of these costs which were considered directly attributable to the Transaction (note 25). Remaining costs were recorded through general and administrative expenses.

## 2. BASIS OF PRESENTATION

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Our consolidated financial statements have been prepared in accordance with IFRS Accounting Standards. These consolidated financial statements were authorized for issue by the Board of Directors on March 10, 2026.

## 3. MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these consolidated financial statements are described below.

### a. Basis of measurement

We prepare our financial statements in conformity with IFRS Accounting Standards which requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions change. We believe that the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in notes 6 and 5, respectively.

### b. Basis of consolidation

These consolidated financial statements include:

- I. The accounts of Melcor Developments Ltd. and its wholly-owned subsidiaries:
  - i Melcor Developments Arizona Inc.
  - ii Melcor Lakeside Inc.
  - iii Stanley Investments Inc.
  - iv Melcor Homes Ltd.
  - v REIT GP Inc. (2025 - 100%, 2024 - 55.4%)
  - vi Melcor REIT Limited Partnership (2025 - 100%, 2024 - 55.4%)

- II. Investments in 30 joint arrangements (2024 – 30) with interests ranging from 7% to 67%. These arrangements are undivided interests in the assets, liabilities, revenue and expenses and we record our proportionate share in accordance with the agreements. Refer to note 23 for details on joint arrangements.

All intercompany transactions and balances are eliminated on consolidation.

### c. Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term deposits with maturity dates of less than three months from the date they were acquired.

### d. Restricted cash

Restricted cash can only be used for specific purposes. As at December 31, 2025 we had no restricted cash at year-end. As at December 31, 2024 our restricted cash represented amounts held in escrow related to land projects in the US and deposits held in trust related to the sale of investment properties classified as asset held for sale at year-end.

### e. Land inventory

Land inventory is recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less costs to complete the development and selling costs. Cost includes all costs incurred to purchase development land, capitalized carrying costs related to holding the land under development, and development costs to build infrastructure. The estimated unexpended portion of costs to complete building the infrastructure, which are classified as “provision for land development costs” (refer to note 3j), are recorded as a liability upon the approval of the development plan with the municipality.

The cost of land and carrying costs are allocated to each phase of development based on a prorated acreage of the total land parcel at the time a plan is registered with a municipality. The cost of sale of a lot is allocated on the basis of the estimated total cost of the project prorated by the anticipated selling price of the lot over the anticipated selling price of the entire project at the date of plan registration.

Where we acquire land subject to deferred payments greater than one year, it is initially recognized at the fair value of the future estimated contractual obligations.

### f. Investment properties

Investment properties include commercial, industrial, and residential properties, and a manufactured home community held for the long term to earn rental income or for capital appreciation, or both. It also includes properties under development for future use as investment properties.

Acquired investment properties are measured initially at cost, including related transaction costs associated with the acquisition when the acquisition is accounted for as an asset purchase. Costs capitalized to properties under development include direct development and construction costs, borrowing costs, and property taxes.

After initial recognition, investment properties are recorded at fair value, determined based on the valuation methods of direct income capitalization or discounted future cash flows.

Melcor Developments Ltd. has an internal valuation team consisting of individuals who are knowledgeable and have experience in the fair value techniques applied in valuing investment property. At least once every two years, the valuations are performed by qualified external valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. Changes in fair value are recognized in the consolidated statements of income and comprehensive income in the period in which they arise.

Fair value measurement of an investment property under development is only applied if the fair value is considered to be reliably measurable. In rare circumstances, investment property under development is carried at cost until its fair value becomes reliably measurable. It may sometimes be difficult to determine reliably the fair value of an investment property under development. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers the following factors, among others:

- the provisions of the construction contract;
- the stage of completion;
- whether the project or property is standard (typical for the market) or non-standard;
- the level of reliability of cash inflows after completion;
- the development risk specific to the property;

- past experience with similar construction; and
- status of construction permits.

Subsequent expenditures are capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to Melcor and the cost of the item can be measured reliably. All repairs and maintenance costs are expensed when incurred.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. All direct leasing costs are external expenditures and no amounts for internal allocations are capitalized with respect to the negotiation or arranging of tenant leases.

#### g. Property and equipment

Property and equipment is initially measured at cost, which includes expenditures that are directly attributable to the acquisition of the asset. Subsequent to its initial recognition, property and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

The major categories of property and equipment are depreciated using the declining balance method of depreciation as follows:

Buildings	4%
Golf course greens and tees	6%
Golf course equipment	20-30%
Corporate assets	20-50%

Property and equipment is tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. The recoverable amount is the higher of an asset's fair value less costs to sell and the discounted expected future cash flows of the relevant asset or group of assets calculated on a value-in-use basis. An impairment loss is recognized for the amount by which the asset or group of assets' carrying amount exceeds its recoverable amount.

We evaluate impairment losses for potential reversals when events or circumstances warrant such consideration.

#### h. Other assets

Other assets include prepaid expenses, short-term investments, inventory, deposits, straight-line rent adjustments and tenant incentives incurred in respect of new or renewed leases. Tenant incentives are amortized on a straight-line basis over the lease term and are recorded as a reduction of revenue.

#### i. Borrowing costs

General and specific borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets. Borrowing costs are capitalized while acquisition or construction is actively underway and ceases once the asset is substantially complete, or suspended if the development of the asset is suspended. The amount of borrowing cost capitalized is determined by applying a weighted average cost of borrowings to qualifying assets. Qualifying assets include our land under development and investment properties under development assets. All other borrowing costs are recognized as finance costs in the consolidated statement of income in the period in which they are incurred.

#### j. Provision for land development costs

We recognize a provision for land development related to the construction, installation and servicing of municipal improvements related to subdivisions under development once we have determined that lots can be sold as this is the point in time when an obligation arises. The provision is recognized as a liability with an equal amount capitalized to land inventory. Provisions for land development are measured at management's best estimate of the expenditure required to complete the approved development plan at the end of the reporting period. Adjustments are made to the liability with a corresponding adjustment to cost of sales as actual costs are incurred. Provisions are discounted, where material, by discounting the expected future cash flows at a rate that reflects risk specific to the provision and the time value of money.

## k. Recognition of revenue

Revenue is generated from contracts with customers and other revenues. Contracts with customers include the sale of developed land, golf course operations and service revenue from investment properties. Other revenues include rental revenue from investment property leases and management fees from joint venture operations.

Revenue from contracts related to the sale of developed land is recognized at a point in time, which is when a minimum of 15% of the sale price has been received, the sale is unconditional and possession has been granted. All contracts related to the sale of developed land have one performance obligation, the delivery of a fully developed lot to the customer. Common areas within a development community that are subsequently transferred to municipal or government organizations or home-owner associations are not considered an extension of a customer and therefore; this does not represent a separate performance obligation.

Revenue from golf course operations (green fees, food and beverage) is recognized at a point in time and the performance obligation is satisfied in the accounting period in which the services are provided. Membership revenue from golf courses is recognized over time on a monthly basis in the period in which the performance obligations are completed.

Service revenues are amounts outlined separately in the lease agreement for distinct services provided including utilities, maintenance and security recoveries from tenants which are recognized on a monthly basis in the period in which the corresponding costs are incurred and performance obligations are completed.

Rental revenues include both lease and service revenue components. Lease revenues from investment properties include base rents, recoveries of operating expenses including property taxes, parking revenue, incidental income and sign and storage lease revenue. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from the operating leases is recognized on a straight line basis over the term of the lease; a straight line rent receivable which is included in other assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. When incentives are provided to our tenants, the cost of these incentives is recognized over the lease term, on a straight line basis as a reduction to rental revenue.

Investment property leases are accounted for as operating leases given that we have retained substantially all of the risks and benefits of the ownership of our investment properties.

Management fee revenue is comprised of fees paid by our joint arrangement partners based on development and/or sales activities, which fluctuates period to period depending on the stage of various projects.

## l. Income taxes

Current income tax is the expected amount of tax payable to the taxation authorities, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized using the liability method based on the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax assets are the result of recognizing the benefit associated with deductible temporary differences, unused tax credits, and tax loss carryforwards. The carrying amount of the deferred tax liabilities and assets is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting period date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

We presume that investment property measured at fair value will be recovered entirely through sale. Measurement of the related deferred taxes reflects the tax consequences of recovering the carrying amount through sale.

The REIT, prior to the Transaction described in note 1, qualified as a mutual fund trust within the meaning of the Income Tax Act (Canada) ("Tax Act") and as a real estate investment trust eligible for the 'REIT Exception', as defined in the rules applicable to Specified Investment Flow-Through ("SIFT") trusts and partnerships in the Tax Act.

In 2024, when the REIT was a flow-through entity, we recorded current and deferred taxes based on 55.4% interest in the REIT. In 2025, we own 100% of the REIT LP (note 1) and accordingly, recognized 100% of the REIT LP's current and deferred taxes.

## m. Stock based compensation

We use the Black-Scholes option pricing model to fair value options granted to our employees, and the intrinsic method to fair value restricted share units ("RSUs"). The estimated fair value of awards on the date of grant is recognized as compensation expense on a graded vesting basis over the period in which the employee services are rendered. We estimate the number of

expected forfeitures at the grant date and make adjustments for actual forfeitures as they occur. Stock based awards that give the holder the right to purchase shares are accounted for as equity-settled plans.

#### n. Earnings per share

Basic earnings per share (“EPS”) is calculated by dividing our net income for the period by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants, and similar instruments is computed using the treasury stock method. Our potentially dilutive common shares comprise stock options and RSU's granted to employees.

#### o. Foreign currency

The consolidated financial statements are presented in Canadian dollars, which is the functional currency for our Canadian operations and our presentation currency.

Assets and liabilities of our US operations, for which the functional currency is the US dollar, are translated into our presentation currency at the exchange rates in effect at the reporting period end date and revenues and expenses are translated at average exchange rates for the period. Gains or losses on translation of foreign operations are recognized as other comprehensive income or loss.

Gains or losses on the settlement of debt or on foreign exchange cash balances are recognized in income in the period realized.

#### p. Financial instruments

At initial recognition, we classify our financial instruments in the following categories depending on the purpose for which the instruments were acquired:

##### Financial assets

Financial assets that are held for collection of contractual cash flows represent solely payments of principal and interest are measured at amortized cost. This includes cash and cash equivalents, restricted cash, accounts receivable, short-term investments, and agreements receivable. Financial assets are initially recognized at fair value plus transaction costs, adjusted for an expected credit loss. Subsequently, receivables are measured at amortized cost using the effective interest rate method adjusted for expected credit losses.

For financial assets, Melcor applies the simplified expected credit loss approach, which requires expected lifetime losses to be recognized from initial recognition of the accounts receivables and agreements receivables.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or Melcor transfers substantially all risks and rewards of ownership. From time to time Melcor may agree with tenants to modify the terms of lease agreements, including changes to the consideration under the lease. When the changes result in a reduction in amounts receivable relating to past lease periods, Melcor applies IFRS 9, in determining whether to partially or fully derecognize those receivables.

##### Financial liabilities

Financial liabilities are initially recognized at fair value, net of any transaction costs incurred. Financial liabilities include accounts payable and accrued liabilities, and general debt. REIT Units were classified as fair value through profit or loss (“FVTPL”) and are designated as FVTPL to offset the accounting mismatch of REIT investment properties carried at fair value.

We record our financial liabilities at fair value on initial recognition. Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method and financial liabilities designated as FVTPL are remeasured at fair value with changes in their fair value recorded through income.

Modifications of financial liabilities carried at amortized cost that do not result in derecognition give rise to a modification gain or loss equal to the change in discounted contractual cash flows using the original effective interest rate. This modification gain or loss is recognized in the consolidated statements of net income and comprehensive income.

##### Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- i. the amount determined in accordance with the expected credit loss model under IFRS 9, Financial Instruments, and
- ii. the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15, Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, of the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted as contributions and recognized as part of the cost of the investment.

#### q. Non-controlling interest in Melcor REIT

As described in note 1, Melcor acquired the remaining 44.6% publicly held interest in the REIT on April 23, 2025 and owns 100% of the REIT. In 2024, we owned an effective 55.4% interest in the REIT through ownership of all Class B LP Units.

A non-controlling interest of REIT units was recognized on the statement of financial position to reflect the 44.6% interest held by the public through ownership of all trust units. The trust units were redeemable at the option of the holder and, therefore, was considered a puttable instrument in accordance with International Accounting Standard (“IAS”) 32, Financial Instruments – Presentation (“IAS 32”). Certain conditions under IAS 32 allowed the REIT to present the trust units as equity; however, on consolidation we did not meet these conditions and therefore presented the non-controlling interest as a financial liability.

As a financial liability designated as fair value through profit or loss (“FVTPL”) we recorded the REIT units at fair value on initial recognition. Subsequent to initial recognition we remeasured the liability each period at fair value based upon the trust unit’s closing trading price. Fair value gains and losses were recorded through income in the period they were incurred.

Distributions on trust units were recognized in the period in which they were approved and were recorded as an expense in income. For presentation purposes we aggregated the distribution expense with the fair value adjustment on the trust units under the caption ‘adjustments related to REIT units’.

#### r. Financial derivatives

Our financial derivatives include interest rate swaps. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value. The host instrument financial liability is recognized initially at the fair value of a similar liability that does not have conversion feature. The conversion feature is separated from the host instrument and recognized at fair value. The fair value of the host instrument is recorded net of any related transaction costs. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Derivative instruments are recorded in the consolidated statement of financial position at their fair value. Changes in fair value of derivative instruments that are not designated as hedges for accounting purposes are recognized in the income statement.

Melcor has not designated any derivatives as hedges for accounting purposes.

#### s. Operating segments

Our operating segments are strategic business units that offer different products and services, and are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The accounting policies of the segments are the same as those described in the summary of material accounting policies.

#### t. Statement of cash flows

Development activities is defined as the net change of land inventory and the provision for land development costs and excludes the purchase of raw land. Purchase of raw land is the cost of land net of vendor financing received (see note 8 – land inventory).

Operating assets and liabilities is defined as the net change of accounts receivable, deposits, prepaids and inventory, income taxes payable, accounts payable and accrued liabilities and deferred finance costs capitalized during the year. Excluded from operating assets and liabilities are investment property additions that are unpaid and included in accounts payable and accrued liabilities at year end.

## 4. ACCOUNTING STANDARD CHANGES

### NEW AND AMENDED STANDARDS NOT YET ADOPTED

*IFRS 9, Financial Instruments and IFRS 7, Financial Instruments Disclosures* were amended to clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. The amendment provides guidance on new disclosure for certain instruments with contractual terms that can change cash flows such as instruments with features linked to the achievement of environment, social and governance (ESG) targets and disclosures for equity instruments designated at fair value through comprehensive income. The amended standard is required to be applied for annual periods beginning on or after January 1, 2026.

This amendment will impact when financial liabilities are derecognized in the consolidated financial statements. We have decided to elect to derecognize financial liabilities before the settlement date where they are settled in cash using an electronic cash transfer system eligible for this election. For the remaining financial liabilities impacted by this amendment, there will be an increase in cash and accounts payable of \$14,198 on January 1, 2026. The rest of the amendments are not expected to have a material impact on the consolidated financial statements.

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

## 5. CRITICAL ACCOUNTING ESTIMATES

We make estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent liabilities and the reported amount of income for the period. Actual results could differ from estimates previously reported. The estimates and assumptions that are critical to the determination of the amounts reported in the financial statements relate to the following:

### a. Valuation of agreements receivable

We review our agreements receivable on a regular basis to estimate the risk of default on outstanding balances. Factors such as the related builder's reputation and financial status, the geographic location of the lot, and length of time the agreement receivable has been outstanding are all considered when estimating any impairment on agreements receivable. Refer to note 27a for further information related to credit risk associated with agreements receivable.

### b. Valuation of investment properties

The fair value of investment property is dependent on stabilized net operating income or forecasted future cash flows and property specific capitalization or discount rates. The stabilized net operating income or forecasted future cash flows involve assumptions of future rental income, including estimated market rental rates and vacancy rates, estimated direct operating costs and estimated capital expenditures. Capitalization and discount rates take into account the location, size and quality of the property, as well as market data at the valuation date.

Refer to note 28 for further information about methods and assumptions used in determining fair value of investment properties.

### c. Determination of the provision for land development costs

We estimate the future costs of completing the development of land by preparing internal budgets of costs and reviewing these estimates regularly to determine if adjustments to increase or decrease the provision for land development costs are required. This estimate impacts the measurement of cost of sales reported given that land inventory is sold prior to all costs being committed or known as the nature of land development considers a long-term time frame to complete all municipal requirements.

### d. Income taxes

Significant estimates are required in determining our provision for income taxes. We recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provision.

## 6. SIGNIFICANT JUDGMENTS

In the process of applying our accounting policies, we make various judgments, apart from those involving estimations, that can significantly impact the amounts recognized in the financial statements. These include:

### a. Capitalization of borrowing costs

IAS 23, Borrowing Costs, requires the capitalization of borrowing costs to qualifying assets. IAS 23 also requires the determination of whether the borrowings are specific to a project or general in calculating the capitalized borrowing costs. Judgment is involved in identifying directly attributable borrowing costs to be included in the carrying value of qualifying assets and in determining if funds borrowed are for general purposes or specifically for the construction of qualifying assets. We consider our centrally managed treasury function with assessment of the circumstances surrounding individual borrowings in making this judgment. Capitalization to land inventory occurs when the land is classified to land under development and ceases when the land is considered developed and ready for sale. Borrowing costs are capitalized to investment properties when under active development. We have determined that all of our borrowings are general, except project specific financing (note 15b), as the decision on how to deploy operating and acquisition funds is a centrally managed corporate decision.

### b. Transfer of land to investment property

We typically acquire raw land with the intent of developing it in our land division. When development plans are formulated, we may decide that specific land holdings will be developed into investment properties. Once appropriate evidence of a change in use is established, typically on inception of an operating lease for the investment property, the land is transferred to investment properties. At that time, the land is recognized at fair value in accordance with our accounting policy for investment properties, and any gain or loss is reflected in earnings in the period the transfer occurs.

### c. Classification of tenant incentives

Payments are often made to tenants of our commercial properties when new leases are signed. When the payments add future value to the space independent of the lease in place, such costs are capitalized to the investment property. If the costs incurred are specific to the lessee, and do not have stand-alone value, these costs are treated as tenant incentives and amortized on a straight-line basis to revenue over the lease term in accordance with IFRS 16, Leases.

### d. Investment properties

Our accounting policies related to investment properties are described in note 3f. In applying this policy, judgment is required in determining whether certain costs are additions to the carrying amount of an investment property and, for properties under development, identifying the point at which substantial completion of the property occurs.

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

## 7. AGREEMENTS RECEIVABLE

Agreements receivable are due in 2026, except for \$1,580 due in 2027 and \$765 due in 2030 (2024 - balance due in 2025, except \$2,315 due in 2026). Subsequent to the interest adjustment date, which provides an interest relief period to qualifying registered builders, these receivables earn interest at prime plus two percent (6.45% at December 31, 2025) and are collateralized by the specific real estate sold.

At December 31, 2025, promotional programs of \$424 (2024 - \$556) were offered to promote home sales activities in our communities and encourage agreements receivable collections. This amount was determined based on management's best estimate and is subject to measurement uncertainty introduced by the impact of the uncertain economic environment. As a result, revisions to this estimate may be required in future periods. Refer to note 27a for further discussion surrounding credit risk.

## 8. LAND INVENTORY

	2025	2024
Raw land held	346,444	355,283
Land under development	198,135	196,614
Developed land	172,036	156,150
	<b>716,615</b>	<b>708,047</b>

A breakdown of our land purchases are as follows:

	2025	2024
Land purchases - acres	32.13	—
Land cost	2,656	—
Net cash to close	2,656	—

The weighted average interest rate used for capitalization of borrowing costs to land under development is 4.47% for the year ended December 31, 2025 (2024 – 4.91%). Borrowing costs capitalized to land inventory during the year were \$3,150 (2024 - \$4,162).

Land inventory expensed to cost of sales during the year was \$168,842 (2024 - \$137,898).

Land is recorded at the lower of cost and net realizable value. The net realizable value exceeds the carrying cost of all land inventories at December 31, 2025 and 2024, such that no provision for impairment is required.

## 9. OTHER ASSETS

	2025	2024
Tenant incentives	27,490	31,981
Deposits and prepaids	6,562	5,075
Short-term investments	—	3,773
Straight-line rent adjustments	16,288	17,264
Inventory	553	550
	<b>50,893</b>	<b>58,643</b>

During the year we provided tenant incentives of \$2,544 (2024 - \$5,738) and recorded \$6,618 (2024 - \$8,217) of amortization expense. Amortization of tenant incentives is recorded on a straight-line basis over the term of the lease against rental revenue.

During the year ended December 31, 2025 we reclassified \$263 (2024 - \$531) in tenant incentives and \$729 (2024 - \$438) in straight-line rent adjustments to asset held for sale (note 11). In addition, in the prior year, tenant incentives of \$1,360 and \$277 of straight-line rent adjustments were reclassified to other assets from asset held for sale (note 11).

In 2024, other assets included short-term investments held in Guaranteed Investment Certificates (GICs) of \$3,773. These GICs matured in 2025 and earned interest ranging from 5.00% to 5.11%.

## 10. INVESTMENT PROPERTIES

Investment properties consists of the following:

	2025	2024
Investment properties	861,394	973,743
Properties under development	46,399	70,631
Total	<b>907,793</b>	<b>1,044,374</b>

Included in investment properties is undeveloped land in the amount of \$12,150 (2024 - \$12,950).

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

	2025		
	Total Investment Properties	Held for sale (note 11)	Total
Balance - beginning of year	1,044,374	47,392	1,091,766
Additions			
Direct leasing costs	1,205	—	1,205
Property improvements	3,121	—	3,121
Development costs	5,100	—	5,100
Capitalized borrowing costs	125	—	125
Fair value adjustment on investment properties	(24,301)	(1,577)	(25,878)
Investment properties reclassified to assets held for sale	(101,436)	101,436	—
Disposals	(15,740)	(74,289)	(90,029)
Other adjustments	(614)	1,206	592
Foreign currency translation (included in OCI)	(4,041)	—	(4,041)
Balance - end of year	907,793	74,168	981,961

	2024		
	Total Investment Properties	Held for sale (note 11)	Total
Balance - beginning of year	1,084,906	32,143	1,117,049
Additions			
Direct leasing costs	1,930	—	1,930
Property improvements	2,401	—	2,401
Development costs	13,667	—	13,667
Capitalized borrowing costs	120	—	120
Fair value adjustment on investment properties	(25,302)	(3,137)	(28,439)
Assets held for sale transferred to investment properties	31,338	(31,338)	—
Investment properties transferred to assets held for sale	(65,876)	65,876	—
Disposals	(7,034)	(16,858)	(23,892)
Other adjustments	—	706	706
Foreign currency translation (included in OCI)	8,224	—	8,224
Balance - end of year	1,044,374	47,392	1,091,766

#### Disposals during the year:

- We disposed of seven residential units in Arizona for sale price of \$2,778 (US\$1,973) net of transaction costs.
- We also disposed of an investment property in Scottsdale, Arizona for sale price of \$12,962 (US\$9,369) net of transaction costs and including tenant incentives of \$54 and straight-line rent of \$132. The price was settled in cash, excluding working capital adjustments.

During 2025, we also disposed of three investment properties classified as assets held for sale. Refer to note 11 for details on investment properties classified as held for sale and sold during the current year.

#### Disposals in the comparative year:

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

During 2024, we also disposed of three investment properties classified as assets held for sale. Refer to note 11 for details on investment properties classified as held for sale and sold during the comparative year.

In accordance with our policy, as detailed in note 3f, we record our investment properties at fair value. Fair value adjustments on investment properties are primarily driven by changes in capitalization rates and stabilized NOI, while development activity on properties under development and leasing activity drive fair value adjustments on properties under development. Supplemental information on fair value measurement, including valuation techniques and significant assumptions, is included in note 28.

Presented separately from investment properties is \$27,490 (2024 - \$31,981) in tenant incentives and \$16,288 (2024 - \$17,264) in straight-line rent adjustments (included in note 9). The fair value of investment properties has been reduced by these amounts.

During the year, we transferred seven investment properties with a value of \$101,436 from investment properties to assets held for sale (December 31, 2024 - \$65,876). In the prior year, we ceased marketing the three properties that were included in assets held for sale and reclassified \$31,338 to investment properties from assets held for sale.

The weighted average interest rate used for capitalization of borrowing costs to investment properties under development is 5.85% for the year ended December 31, 2025 (2024 – 6.20%).

Our investment properties are leased to tenants primarily under long term operating leases. Rentals are receivable from tenants monthly. Minimum lease payments under non-cancellable operating leases of investment properties are receivable as follows:

	2025
Within one year	67,126
Later than one year but not later than 2 years	61,976
Later than 2 years but not later than 3 years	52,841
later than 3 years but not later than 4 years	42,984
Later than 4 years but not later than 5 years	36,088
Later than 5 years	134,281
<b>Total</b>	<b>395,296</b>

## 11. ASSETS HELD FOR SALE

As at December 31, 2025, we classified five properties as assets held for sale with a fair value of \$75,160 (including investment property of \$74,168, tenant incentives of \$263 and straight-line rent adjustments of \$729). As at December 31, 2025 management has committed to a plan to sell these properties.

### Disposals during the year:

- On February 24, 2025 we disposed of an investment property classified as assets held for sale, for net proceeds of \$47,306, resulting from a purchase price of \$48,000 less transaction costs of \$694. This investment property had a fair value of \$48,000 (including investment property of \$47,392, tenant incentives of \$237 and straight-line rent adjustments of \$371). The price was settled in cash, excluding working capital adjustments. Proceeds from the sale were used to repay the outstanding principal balance on the mortgage of \$29,712 with remaining proceeds and restricted cash of \$250 being used to reduce borrowings on our credit facilities.
- On October 6, 2025 we disposed of an investment property classified as assets held for sale, for net proceeds of \$14,516, resulting from a purchase price of \$14,850 less transaction costs of \$334. This investment property had a fair value of \$14,850 (including investment property of \$14,792, tenant incentive recovery of \$30 and straight-line rent adjustments of \$88). The price was settled in cash, excluding working capital adjustments. Net proceeds from the sale were used to repay the outstanding principal balance on the mortgage of \$7,400 and the remaining cash being used to reduce borrowings on our credit facilities.
- On October 7, 2025 we disposed of an investment property classified as assets held for sale, for net proceeds of \$12,458, resulting from a purchase price of \$12,700 less transaction costs of \$242. This investment property had a fair value of \$12,700 (including investment property of \$12,105, tenant incentives of \$296 and straight-line rent adjustments of \$299). The price was settled in cash, excluding working capital adjustments. Net proceeds from the sale were used to reduce borrowings on our credit facilities.

**Disposals during the comparative year:**

- On May 10, 2024 we disposed of an investment property classified as assets held for sale, for net proceeds of \$7,480, resulting from a purchase price of \$7,800 less transaction costs of \$320. The price was settled in cash, excluding working capital adjustments. This property had a fair value of \$7,800 (including investment property of \$7,730, tenant incentive of \$51 and straight line rent of \$19). The sold property was pledged as collateral on a different mortgage and as such the bank required \$5,075 from the net proceeds be held as additional security in short-term investments (note 9). GICs included in short-term investments matured monthly and the proceeds were used to repay the mortgage. Net cash of \$2,405 was used to reduce borrowings on our credit facilities.
- On October 1, 2024 we disposed of an investment property classified as assets held for sale, for net proceeds of \$4,344, resulting from a purchase price of \$4,495 less transaction costs of \$151. This property had a fair value of \$4,495 (including investment property of \$4,430, tenant incentive of \$48 and straight line rent of \$17). The price was settled in cash, excluding mortgage payout and working capital adjustments. Proceeds from the sale were used to repay the outstanding balance of \$1,116 on the mortgage with the remaining cash being used to reduce our borrowings on our credit facilities.
- On November 22, 2024 we disposed of an investment property classified as assets held for sale, for net proceeds of \$4,836, resulting from a purchase price of \$5,000 less transaction costs of \$164. This property had a fair value of \$5,000 (including investment property of \$4,698, tenant incentive of \$277 and straight line rent of \$25). The price was settled in cash, excluding mortgage payout and working capital adjustments. Proceeds from the sale were used to repay the outstanding balance of \$1,901 on the mortgage with the remaining cash being used to reduce our borrowings on our credit facilities.

**12. PROPERTY AND EQUIPMENT**

	Golf course assets				Corporate	Total
	Land	Buildings	Equipment	Greens and tees		
January 1, 2025						
Cost	1,293	8,194	11,134	6,717	7,868	35,206
Accumulated depreciation	—	(4,153)	(8,703)	(4,412)	(6,650)	(23,918)
Opening net book value	1,293	4,041	2,431	2,305	1,218	11,288
Additions	—	7	620	—	41	668
Disposals	—	—	(50)	—	—	(50)
Depreciation	—	(156)	(635)	(139)	(226)	(1,156)
Net Book Value - December 31, 2025	1,293	3,892	2,366	2,166	1,033	10,750

	Golf course assets				Corporate	Total
	Land	Buildings	Equipment	Greens and tees		
January 1, 2024						
Cost	1,293	8,186	10,373	6,713	7,785	34,350
Accumulated depreciation	—	(3,988)	(8,041)	(4,263)	(6,379)	(22,671)
Opening net book value	1,293	4,198	2,332	2,450	1,406	11,679
Additions	—	8	836	4	83	931
Disposals	—	—	(75)	—	—	(75)
Depreciation	—	(165)	(662)	(149)	(271)	(1,247)
Net Book Value - December 31, 2024	1,293	4,041	2,431	2,305	1,218	11,288

**13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2025	2024
Trade accounts payable	19,506	19,257
Other payables	32,763	32,862
	<b>52,269</b>	52,119

**14. PROVISION FOR LAND DEVELOPMENT**

	2025	2024
Balance - beginning of year	59,829	50,130
New development projects	169,075	153,234
Changes to estimates	(1,152)	(4,234)
Costs incurred	(134,822)	(139,301)
Balance - end of year	<b>92,930</b>	59,829

**15. GENERAL DEBT**

General debt consists of the following:

		2025	2024
Revolving credit facilities	a	79,375	85,422
Project specific financing	b	13,380	14,119
Debt on investment properties	c	455,989	511,798
Total general debt		<b>548,744</b>	611,339

**a. Revolving credit facilities****i. Melcor credit facilities**

We have available credit facilities with approved loan limits of \$266,380 (2024 - \$266,430), the portion of these loan limits that pertain solely to Melcor is \$170,000 (2024 - \$170,000) with the remaining balance pertaining to specific joint arrangements.

The amount of the total credit facilities currently used is \$79,375 (2024 - \$60,568), and no amounts were drawn by way of Term CORRA Loan (2024 - \$30,000 drawn on the Term CORRA Loan). We have pledged agreements receivable, specific lot inventory, undeveloped land inventory and a general security agreement as collateral for our credit facilities. The carrying value of assets pledged as collateral is \$441,319 (2024 - \$414,333).

The facilities mature on July 31, 2027 and are renewable one year in advance of expiry.

Depending on the form under which the credit facilities are accessed, rates of interest will vary between prime plus 0.75% to prime plus 1.75% or CORRA rate plus a 2.00% stamping fee resulting in interest rates ranging from 5.20% to 6.20% at December 31, 2025 (2024 - 6.20% to 7.20%). The agreements also bear a standby fee of 0.50% for the unused portions of the facilities. The weighted average effective interest rate on borrowings, based on year end balances, is 5.63% (December 31, 2024 - 6.61%).

**ii. Subsidiary credit facility**

Our subsidiary's credit facility was cancelled in November 2025. In the prior year, the available credit limit was based on the lesser of the present value of discounted cash flows or 75% of the appraised value of specific investment properties to a maximum of \$50,000 for general corporate purposes and acquisitions, including a \$5,000 swing line sub-facility. Depending on the form under which the credit facility was accessed, rates of interest varied between prime plus 1.25% or CORRA plus 2.25%. The agreement also included \$5,000 in available letters of credit which bore interest at 2.25%. Interest payments were due and payable based upon the form of the facility drawn upon, and principal was due and payable upon maturity. The agreement also included a standby fee of 0.45% for the unused portion of the revolving facility. The lenders held

demand debentures, a first priority general security and a general assignment of leases and rents over specific investment properties as security for the facility.

As at December 31, 2024, the carrying value of pledged properties was \$66,400.

As at December 31, 2024 we had \$24,854 drawn from facility (net of unamortized transaction fees), which included \$25,000 drawn on the CORRA facility; and posted no letters of credit. The weighted average effective interest rate on borrowings as at December 31, 2024 was 5.84%.

## b. Project specific financing

	2025	2024
Project specific debt on investment properties under development & land inventory, with interest rates ranging from 5.85% - 6.45% (2024 - 5.85% - 5.95%)	13,380	14,119

The weighted average interest rate on the above debts, based on year end balances, is 5.85% (2024 - 5.91%). Specific investment properties under development with a December 31, 2025 carrying value of \$29,129 (2024 - \$30,181), have been pledged as collateral on project specific debt on investment properties under development. Project specific financing is due on demand.

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

	2025	2024
Balance - beginning of year	14,119	7,724
Cash movements		
Loan repayments	(8,154)	—
New project financing	7,415	6,395
Balance - end of year	13,380	14,119

## c. Debt on investment properties

	2025	2024
Mortgages amortized over 25 years at a fixed interest rate (via floating for fixed interest rate swaps) at interest rates of 2.62% to 5.54% (2024 - 2.62% - 8.01%)	130,321	127,006
Mortgages amortized over 15-25 years at fixed interest rates of 2.62% to 6.01% (2024 - 2.62% - 7.11%)	326,608	385,787
	456,929	512,793
Fair value adjustment on interest rate swaps	973	1,489
Unamortized deferred financing fees	(1,913)	(2,484)
	455,989	511,798
Interest rate ranges	(2.62% - 6.01%)	(2.62% - 8.01%)

As at December 31, 2025 \$40,127 (2024 - \$47,269) of debt was payable in US dollars (2025 - US \$29,337 and 2024 - US \$32,963). The debts mature from 2026 to 2028.

Specific investment properties with a carrying value of \$790,321 (2024 - \$874,177) and assignment of applicable rents and insurance proceeds have been pledged as collateral for the above debt. The weighted average effective interest rate for the above debts, based on year end balances, is 4.10% (2024 - 4.28%).

The minimum contractual principal payments due within each of the next five years and thereafter are as follows:

2026	116,854
2027	36,550
2028	94,114
2029	87,954
2030	39,020
Thereafter	82,437
	<b>456,929</b>

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

	2025	2024
Balance - beginning of year	511,798	507,463
Cash movements		
Principal repayments:		
Scheduled amortization on mortgages	(16,761)	(17,563)
Mortgage repayments	(62,613)	(13,480)
New mortgages	25,821	31,000
Non-cash movements:		
Deferred financing fees capitalized	(457)	(563)
Amortization of deferred financing fees	876	722
Change in fair value of interest rate swaps	(516)	359
Foreign currency translation included in OCI	(2,159)	3,860
Balance - end of year	455,989	511,798

## 16. SHARE CAPITAL

### a. Common Shares

	2025	2024
	Number of Shares Issued (# of shares)	Amount (\$000s)
Common shares, beginning of the year	30,367,626	69,866
Issued on exercise or exchange of options and restricted share units*	79,959	809
Shares purchased for cancellation	(344,980)	(978)
Common shares, end of the year	30,102,605	69,697
	Number of Shares Issued (# of shares)	Amount (\$000s)
Common shares, beginning of the year	30,662,453	69,493
Issued on exercise or exchange of options and restricted share units*	61,876	1,153
Shares purchased for cancellation	(356,703)	(780)
Common shares, end of the year	30,367,626	69,866

\*Represents shares issued and amounts transferred from the share-based payments reserve to share capital upon cashless exercise of options and restricted share units.

Authorized:

- Unlimited common shares
- Unlimited common shares, non-voting
- Unlimited first preferred shares

- Unlimited first preferred shares, non-voting

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

On June 10, 2025 Melcor commenced a Normal Course Issuer (NCIB) which allows us to purchase up to 1,511,087 shares for cancellation, representing approximately 5% of the issued and outstanding shares up to a maximum daily limit of 1,466 shares unless acquired under a block purchase exception. The price that Melcor pays for shares repurchased under the plan is the market price at the time of acquisition. The NCIB expires on June 9, 2026.

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

During the year, there were 344,980 (2024 - 356,703) common shares purchased for cancellation by Melcor pursuant to the above NCIBs at a cost of \$4,775 (2024 - \$4,328). In 2025, we recognized \$72 (2024 - \$70) in tax on share buyback.

## b. Stock-Based Compensation Plans

On February 23, 2007 Melcor's Board of Directors approved a stock-based compensation plan (the "2007 Plan"). Under the 2007 Plan, Melcor may grant options to full-time, salaried employees and designated contractors after one year of service. The 2007 Plan requires that the option price shall not be less than the weighted average trading price for the 20 consecutive days during which shares traded on the TSX immediately prior to the granting of the stock option. At the discretion of the board, the options vest over a period of three years and expire no longer than seven (7) years from the date of issuance. The 2007 Plan was approved by Melcor's shareholders at the Shareholders Annual Meeting in April 2007. Melcor has 1,724,760 shares reserved for issuance under the 2007 Plan (2024 - 1,724,760).

On May 10, 2018 Melcor's Board of Directors approved an amendment to the 2007 Plan that will allow participants to purchase common shares of Melcor and benefit from their appreciation through a cashless exercise option feature. The cashless exercise right allows for surrender of all or part of the option to Melcor in consideration of a payment of the in-the-money amount. Upon this exercise Melcor shall satisfy the payment of the in-the-money amount by delivering to the participant the net number of shares.

On May 10, 2018 shareholders of Melcor approved the grant of Restricted Share Units (RSUs). Each RSU will give the participant the right to receive, upon the vesting date, the payout amount with respect to the RSUs which have vested. Payout shall be satisfied by issuing or transferring to the participant one common share for each RSU vested. Except as otherwise provided by the RSU plan, the number of RSUs subject to each grant, how the payout amount is satisfied and other terms and conditions relating to each such RSU shall be determined by Melcor's Board of Directors. When dividends are paid by Melcor, each holder of an RSU shall be entitled to additional RSUs (each a "Dividend Restricted Share Unit") equal to (a) the product of the aggregate number or RSUs held by the participant on record for such dividend multiplied by the per common share amount of such dividend divided by (b) the fair market value of a common share calculated as of the date on which the dividend is paid. Restricted share units granted shall vest and become available for redemption between 34 and 36 months from the grant date, the vesting date shall be set forth in the grant agreement. Melcor's Board of Directors may establish additional performance criteria which may be a condition precedent to the vesting of any RSU, performance criteria will be set forth in the grant agreement.

The introduction of the RSU plan and the amendment to the 2007 Plan increased the total number of common shares cumulatively reserved for issuance under either plan, when combined with common shares reserved for issuance to a maximum of 3,300,000.

## c. Stock Options Outstanding and Available for Granting Under the 2007 Plan

The below table summarizes the stock options available for granting under the 2007 Plan:

<b>2007 Plan</b>	<b>2025</b>	<b>2024</b>
Stock options available, beginning of the year	1,724,760	1,638,752
Stock options surrendered/withheld	—	86,008
Stock options available, end of the year	1,724,760	1,724,760

As at December 31, 2025 there were no options outstanding (2024 - nil) and no options were granted in 2025.

		2024
	Number of Options	Average Exercise Price (\$)
Stock options outstanding, beginning of the year	100,500	12.42
Stock options exercised	(100,500)	12.42
Stock options outstanding, end of the year	—	—

#### d. Units Outstanding and Available for Granting Under the RSU Plan

The below table summarizes the units available for granting under the RSU Plan:

	2025	2024
Units available, beginning of the year	828,765	937,892
Units granted to employees	(96,700)	(107,900)
Units issued under dividend reinvestment plan	(11,014)	(10,758)
Units expired / canceled	13,290	9,531
Units available, end of the year	734,341	828,765

The below tables summarizes the units outstanding under the RSU Plan:

	2025	2024
	Number of Units	Weighted Average Fair Value (\$)
Units outstanding, beginning of the year	335,178	11.65
Units granted to employees	96,700	14.78
Units exercised	(113,417)	10.85
Units issued under dividend reinvestment	11,014	11.91
Units expired / canceled	(13,416)	11.93
Units outstanding, end of the year	316,059	12.89

	2025	2024
	Number of Units	Weighted Average Fair Value (\$)
Units outstanding, beginning of the year	305,304	11.90
Units granted to employees	107,900	12.88
Units exercised	(79,253)	14.35
Units issued under dividend reinvestment	10,758	11.90
Units expired / canceled	(9,531)	11.58
Units outstanding, end of the year	335,178	11.65

#### e. Restricted Share Units Outstanding and Redeemable

	2025	2024
Restricted share unit expiry date	Outstanding Restricted Share Units	Grant Price per Unit (\$)
December 31, 2026	118,260	11.24
December 31, 2027	100,315	12.88
December 31, 2028	97,484	14.78
	316,059	

## f. Stock Based Compensation Expense

The following assumptions were used in the Black-Scholes option pricing model for options granted. Expected volatility was based on historical volatility.

### i) 2007 Option Plan

There were no stock options granted during the year.

### ii) RSU Plan

The weighted average fair value of RSUs granted during the year was \$14.78 (2024 - \$12.88) per RSU. Current year compensation expense related to the RSU plan resulted in a \$1,330 (2024 - \$1,238) charge to stock based compensation expense and corresponding credit to contributed surplus.

## 17. PER SHARE AMOUNTS

(# of shares)	2025	2024
Basic weighted average common shares outstanding during the year	30,199,875	30,486,390
Dilutive effect of options and restricted share units	233,913	192,005
Diluted weighted average common shares	30,433,788	30,678,395

For the year ended December 31, 2025, there were no stock options or restricted share units excluded from the calculation of diluted earnings per share (2024 - nil) as their impact would be anti-dilutive.

Diluted earnings per share was calculated based on the following:

	2025	2024
Profit attributable to shareholders	58,019	33,528
Profit for computation of diluted earnings per share	58,019	33,528

## 18. ACCUMULATED OTHER COMPREHENSIVE INCOME

	2025	2024
Balance, beginning of the year	41,039	24,660
Other comprehensive loss, net of tax of \$nil	(14,070)	16,379
Balance, end of the year	26,969	41,039

The other comprehensive income represents the net unrealized foreign currency translation gain on our net investment in our foreign operations.

## 19. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, we issue letters of credit as collateral for the completion of obligations pursuant to development agreements signed with municipalities. As at December 31, 2025 we had \$39,388 (December 31, 2024 - \$39,461) in letters of credit outstanding and recorded a net liability of \$92,930 (December 31, 2024 - \$59,829) in provision for land development costs in respect of these development agreements.

Normally, obligations collateralized by the letters of credit diminish as the developments proceed, through a series of staged reductions over a period of years (average of three to four years) and are ultimately extinguished when the municipality has issued final completion certificates.

We enter into joint arrangements and, in doing so, may take on risk beyond our proportionate interest in the joint arrangement. These situations generally arise where preferred financing terms can be arranged on the condition that the strength of our company's covenant will backstop that of the other joint arrangement participant(s) who also provide similar guarantees. We will have to perform on our guarantee only if a joint arrangement participant was in default of their guarantee. At December 31, 2025 we had guaranteed \$963 (December 31, 2024 - \$4,770) in credit facilities in excess of the amount recognized as a liability. We also guaranteed \$9,447 (December 31, 2024 - \$11,562) in excess of our share of letters of credit posted with the municipalities.

The loan guarantees include those which are ongoing, as they relate to the relevant lines of credit, and those which have staged reductions as they relate to the financing of specific assets or projects such as infrastructure loans, short-term land loans or

mortgages. To mitigate the possibility of financial loss, we are diligent in our selection of joint arrangement participants. As well, we have remedies available within the joint arrangement agreement, to address the application of the guarantees. In certain instances there are reciprocal guarantees amongst joint arrangement participants.

We are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of Melcor.

## 20. FINANCE COSTS

	2025	2024
Interest on revolving credit facilities	6,397	7,779
Interest on convertible debenture	—	2,235
Interest on general debt	20,170	20,980
Financing costs and bank charges	2,247	1,759
Defeasance costs	799	135
Gain on settlement of interest rate swap	(1)	(51)
Non cash financing costs	1,233	3,974
	<b>30,845</b>	<b>36,811</b>
Less: capitalized interest	<b>(3,275)</b>	<b>(4,282)</b>
	<b>27,570</b>	<b>32,529</b>

Finance costs paid during the year was \$29,629 (2024 - \$33,960). Non cash financing costs include debentures accretion expense, debentures amortized fees and fair value adjustment on derivatives.

## 21. REVENUE AND EXPENSE BY NATURE

### a. Revenue:

The components of revenue are as follows:

#### *Revenue from contracts with customers*

	2025	2024
Sale of land	289,000	219,924
Operating cost recoveries	18,267	20,512
Golf course revenue	12,082	11,851
	<b>319,349</b>	<b>252,287</b>

#### *Other Revenue*

Lease revenue	69,270	70,659
Variable lease revenue	17,370	20,806
Management fees	4,558	5,749
	<b>91,198</b>	<b>97,214</b>

Total Revenue	<b>410,547</b>	<b>349,501</b>
---------------	----------------	----------------

The timing of recognition for revenue from contracts with customers is as follows:

2025	Land	Properties	Golf	Total
Timing of Revenue Recognition				
At a point in time	289,000	—	10,431	299,431
Over time	—	18,267	1,651	19,918
Revenue from contracts with customers	289,000	18,267	12,082	319,349

2024	Land	Properties	Golf	Total
Timing of Revenue Recognition				
At a point in time	219,924	—	10,267	230,191
Over time	—	20,512	1,584	22,096
Revenue from contracts with customers	219,924	20,512	11,851	252,287

#### b. Cost of sales:

The components of cost of sales are as follows:

	2025	2024
Cost of land sold	168,842	137,898
Investment property direct operating expenses	45,073	47,839
Direct golf course expenses	6,055	5,402
Golf course asset depreciation	930	976
Total	220,900	192,115

#### c. General and administrative expenses:

The components of general and administrative expenses are as follows:

	2025	2024
Employee salary and benefits		
Salaries and wages	15,198	12,666
Employee benefits	1,275	1,144
Stock based compensation	1,330	1,239
Corporate asset depreciation	226	277
Marketing	1,312	1,291
Professional fees	3,573	6,906
Public company costs	661	1,107
Other	5,803	5,382
Total	29,378	30,012

Included in employee salary and benefits is the compensation of key management including chief executive officer, chief financial officer and the next three most highly compensated executive officers. Compensation awarded to key management includes:

	2025	2024
Salaries, wages and retirement allowance	4,530	3,538
Employee benefits	44	56
Stock based compensation	595	649
<b>Total</b>	<b>5,169</b>	<b>4,243</b>

## 22. INCOME TAX

Components of tax expense:

	2025	2024
<b>Current tax expense</b>		
Current year	29,389	18,018
Adjustment to prior years	23	424
	<b>29,412</b>	<b>18,442</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(4,183)	2,962
Change in partnership ownership percentage	23,094	—
	<b>18,911</b>	<b>2,962</b>
<b>Total tax expense</b>	<b>48,323</b>	<b>21,404</b>

Reconciliation of effective tax rate:

	2025	2024
Income before taxes	106,342	54,932
Statutory rate	23 %	23 %
	<b>24,459</b>	<b>12,634</b>
(Non-taxable) non-deductible portion of capital (gain) losses and fair value adjustments	(905)	3,599
(Non-taxable) non-deductible portion of REIT (income) loss	(526)	1,252
Impact of different tax rates in subsidiaries	613	6
Non-deductible expenses	842	633
Non-deductible fair value adjustments on REIT units	746	3,280
Change in partnership ownership percentage	23,094	—
<b>Total tax expense</b>	<b>48,323</b>	<b>21,404</b>

Movement in deferred tax balances during the year:

	December 31, 2025			
	Opening	Recognized in profit or loss	Foreign currency translation (included in OCI)	Closing
Investment property and capital assets	59,359	17,126	112	76,597
Reserves for tax purposes	12,054	1,923	—	13,977
Capitalized interest	(3,884)	89	—	(3,795)
Provision for decommissioning obligation	(238)	(227)	—	(465)
Tax losses carried forward	(79)	—	—	(79)
Deferred tax liability	67,212	18,911	112	86,235

	December 31, 2024			
	Opening	Recognized in profit or loss	Foreign currency translation (included in OCI)	Closing
Investment property and capital assets	57,863	1,536	(40)	59,359
Reserves for tax purposes	10,295	1,760	(1)	12,054
Capitalized interest	(3,668)	(216)	—	(3,884)
Provision for decommissioning obligation	(238)	—	—	(238)
Convertible debenture	118	(118)	—	—
Tax loss carry-forwards	(79)	—	—	(79)
Deferred tax liability	64,291	2,962	(41)	67,212

Prior to the close of the Transaction (note 1), Melcor was only taxable on our share of the REIT and as a result, recorded 55.4% of the REIT's deferred tax balances. On close of the Transaction, we own 100% of REIT LP and recognized 100% of the deferred tax balances related to the REIT LP. This resulted in a increase in deferred tax expense of \$23,094 during the year.

No deferred tax liability has been recognized in respect of the net unrealized foreign currency exchange gain in accumulated other comprehensive income. Income tax paid during the year was \$31,975 (2024 - \$14,523).

At December 31, 2025, there was a deferred tax liability of \$1,012 (2024 - \$1,842) for temporary differences of \$8,800 (2024 - \$16,017) related to investments in subsidiaries, specifically loans advanced by Melcor to its US subsidiaries. However, this liability was not recognized because Melcor controls the repayment policy of its subsidiaries and therefore controls the timing of reversal of the related taxable temporary differences. Management is satisfied that the taxable temporary differences will not reverse in the foreseeable future.

## 23. JOINT ARRANGEMENTS

The table below discloses our proportionate share of the assets, liabilities, revenue, and earnings of 30 arrangements (2024 – 30) that are recorded in these financial statements as follows:

Joint Venture	Interest	Principal activity	Country of operations
Anders East Developments	33%	Active land development with investment property	Canada
Anders East Two Communities	50%	Active land development	Canada
Blackmud Communities	39%	Active land development	Canada
Capilano Investments	50%	Investment property	Canada
Chestermere Communities	50%	Active land development with investment property	Canada
Country Hills Communities	50%	Active land development	Canada
Highview Communities	60%	Active land development	Canada
HV Nine Joint Venture	7%	Active land development	Canada
Jagare Ridge Communities	50%	Active land development and golf	Canada
Jesperdale Communities	50%	Active land development	Canada
Kimcor Communities	50%	Non-active land development	Canada
Kingsview Commercial	50%	Investment Property	Canada
Kinwood Communities	50%	Non-active land development	Canada
Lakeside Communities	50%	Active land development	Canada
Larix Communities	50%	Non-active land development	Canada
Lewis Estates Communities	60%	Active land development with investment property and golf	Canada
Mattson North Communities	50%	Active land development	Canada
MMY Properties	33%	Non-active investment property	Canada
Rosenthal Communities	50%	Active land development	Canada
Shoppes at Jagare Ridge	50%	Investment property	Canada
South Shepard Communities	50%	Active land development	Canada
Stonecreek Shopping Centre	30%	Investment property	Canada
Sunset Properties	64%	Active land development	Canada
Watergrove Developments	50%	Manufactured home community	Canada
Westmere Properties	50%	Investment property	Canada
Whitecap Communities	50%	Active land development	Canada
Windermere Communities	50%	Active land development	Canada
Windermere at Glenridding Communities	35%	Active land development	Canada
Winterburn Developments	50%	Active land development	Canada
Villeneuve Communities	67%	Active land development	Canada

The following summarizes financial information about our share of assets, liabilities, revenue and earnings of our interest in joint arrangements that are recorded in our accounts for the year ended December 31, 2025.

	2025	2024
Assets	454,944	458,312
Liabilities	154,083	146,311
Revenue	87,872	116,529
Net Earnings	31,405	34,639

Contingent liabilities arising for liabilities of other joint arrangement participants are disclosed in note 19.

## 24. SEGMENTED INFORMATION

In the following schedules, segment earnings has been calculated for each segment by deducting from revenues of the segment all direct costs and administrative expenses which can be specifically attributed to the segment, as this is the basis for measurement of segment performance. Common costs, which have not been allocated, include finance costs, foreign exchange gains, adjustments to REIT units and income tax expense.

The allocation of these costs on an arbitrary basis to the segments would not assist in the evaluation of the segments' contributions. Inter-segment transactions have similar terms and conditions to those with unrelated third parties.

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

### Land

This division is responsible for purchasing and developing land to be sold as residential, industrial and commercial lots.

### Properties

This division owns 55 leasable commercial, retail and residential properties (2024 – 59 properties) and other rental income producing assets such as parking lots and land leases. This division also develops high-quality retail, office and industrial revenue-producing properties on serviced commercial sites developed primarily from our Land division.

### Golf

This division owns and manages three 18-hole golf course operations (one of which is 60% owned), and has a 50% ownership interest in one 18-hole golf course.

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

<b>External Revenue:</b>		
(in Canadian dollars)	<b>2025</b>	<b>2024</b>
United States	<b>74,254</b>	24,667
Canada	<b>336,293</b>	324,834
<b>Total</b>	<b>410,547</b>	349,501

<b>Total Assets:</b>		
As at December 31 (in Canadian dollars)	<b>2025</b>	<b>2024</b>
United States	<b>227,485</b>	255,292
Canada	<b>1,823,650</b>	1,853,261
<b>Total</b>	<b>2,051,135</b>	2,108,553

### US Operations

Melcor has a wholly owned subsidiary with operations in the US, which includes a Land division and a Properties division. The subsidiary's related balances are included in the table above.

Our divisions reported the following results:

2025	Land	Properties	Golf	Corporate	Subtotal	Intersegment Elimination	Total
Revenue (note 21)	292,486	106,612	12,486	—	411,584	(1,037)	410,547
Cost of sales (note 21)	(168,842)	(45,073)	(7,082)	—	(220,997)	97	(220,900)
Gross profit	123,644	61,539	5,404	—	190,587	(940)	189,647
General and administrative expense (note 21)	(9,656)	(7,663)	(3,120)	(9,879)	(30,318)	940	(29,378)
Fair value adjustment on investment properties (note 10 and 28)	—	(25,878)	—	—	(25,878)	—	(25,878)
Gain on sale of assets	—	—	126	—	126	—	126
Interest income	3,453	412	13	2,357	6,235	(1,820)	4,415
Segment earnings (loss)	117,441	28,410	2,423	(7,522)	140,752	(1,820)	138,932
Foreign exchange gain					4,098	—	4,098
Finance costs (note 20)					(29,390)	1,820	(27,570)
Adjustments related to REIT units (note 25)					(9,118)	—	(9,118)
Income before income taxes					106,342	—	106,342
Income tax expense (note 22)					(48,323)	—	(48,323)
Net income for the year attributable to Melcor's shareholders					58,019	—	58,019

2024	Land	Properties	Golf	Corporate	Subtotal	Intersegment Elimination	Total
Revenue (note 21)	227,273	111,916	11,446	—	350,635	(1,134)	349,501
Cost of sales (note 21)	(137,898)	(47,838)	(6,546)	—	(192,282)	167	(192,115)
Gross profit	89,375	64,078	4,900	—	158,353	(967)	157,386
General and administrative expense (note 21)	(9,198)	(10,633)	(2,912)	(8,236)	(30,979)	967	(30,012)
Fair value adjustment on investment properties (note 10 and 28)	—	(28,439)	—	—	(28,439)	—	(28,439)
Gain on sale of assets	—	—	58	—	58	—	58
Interest income	2,486	213	16	419	3,134	(298)	2,836
Segment earnings (loss)	82,663	25,219	2,062	(7,817)	102,127	(298)	101,829
Foreign exchange gain					409	—	409
Finance costs (note 20)					(32,827)	298	(32,529)
Adjustments related to REIT units (note 25)					(14,777)	—	(14,777)
Income before income taxes					54,932	—	54,932
Income tax expense (note 22)					(21,404)	—	(21,404)
Net income for the year attributable to Melcor's shareholders					33,528	—	33,528

## 25. NON-CONTROLLING INTEREST IN MELCOR REIT

As described in note 1, Melcor acquired the remaining 44.6% publicly held interest in the REIT on April 23, 2025 and now owns 100% of the REIT and REIT LP. There is no longer any non-controlling interest in the REIT (December 31, 2024 - \$68,057).

Prior to the close of the Transaction, we accounted for the 44.6% publicly held interest in the REIT as a financial liability measured at fair value through profit or loss ("FVTPL"). We recorded adjustments related to REIT units for the period ended December 31, 2025 of \$9,118 loss (2024 - \$14,777 loss). This includes directly attributable transaction costs for the period December 31, 2025 of \$5,878 related to the Transaction.

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

	2025	2024
Fair value adjustment on REIT units	(3,240)	(14,259)
Transaction costs on settlement of REIT units	(5,878)	—
Distributions to REIT unitholders - cash	—	(518)
Adjustments related to REIT units	(9,118)	(14,777)

The following tables summarize the comparative financial information relating to Melcor's subsidiary, the REIT, that had material non-controlling interest (NCI), prior to the April 23, 2025 Transaction. The financial information is presented before intra-group eliminations (presented at 100%).

	2024
Assets	662,876
Liabilities (excluding Class B LP units)	410,046
Net assets	252,830
Cost of NCI	103,934
Fair value of NCI	68,057
	<b>2024</b>
Revenue	72,335
Net loss and comprehensive loss	(30,597)
Cash flows from operating activities	16,009
Cash flows from investing activities	9,916
Cash flows used in financing activities, before distributions to REIT unitholders	(24,021)
Cash flows used in financing activities - cash distributions to REIT unitholders	(518)
Net increase in cash and cash equivalents	1,386

## 26. MANAGEMENT OF CAPITAL RESOURCES

We define capital as share capital, contributed surplus, accumulated other comprehensive income, retained earnings and general debt. Our objective when managing capital is to utilize debt to improve our performance, support the growth of our assets, and finance capital requirements arising from the cyclical nature of our business. Specifically, we plan to utilize shorter term debt for financing infrastructure, land inventory, receivables and development activities and to utilize longer term debt and equity for the purchase of property and land assets.

We manage the capital structure through adjusting the amount of long-term debt, credit facilities, the amount of dividends paid, and through normal course issuer bids.

There were no changes to the way we define capital, our objectives, and our policies and processes for managing capital from the prior fiscal period.

We are subject to financial covenants on our \$170,000 (2024 - \$170,000) Melcor revolving credit facility. The covenants include a maximum debt to equity ratio of 1.25, a minimum interest coverage ratio of 2.00, and a minimum net worth of \$600,000. As at December 31, 2025, and throughout the period, we were in compliance with our financial covenants.

We also have financial covenants on certain mortgages for investment properties. Mortgages with carrying value \$194,634 (2024 - \$199,745) are subject to debt service coverage ratios ranging from 1.20 to 1.55 and a maximum debt to gross book value ratio of 60% - 70%. At December 31, 2025, and throughout the period, we were in compliance with our financial covenants on our mortgages. We prepare financial forecasts to monitor the changes in our debt and capital levels and our ability to meet our financial covenants.

## 27. RISK MANAGEMENT

We are exposed to the following risks as a result of holding financial instruments:

### a. Credit Risk

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

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

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

Accounts receivables are significantly low risk due to their individual immaterial balances, the nature of the party they are due from (including joint venture participants under management by Melcor), and the overall lack of historical write offs. At this time, management has assessed and recorded the current expected credit loss at \$73 (2024 - \$nil).

Agreements receivable are collateralized by specific real estate sold. Agreements receivable relate primarily to land sales in Alberta and, accordingly, collection risk is related to the economic conditions of that region. We manage credit risk by selling to certain qualified registered builders. Concentration risk is low as we sell to a large builder base, and no receivables are concentrated to one specific builder and Melcor maintains an approved builder list containing those builders which have a long standing track record, good volumes, positive perception in the industry, and strong history of repayment. At December 31, 2025, 99% of agreements receivable are due from approved builders (2024 – 98%).

	Current	0-6 months past due	Greater than 6 months past due	Total
<b>As at December 31, 2025</b>				
Expected loss rate	0.06 %	0.18 %	0.18 %	
Agreements receivable	197,828	1,111	85	199,024
Loss allowance	119	2	—	121

	Current	0-6 months past due	Greater than 6 months past due	Total
<b>As at December 31, 2024</b>				
Expected loss rate	0.06 %	0.18 %	0.18 %	
Agreements receivable	156,005	1,358	145	157,508
Loss allowance	94	2	—	96

In addition, total loans included in agreements receivable that would have otherwise been past due at December 31, 2025, but whose terms have been renegotiated is \$10,392 (2024 - \$4,430). In order to address current market conditions, we have provided extensions on our standard terms to relieve liquidity pressure on builders. We have also extended term showhome agreements with our builders of \$1,848 (2024 - \$1,325). At December 31, 2025, we have identified \$1,196 (2024 - \$1,503) in

agreements receivable which are in arrears. At this time, the impact to our risk for agreements receivable and expected credit loss rate for our agreements receivables is not considered material because we retain title.

## b. Liquidity Risk

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

We believe that we have access to sufficient capital through internally generated cash flows, external sources and undrawn committed borrowing facilities to meet current spending forecasts. We expect to refinance mortgages with scheduled maturities in 2026.

We believe that internally generated cash flows, supplemented by borrowings through our revolving credit facilities and mortgage financings, where required, will be sufficient to cover our normal operating, debt service and capital expenditure requirements. We regularly review our distribution policy, credit facility limits, maturing mortgages and refinance appropriately to manage our liquidity requirements.

The following table summarizes our contractual obligations and illustrates certain liquidity and capital resource requirements:

At December 31	Total	2026	2027	2028	2029	2030	Thereafter
Revolving credit facility	79,375	—	79,375	—	—	—	—
Accounts payable and other liabilities	52,269	50,841	1,428	—	—	—	—
Project specific financing	13,380	13,380	—	—	—	—	—
Mortgages payable	456,929	116,854	36,550	94,114	87,954	39,020	82,437
Interest	65,103	21,277	16,746	11,045	7,431	4,299	4,305
<i>Total</i>	667,056	202,352	134,099	105,159	95,385	43,319	86,742

## c. Market Risk

We are subject to interest rate cash flow risk as our revolving credit facilities, project specific financing and certain debt on investment properties bear interest at rates that vary in accordance with borrowing rates in Canada. Debt on investment properties issued at variable rates expose Melcor to cash flow interest rate risk. However, Melcor's policy is to fix the interest rate on its variable interest debt on investment properties. To manage this, we enter into interest rate swaps in which Melcor agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed on notional principal amount. As at December 31, 2025, as in the previous year, after taking into account the effect of interest rate swaps, 100% of Melcor's debt on investment properties are at a fixed rate of interest, mitigating cash flow interest rate risk but resulting in fair value interest rate risk as the value of the interest rate swaps changes in response to changes in the market interest rates. The interest rate swaps are not designated as hedges for accounting purposes.

For each 1% change in the rate of interest on loans subject to floating rates, the change in annual interest expense is approximately \$928 (2024 - \$995) based upon applicable year end debt balances. We are not subject to other significant market risks pertaining to our financial instruments.

## 28. FAIR VALUE MEASUREMENT

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

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

- the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, agreements receivable and accounts payable and accrued liabilities approximate their fair values based on the short term maturities of these financial instruments.
- fair values of general debt are estimated by discounting the future cash flows associated with the instrument at market interest rates (Level 3).

- fair values of interest rate swaps are estimated by discounting the future cash flows associated with the instrument at market interest rates (Level 2).
- fair value of REIT units are estimated based on the closing trading price of the REIT's trust units (Level 1).

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

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

(\$000s)	Fair Value hierarchy	December 31, 2025				December 31, 2024	
		Fair Value	Amortized Cost	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
<b>Non-financial assets</b>							
Investment properties	Level 3	907,793	—	907,793	907,793	1,044,374	1,044,374
Assets held for sale	Level 3	75,160	—	75,160	75,160	48,000	48,000
<b>Financial liabilities</b>							
General debt, excluding derivative financial liability	Level 3	—	547,771	547,771	539,456	609,850	587,159
<b>Derivative financial liabilities</b>							
Interest rate swaps	Level 2	973	—	973	973	1,489	1,489
REIT units	Level 1	—	—	—	—	68,057	68,057
<b>Derivative financial assets</b>							
Interest rate swaps	Level 2	1,687	—	1,687	1,687	2,383	2,383

The table above analyzes assets and liabilities carried at fair value in the consolidated statement of financial position, by the levels in the fair value hierarchy. The fair value hierarchy categorizes fair value measurement into three levels based upon the inputs to the valuation technique, which are defined as follows:

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

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

## Investment properties

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

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

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

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

- Capitalization rate - based on actual location, size and quality of the property and taking into consideration available market data as at the valuation date;
- Stabilized net operating income - revenue less direct operating expenses adjusted for items such as average lease up costs, vacancies, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. For properties under development forecasted net operating income is based on location, type and quality of the property, supported by the terms of actual or anticipated future leasing
- Discount rate - reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Terminal capitalization rate - taking into account assumptions regarding vacancy rates and market rents;

- Estimated costs to complete for properties under development - based on expected completion dates considering development and leasing risks specific to each property and the status of approvals and/or permits; and
- Forecasted future cash flows - based on the physical location, type and quality of the property and supported by the terms of existing leases, other contracts or external evidence such as current market rents for similar properties.

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

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

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

Investment properties were valued by Melcor's internal valuation team as at December 31, 2025 of which 55 legal phases included in investment properties with a fair value of \$581,871 were valued by qualified independent external valuation professionals during the year which resulted in fair value losses of \$25,878 recorded as fair value adjustment on investment properties in the statements of income and comprehensive income (2024 - investment properties were valued by Melcor Development Ltd.'s internal valuation team of which 59 legal phases included in investment properties with a fair value of \$736,485 were valued by qualified independent external valuation professionals during the year which resulted in fair value losses of \$28,439).

Melcor has 4 legal phases of undeveloped land with a fair value of \$12,150. All phases were valued by qualified independent external valuation professionals during the year which resulted in fair value losses of \$800 (2024 - no undeveloped land valued by qualified valuation professionals).

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

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

Weighted average stabilized net operating income for investment properties is \$1,297 (2024 - \$1,504). Other significant valuation metrics and unobservable inputs are set out in the following table. Fair values are most sensitive to changes in capitalization rates.

December 31, 2025	Investment Properties			Properties under Development		
	Min	Max	Weighted Average	Min	Max	Weighted Average
Capitalization rate	5.00%	9.75%	6.78%	6.25%	7.00%	6.38%
Terminal capitalization rate	5.75%	9.50%	6.99%	6.50%	7.25%	6.62%
Discount rate	6.75%	10.50%	7.90%	7.25%	7.75%	7.39%

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

An increase in the capitalization rates by 50 basis points would decrease the carrying amount of investment properties by \$60,600 (2024 - \$64,000). A decrease in the capitalization rates by 50 basis points would increase the carrying amount of investment properties by \$70,200 (2024 - \$74,000).

### General Debt, excluding derivative financial liabilities

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

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

### REIT units

Prior to the Transaction as described in note 1, REIT units were remeasured to fair value on a recurring basis and categorized as Level 1 in the fair value hierarchy. The units were fair valued based on the trading price of the REIT units prior to the Transaction. During the year ended December 31, 2025, we recognized a fair value loss of \$3,240 (2024 - loss of \$14,259) in the statement of income and comprehensive income, which was included in adjustments related to REIT units.

### Derivative financial instruments

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

The fair value of the interest rate swaps are calculated as the net present value of the future cash flows expected to arise on the variable and fixed portion, determined using applicable yield curves at the measurement date. As at December 31, 2025 the fair value of interest rate swap asset was \$1,687 asset and \$973 liability included in general debt (2024 - \$2,383 interest rate swap asset and \$1,489 liability).

## 29. SUBSEQUENT EVENTS

### Dividend declared:

On March 10, 2026, our board of directors declared a special dividend of \$0.35 per share and a quarterly dividend of \$0.15 per share. Both dividends are payable on March 31, 2026 to shareholders of record on March 20, 2026. The dividends are eligible dividends for Canadian tax purposes.

### Asset disposition:

On February 20, 2026 we disposed of an investment property classified as assets held for sale, for net proceeds of \$12,068. Net proceeds from the sale were used to repay the outstanding principal balance on the mortgage of \$5,948 with remaining proceeds being used to pay down the credit facility.