

# Management's Discussion & Analysis

March 10, 2026

The following discussion of Melcor's financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2025.

The financial statements underlying this MD&A, including 2024 comparative information, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) unless otherwise noted. All dollar amounts included in this MD&A are Canadian dollars unless otherwise specified.

The statement of financial position is presented without reference to current assets or current liabilities. The operating cycle of an entity involved in real estate investment and development is normally considered to be longer than one year. As a result, the financial statements are presented in order of liquidity, rather than classified between current and non-current as this is more relevant and reliable.

Melcor's Board of Directors, on the recommendation of the Audit Committee, approved the content of this MD&A on March 10, 2026.

## Other Information

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

## Non-standard Measures

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

## Forward-looking Statements

In order to provide our investors with an understanding of our current results and future prospects, our public communications often include written or verbal forward-looking statements.

Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions or courses of action and include future-oriented financial information.

This MD&A and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent Melcor's intentions, plans, expectations, and beliefs and are based on our experience and our assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Forward-looking statements may involve, but are not limited to, comments with respect to our strategic initiatives for 2026 and beyond, future development plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results of or outlook of our operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond our control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that our actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. We caution readers of this document not to place undue reliance on forward-looking statements. Assumptions about the performance of the Canadian and US economies and how this performance will affect Melcor's business are material factors we consider in determining our forward-looking statements. For additional information regarding material risks and assumptions, please see the discussion under Business Environment and Risks in our annual MD&A and the updated risk disclosure contained in the Business Environment & Risks section contained in this MD&A.

Readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or oral, made by Melcor or on its behalf.

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# Our Business

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

Since 1923, our focus has been the business of real estate. We've built over 170 communities and commercial projects across western Canada since the 1950s and have helped to shape much of Alberta's landscape. We manage 4.37 million square feet (sf) in commercial real estate assets and 445 residential rental units. We have been a public company since 1968 (TSX:MRD). Melcor has \$2.05 billion in assets.

In 2025, Melcor repurchased its unowned equity interest (approximately 44.6%) in Melcor REIT Limited Partnership. This transaction represented a major milestone for us and reinforced our commitment to long-term value creation for our shareholders.

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

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

- 1 **Land:** acquires raw land and plans residential communities and commercial developments
- 2 **Properties:** owns and operates a portfolio of commercial and residential properties and development of commercial properties, including 55 income-producing properties (as at December 31, 2025) representing 3.88 million sf in gross leasable area.
- 3 **Golf:** owning and operating championship golf courses associated with our residential communities.
- 4 **Corporate:** orchestrates strategic planning, financial governance, risk mitigation guiding the organization through dynamic market shifts towards sustained and adaptive success.

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



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

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

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

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

## MELCOR REIT TRANSACTION (the "Transaction")

Melcor and Melcor REIT ("REIT" or "the REIT") entered into an arrangement agreement (the "Arrangement") in late 2024 whereby Melcor would acquire its unowned equity interest (approximately 44.6%) in Melcor REIT Limited Partnership ("REIT LP") for \$5.50 per Class A LP Unit, for total consideration of \$71.30 million (the "REIT LP Sale").

The Arrangement was approved by the REIT's unitholders and the Court of King's Bench of Alberta granted the final order in respect of the Arrangement in early 2025. The Transaction closed on April 23, 2025 and the REIT's Units were delisted from the Toronto Stock Exchange after the markets closed on April 24, 2025. The REIT ceased to be a reporting issuer and terminated its public reporting obligations after the Units were delisted. Proceeds from the REIT LP Sale were used to repurchase and cancel all of the REIT's outstanding participating trust units (each, a "Unit") for consideration (the "Consideration") of \$5.50 per Unit less any applicable withholding taxes.

Subsequent to the Transaction, Melcor owned 100% of the REIT and REIT LP and the REIT Unit liability was settled. As a result of the Transaction, there was an additional \$23.09 million in deferred tax expense recorded in 2025 as Melcor's ownership in the REIT LP increased from 55.4% to 100%. We also recorded \$7.08 million in transaction costs and other fees related to the Transaction of which \$5.88 million were considered directly attributable to the acquisition and accordingly included in Adjustments related to REIT units in the consolidated statement of income, with the balance of costs recorded through general and administrative expenses.

On November 30, 2025 the REIT was terminated pursuant to the Declaration of Trust. Subsequent to year end, on January 30, 2026 REIT LP was wound up, Melcor continues to own Melcor REIT GP Inc.

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

## Strategy

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Our fundamental goals are to:

- protect shareholder investment through prudent risk management and careful stewardship of company assets
- grow shareholder value by achieving strong operating performance and return on invested capital
- distribute profit to shareholders through a reliable dividend
- promote a strong and healthy corporate culture by taking care of our exceptional team
- build strong and positive relationships with our stakeholders

Our operating focus is to deliver high quality products and industry-leading value in each of our divisions: developing master-planned communities, constructing and leasing commercial properties, managing our income-generating portfolio and operating championship golf courses.

We have 102 years of experience in Alberta's cyclical economy. Throughout this time, we have managed through many downturns and have learned to not only weather the cycle, but to make our business stronger by recognizing and participating in opportunities while balancing our risk and exposure. We balance our capacity to participate in strategic growth opportunities with sustaining and improving our existing businesses.

### LAND: Development

Alberta's land development sector continued to expand in 2025, supported by sustained population growth driven by strong immigration levels. This increase in demand has contributed to ongoing requirements for new housing, infrastructure and commercial real estate. During the year, we developed 1,567 new single-family lots and sold 1,454 across our Canadian markets.

Our Edmonton region remained the division's largest contributor, generating 34.9% of total divisional revenue, or \$101.99 million (2024 - \$101.00 million) driven by single-family lot sales across multiple communities. Revenues generated from our Calgary region was close behind, contributing 34.2% of divisional revenue or \$100.01 million, and increased 5.0% over 2024 (2024 - \$95.27 million).

Sales generated from our US markets often differ from our Canadian markets with recent activity focused on the sale of unserviced land ("paper lots"). Paper lots are parcels of raw land which have been recorded in official plans, often offering potential for future development. We continue to actively manage inventory levels in both our regions to ensure alignment with current market conditions and demand trends.

In our US region, we sold 198.4 acres of unserviced land in Arizona in 2025, generating \$62.14 million in revenues. This compares to 42.46 acres sold in 2024, which generated \$11.56 million in revenues.

## PROPERTIES: Property Development & Asset Management

As a result of Transaction described on page 3 we changed our segment reporting in 2025 and the consolidated results, including comparative figures, reported in our Properties division now includes the combined operations of our previously reported "Properties" and "REIT" divisions. We maintain our conservative and disciplined approach to investment and development activities and have strategic focused on pruning non-core assets.

We manage 4.37 million sf of income-generating assets in our Properties division, providing stable results throughout the year to smooth out the seasonal nature of our construction-related divisions. Revenue from this division contributed 25.9% of total revenue and 32.3% of total gross profit in 2025, reflecting strength and resilience of the portfolio. Management continues to actively review the asset base to identify strategic acquisition and disposition opportunities, with a focus on divesting non-core assets to mitigate market and tenancy risks and enhance overall returns. During the year, we completed the sale of four commercial properties, including:

- Evans Business Centre, an office building located in Scottsdale, AZ for net proceeds of \$12.96 million (US\$9.37 million)
- Melcor Crossing, a retail power centre located in Grande Prairie, AB for net proceeds of \$47.31 million
- Coast Home Centre, a retail building located in Edmonton, AB for net proceeds of \$14.52 million
- Westgrove Common, a retail power centre located in Spruce Grove, AB for net proceeds of \$12.46 million

Our income-generating assets provide geographic and revenue diversification and have served to offset the cyclical nature of residential development.

Commercial property development, including neighbourhood shopping centres, remains limited and carefully managed, with projects advancing only where pre-leasing thresholds and market conditions support the development. We remain focused on value creation and as a result of higher construction costs and inflationary pressures, have been prudent in determining which sites to develop on. With a focus on local services – bank, coffee, daycare, dental/medical, gas, grocery, pharmacy, restaurants and fast food – these retail hubs face less competition from online shopping options. In 2025, the properties team completed construction on 7 retail buildings (82,209 sf) which includes:

- 3 buildings at our Winterburn Point development in Edmonton AB (24,990 sf);
- 2 buildings at our Greenwich Village development in Calgary, AB (37,278 sf);
- 1 building at our Woodbend Market development in Leduc, AB (9,913 sf); and
- 1 building at our Chestermere Station development in Chestermere, AB (10,028 sf).

## Pillars of our Strategy

The following diagram illustrates the pillars of our strategy, which are to **grow** by acquiring strategic land and property and exploring strategic opportunities to increase capital resources; to **sustain** by remaining disciplined in monitoring and managing our key performance drivers and our reputation; to **diversify** by developing real estate assets for revenue, earnings and cash flow growth and by increasing our presence in the United States. **People** are the heart of our strategy, and we commit to protecting our culture and values and taking care of our exceptional team.



## Assets

Our raw and developed assets and conservative approach to debt place Melcor in a strong position to achieve our growth strategy. We will continue to develop our real estate assets to support current and future revenue, earnings and cash flow growth.

Segment	Assets	Strategy
<b>Land</b>	9,003 acres of raw land inventory in strategic growth corridors	Maintain right mix of inventory, available at the right time to meet market needs Increase market share by maintaining best in class design and community amenities.
<b>Properties</b>	4,365,327 sf of commercial property and 445 residential units under management, diversified across 4 asset classes in 2 provinces and 2 states.  Completed construction on 7 retail buildings buildings (82,209 sf) in 2025.	Improve existing assets with value-added investments to achieve higher occupancy rates and increase rent per square foot, provide high-quality service to tenants, and seek strategic acquisitions or disposition of assets.  Plan, build and lease retail, office, industrial and multi-family residential real estate projects.  Maintain 3-5 year inventory of developable assets.  Maximize value of existing assets through vertical development or re-development.
<b>Golf</b>	4 championship golf courses.	Maintain strong reputation through consistent course quality and player experience.  Grow revenue from food and beverage operations.

## Diversification

Our operating segments diversify our revenue streams in a number of ways:

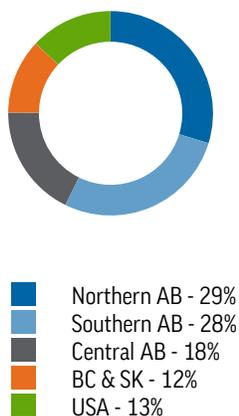
- The mix of land and property types held (residential, office, retail, industrial)
- The regional profile of our assets (Alberta, Saskatchewan, BC & western/southwestern US)
- The type of revenue each asset generates (including steady revenue from income-producing properties and revenue that fluctuates by season and by market demand)

**Land** is one of our most geographically diverse divisions and invests in Canada and the US to build inventory for future development. This division holds land for future residential or commercial development in strategic growth corridors. It is diversified through the life cycle phase of different land parcels: a balance is struck between lands that are immediately developable ('shovel ready'), those that will be ready for development in 3 to 5 years, and those with a development horizon of 5+ years.

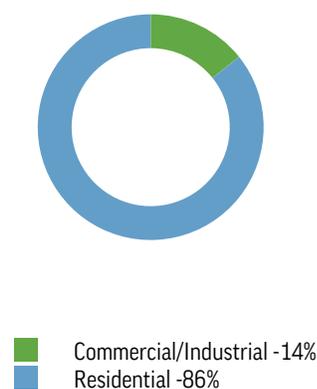
Melcor has been planning and developing innovative communities since the 1950s. We have developed over 40,000 lots in over 150 communities across Alberta, BC and the United States. We currently have 9,003 acres of land for future development (at Melcor's percentage).

## RAW LAND INVENTORY

**Inventory by Region**



**Inventory by Land Use**



## Properties:

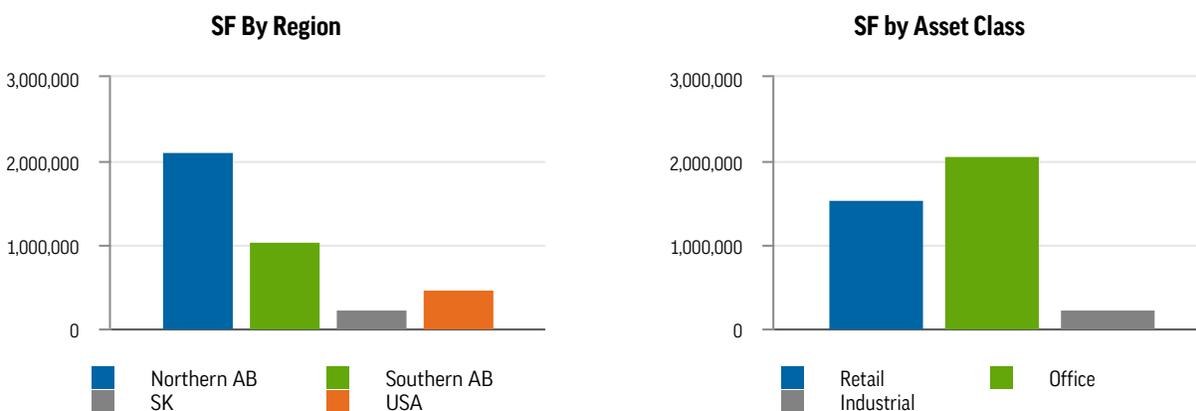
**Commercial Development** adds value to raw land by developing retail, office, industrial and multi-family residential properties in Alberta.

Within our Properties division, commercial development supports Melcor's strategic objectives of asset diversification, income growth and value creation by constructing income-producing developments, primarily on land acquired from the Land division. On completion, the properties are recognized at fair value, thus completing the value chain from raw land to annuity income.

Melcor has been developing commercial properties since the 1970s and has built over 2.5 million sf.

**Asset & Property Management** oversees 4.37 million sf of geographically diverse income-producing assets to provide consistent annuity income and cash flow. Our total portfolio under management is diversified across asset class, property mix and region. The regional asset mix is primarily commercial in western Canada. Our US portfolio is a blend of residential and commercial properties. The goal of the Properties division is to provide exceptional customer care to retain tenants for the long term. We continually enhance and improve existing properties through capital investment to maximize occupancy, rental rates and tenant retention.

## TOTAL GLA MANAGED



## Key Performance Drivers

### A High-Performance Team

A strong and engaged workforce is a key component of achieving our growth objectives. Our team fuels our success by profitably managing residential and commercial development, continually moving future projects through the municipal approval process, managing our assets and ensuring tenant satisfaction, and developing strong relationships with our suppliers, contractors, builders, tenants and other stakeholders. The average tenure of our team is 10.2 years, and we have 26 team members (10 active) in Melcor's Quarter Century Club.

Our culture is based on over 100 years of strong core values. We offer rewarding career development opportunities, competitive compensation and benefits, and employer-matched RRSP and employee share purchase programs (ESPP). Managers and the executive team also receive restricted share units (RSUs).

### Real Estate Inventory

Our existing real estate inventory puts us in a good position to continue to grow our business as market demand dictates. We have:

- 9,003 acres of raw land
- 4.37 million sf of leasable commercial property and 445 residential units under management in 2 provinces and 2 states

We create shareholder value out of our land assets by developing them into revenue and income earning properties.

Inventory management is a critical component of our future success. Land development is a capital-intensive process requiring long time horizons to obtain permits and development agreements. As such, we closely monitor the fundamentals of the regions where we operate to ensure that we have the correct land mix to meet market demands and that the land is ready for sale when demand dictates.

### Developed lot inventory

A summary of the movement in our developed land inventory follows:

(including joint arrangements at 100%)	December 31, 2025				December 31, 2024			
	CANADA			USA	CANADA			USA
	Single-family (Lots)	Multi-family (Acres)	Non-residential (Acres)	Single-family (Lots)	Single-family (Lots)	Multi-family (Acres)	Non-residential (Acres)	Single-family (Lots)
Open	436	34.54	94.68	1	606	49.83	113.48	1
Transfers	–	–	–	–	–	10.00	(11.90)	–
New developments	1,567	6.81	31.97	–	1,126	12.33	8.55	–
Sales	(1,454)	(1.71)	(19.17)	–	(1,296)	(37.62)	(15.45)	–
Year end	549	39.64	107.48	1	436	34.54	94.68	1

Our Canadian markets continued to see strong market demand. We developed 1,567 new single-family lots during the year, an increase of 39.2% compared to 1,126 single-family lots developed in 2024. Sales activity also strengthened, with single-family lot sales rising 12.2% to 1,454 lots, up from 1,296 lots sold in 2024.

Edmonton continued to provide stable results for our Land division, remaining the largest contributor and accounting for 34.9% of our total divisional revenue. Revenues increased modestly by 1.0% or \$0.98 million, to \$101.99 million in 2025 (2024 - \$101.00 million). Calgary continued maintain sustainable growth, contributing 34.2% of our total divisional revenues, up 5.0% or \$4.74 million to \$100.01 million in 2025 (2024 - \$95.27 million).

In our US markets, activity continued to centre on the sale of unserviced land. In 2025 we sold 198.40 acres of unserviced land contributing to our total revenues of \$62.14 million in our US region. This compares to 42.46 acres sold in 2024 which contributed to our total revenues from our US region of \$11.56 million in 2024.

We remain committed to managing our risk in uncertain markets by ensuring that market demand is in place prior to proceeding with development. We are well positioned to respond to current market strength and have a strong development program in place in for 2026.

### Raw land inventory

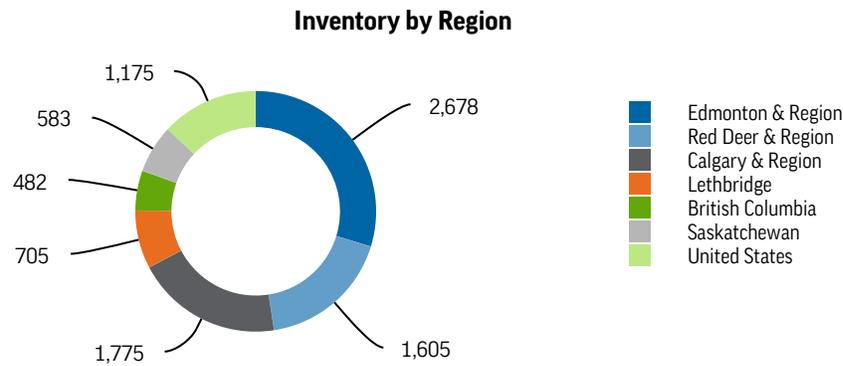
We acquire land in strategic growth corridors and maintain an inventory of land for future development in our primary markets. Raw land acquisitions are based on management's anticipation of market demand and development potential. The markets we operate in require significant infrastructure development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

Land purchases (in acres, net of joint arrangement interests)	2025	2024	Total Holdings
Edmonton & Region	27	–	2,678
Red Deer & Region	6	–	1,605
Calgary & Region	–	–	1,775
Lethbridge	–	–	705
British Columbia	–	–	482
Saskatchewan	–	–	583
United States	–	–	1,175
Total	33	–	9,003

In 2025, we purchased 5.51 acres in Red Deer, AB for \$0.50 million, 24.96 acres in Leduc, AB for \$1.50 million and 1.66 acres in Edmonton, AB for \$0.66 million. In 2024, there was no raw land purchased.

Raw land purchases made in 2025 were strategic in nature for future development and all purchases of land were adjacent to current land holdings.

Our primary focus is on harvesting our current inventory of 9,003 acres, located in our operating regions as follows:



## Financial Resources

Land and property development are capital-intensive activities. We require access to sufficient capital to continue to grow, develop new land and commercial property, and participate in acquisition opportunities that fit our growth strategy.

We have developed strong relationships with our major lenders, which, combined with our capital structure and liquidity, provide us access to financing on attractive terms in spite of fluctuating credit markets and ongoing changes in the economic environment.

We primarily use fixed rate, long-term mortgage financing on our income-producing assets to raise capital for acquisitions, development activities, and other business expenditures. As such, most of our borrowings are in the form of long-term, property specific financings such as mortgages or project financing secured by specific assets. At the end of 2025, Melcor had project specific financing on commercial projects totaling \$13.38 million.

Melcor's operations are supported by a syndicated operating line of credit, which margins our land development assets (land inventory and agreements receivable). At year end our operating line availability across all facilities, including joint ventures, was \$266.38 million at December 31, 2025. Melcor continues to remain focused on collecting receivables and reducing overall leverage which provides the opportunity to participate in acquisition and growth opportunities as they arise.

For additional information on our financial resources, please refer to the Financing and Liquidity & Capital Resources sections.

## Corporate Sustainability

We are committed to corporate sustainability - in environmental practice, social responsibility, governance (ESG) of our company and as stewards of the areas where we operate. Attaining best practice in all aspects of our business is our constant aspiration. Our history and our culture form our strong foundation: the authentic values of a family-run organization, building deep relationships with our clients, our business partners and our employees.

Here are the steps we are taking to prepare for anticipated ESG reporting requirements:

- we are assessing the material ESG risks and opportunities that apply to Melcor and determining how we will benchmark, measure and report on these topics as requirements are adopted.
- we are broadening our initial building inventory/benchmarking beyond Edmonton. Our Edmonton office building climate inventory was completed in 2022 in conjunction with our involvement with Edmonton's Corporate Climate Leaders program and we are currently determining our reduction targets on the inventoried buildings and extending our benchmarking to buildings beyond Edmonton.
- we are establishing baseline data on Social and Governance topics.

The following sections detail our current practices and achievements with respect to ESG.

## Environmental Commitment

### Land

We consider the impact of land development on the natural environment. Our goal is to create a habitat where people, plants, birds and wildlife can flourish together. Here are a few examples of our practices and some notable developments. We use:

- low impact development techniques to reduce and absorb runoff (smaller driveways, more green space)
- unique naturalized storm water management ponds that mimic the natural environment. Now well-established in several communities, these ponds re-create a natural environment that attracts a variety of wildlife
- natural raw land features to inform the design of the community
- mature trees and native species in landscaping and require individual home purchasers to do the same to not only beautify the community, but to increase natural absorption of rainwater and snow melt
- plentiful community gathering spaces - parks, playgrounds, community gardens and orchards

In addition, Melcor is a partner of Edmonton Area Land Trust, committed to preserving natural treasures like the Larch Sanctuary (Edmonton, AB).

Melcor designed and developed the environmentally intelligent subdivision of Larch Park, which featured LED street-lighting before it was commonplace, narrower roads, bio-swales, soil preservation and a construction waste management program. Larch Park amenities include a community garden, an orchard, trails with plaques about local wildlife and plant species throughout and a naturalized storm pond. The homes meet BuiltGreen Gold, LEED for Homes Gold or R2000 with a minimum Energuide rating of 80. It borders the Larch Sanctuary, a protected natural area reserve.

We are actively involved in BILD Edmonton Metro (formally known as the Urban Development Institute - Edmonton Metro (UDI)). BILD Edmonton Metro has been advocating for environmental initiatives to improve servicing standards and land use efficiency, aiming to minimize our environmental footprint. This, in turn, would contribute to enhancing housing affordability through the reduction of costs associated with infrastructure construction and maintenance.

### Properties

We focus on efficient buildings in our commercial property development. Knowing that we are going to manage for the long-term, we strive to construct buildings that are as energy efficient as possible. Our neighbourhood shopping centres use xeriscaping, which is landscaping designed to reduce or eliminate the need for supplemental water by using native plants and trees.

The majority of our current development projects are neighbourhood shopping centres built for the convenience of our communities. With a quick walk, you can satisfy all your basic needs.

Our property management practices are designed to improve operating efficiency and reduce costs while at the same time increasing client satisfaction and thus retention rates. Our capital spending strategy focuses on equipment upgrades and maintenance initiatives that will reduce energy consumption in our properties.

Examples of our commitment to environmental best practices include:

- All properties have LED lights
- 80% of our buildings have motion-sensing lights that turn off when no one is present
- Active recycling programs in all office buildings

We engage specialists to monitor and analyze our energy usage and identify potential improvements. Of 12 office properties benchmarked from 2012 - 2025 (Edmonton, AB) we achieved:

- a 22.0% reduction in electricity consumption or CO2 equivalent of 11,400 tonnes
- a 16.0% reduction in natural gas consumption or CO2 equivalent of 830 tonnes
- a 54.5% reduction in emission intensity or CO2 equivalent of 14,800 tonnes

### Golf

The Golf division is committed to operating its courses in a manner that supports environmental stewardship and enhances community well-being. Our golf courses are recognized not only as recreational amenities during the playing season, but also as valuable green spaces that contribute to the surrounding neighbourhoods year-round.

To maximize community benefit and encourage active lifestyles, we maintain walking trails and groom cross-country ski tracks throughout our golf courses during the winter months, transforming these properties into accessible, multi-season recreational spaces. This practice allows residents to continue enjoying the natural landscape outside of the golf season and has been positively received by nearby communities.

Beyond recreational access, our golf courses provide meaningful environmental benefits by preserving open space, supporting urban biodiversity, and maintaining natural landscapes within developed areas. By integrating our properties into the broader community fabric, the Golf division seeks to balance operational excellence with environmental responsibility and community engagement.

## Social Responsibility

Melcor has been built on relationships since 1923. Treating others with respect has always been a core value. We cultivate and greatly value our relationships with employees, tenants, clients, contractors, shareholders and the communities where we operate.

Our goal is to build places where people want to live, work, shop and play. That means amenities that help to build a sense of community for neighbourhood residents and neighbourhood shopping centres with public space for gathering.

We demonstrate social responsibility through our relationships with all stakeholders and the communities where we operate. Our commitment to customer care and solid relationships with our tenants is paramount to our property management strategy.

### Diversity & Inclusion

We are committed to fostering a diverse, inclusive, and safe workplace where employees feel valued, supported, and empowered. Our people are the centre of our long-term strategy, and one of Melcor's core values is "to empower and care for our exceptional team". This commitment shapes our approach to developing talent, strengthening leadership, and supporting employee well-being across the organization.

Diversity within leadership remains a key focus for Melcor. As at December 31, 2025, 40% of Melcor's management team is female, and 13% identify as visible minorities. Women represent 71% of Melcor's Management Committee, reflecting strong female representation in senior leadership. Governance diversity is also evident at the Board level, with 38% female trustees (3 of 7) serving on the Melcor Board.

Melcor places a strong emphasis on employee health and wellness, including mental health. Management is encouraged to participate in The Working Mind, a training program designed to help leaders recognize and respond to mental health challenges in the workplace. This program is offered annually to ensure ongoing awareness and to provide training opportunities for new members of management. Encouraging regular check-ins on employees' mental and emotional well-being remains a priority.

Our focus on maintaining a positive, inclusive, and empowering work environment has contributed to strong employee engagement and retention. As at year-end, 26 employees have served the Company for more than 25 years, and the average employee tenure is 10.2 years, reflecting a stable and experienced workforce.

### Community Investment: Supporting Local

Community investment is a core element of our values and reflects our commitment to the places where we operate. As we strive for excellence in our business, we are equally focused on contributing to strong, vibrant communities. Our approach is grounded in the principle of giving where we live, with community involvement and charitable support directed toward key pillars that strengthen communities, including education, health and wellness, youth and amateur sports, public gathering spaces such as libraries, and social programs that support individuals and families in need. In addition, employees are encouraged to actively support local communities through fundraising initiatives and by volunteering their time and skills with not-for-profit organizations.

Our commitment to community development extends beyond financial and volunteer contributions. We take pride in maintaining attractive, well-cared-for properties that positively contribute to the surrounding environment. This includes seasonal floral displays at office building entrances and the incorporation of public art installations, both temporary and permanent, in, on, and around several of our properties, enhancing streetscapes and contributing positively to the surrounding environment.

We also prioritize strong local relationships within our supply chain. The majority of our service providers are local businesses, many of which are small enterprises, enabling us to support local economies while fostering long-term partnerships within the communities we serve.

### Effective Governance

We are committed to effective corporate governance practices as a core component of our operating philosophy. Strong governance practices form the foundation of a sustainable company and long-term value creation for share- and unit-holders.

Oversight of the Melcor's operations and strategic initiatives is supported by a diverse leadership team. Melcor's Management Committee, which reviews and approves the projects undertaken by the Company, is 71% female, reflecting meaningful representation with senior decision-making roles.

Our commitment to effective corporate governance is further demonstrated through the following practices:

- a board of directors comprised of a majority of independent directors
- as the chair is related to the company, we have appointed a lead director
- 38% of directors are female; representing 40% of the independent directors
- 50% of our executive team is female

## Glossary of Acronyms

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

## 2025 Highlights

Readers are reminded that established key performance measures may not have standardized meaning under GAAP. For further information on Melcor's non-standard measures, non-GAAP measures, operating measures and non-GAAP ratios, refer to the non-GAAP and non-standard measures section on page 37.

(\$000s except as noted)	2025	2024	Change
Revenue	<b>410,547</b>	349,501	17.5 %
Gross margin (%) <sup>(3)</sup>	<b>46.2 %</b>	45.0 %	2.7 %
Fair value adjustment on investment properties	<b>(25,878)</b>	(28,439)	(9.0)%
Net income	<b>58,019</b>	33,528	73.0 %
Net margin (%) <sup>(3)</sup>	<b>14.1 %</b>	9.6 %	46.9 %
Funds from operations <sup>(1)</sup>	<b>122,137</b>	93,806	30.2 %
Shareholders' equity	<b>1,268,073</b>	1,242,630	2.0 %
Total assets	<b>2,051,135</b>	2,108,553	(2.7)%
Cash from operations	<b>93,568</b>	98,626	(5.1)%
Per Share Data (\$)			
Basic earnings	<b>1.92</b>	1.10	74.5 %
Diluted earnings	<b>1.91</b>	1.09	75.2 %
Funds from operations <sup>(2)</sup>	<b>4.04</b>	3.08	31.2 %
Book value <sup>(2)</sup>	<b>42.13</b>	40.92	3.0 %
Dividends	<b>0.48</b>	0.44	9.1 %

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 37 for further information.

(2) Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 37 for further information.

(3) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 37 for further information.

2025 marked a milestone year for Melcor, with record-breaking revenue exceeding \$400 million and FFO exceeding \$100 million, both for the first time in our history. We also successfully completed the Transaction with Melcor REIT (page 3) in April 2025 and acquire the unowned equity interest (approximately 44.6%) in the REIT consolidating Melcor back to one entity. Our results reflect strong execution and were achieved amid a dynamic economic environment characterized by global trade tensions, moderated interest rates, and rising construction costs. Despite these challenges, Alberta's market demonstrated resilience throughout the year, with demand for new development activity remaining stable.

Looking forward, we anticipate a more uncertain and moderated environment following the strong results delivered in 2025. While market fundamentals remain supportive, ongoing global trade uncertainty, shifting interest rate expectations, and continued construction cost pressures are expected to shape development activity. Melcor will continue to emphasize disciplined execution and thoughtful capital allocation as it navigates the year ahead.

In 2025, we recorded revenues of \$410.55 million, up 17.5% from revenues of \$349.50 million 2024. Net income was up 73.0% to \$58.02 million and FFO was up 30.2% to \$122.14 million. The sale of 198.40 acres of unserviced land in La Privada, Arizona contributed to the \$62.14 million in revenue in the US Land region and was a key contributor to 2025 results.

We purchased the publicly held REIT Units in the second quarter which represented a major milestone for us and reinforced our commitment to long-term value creation for our shareholders. The Transaction resulted in a \$71.30 million cash outlay which was funded using availability on our credit facility, included in general debt. Prior to the closing of the Transaction, the REIT Units were recorded as a financial liability, in accordance with IFRS Accounting Standards, and therefore the Transaction did not materially affect total debt levels but did increase general debt. Despite this large cash outlay, in the past 12 months we have reduced our general debt by \$62.60 million to \$548.74 million (December 31, 2024 - \$611.34 million). Our debt-to-equity ratio on December 31, 2025 was 0.62, down from 0.70 at December 31, 2024.

Throughout the year, we maintained our conservative and disciplined approach to investment and development activities and the management of our assets and liabilities. Property sales in 2024 and in 2025 remained focused on pruning non-core assets in order to strengthen Melcor's financial position by reducing debt. In 2024 we sold four investment properties, and in 2025, we sold four additional investment properties. These sales impact year-over-year comparatives in the Properties division. Additionally, as at December 31, 2025, we have classified five commercial properties as assets held for sale with a fair value of \$75.16 million (including investment property of \$74.17 million, tenant incentives of \$0.26 million and straight-line rent adjustments of \$0.73 million). As at December 31, 2025 management has committed to a plan to sell these properties. Subsequent to year-end, on February 20, 2026, we sold one retail property located in Calgary, AB, for a purchase price of \$12.30 million less transaction costs.

Net income continues to be significantly impacted by non-cash items. Included in 2025 net income was \$23.09 million in deferred tax expense recorded on close of the Transaction, negatively impacting net income in the year. Other non-cash impacts to our net income include fair value adjustments on our investment properties which saw a loss of \$25.88 million in the year (2024 - loss of \$28.44 million). Adjustment related to REIT Units resulted in a fair value loss of \$9.12 million, which includes fair value adjustments on our REIT Units and transaction costs directly attributable to the REIT acquisition which represent cash expenditures incurred during the year (2024 - fair value loss of \$14.78 million related to fair value adjustment on REIT Units and distributions to REIT unitholders).

Management believes that FFO is a more accurate representation of true operating performance. FFO was up 30.2% or \$28.33 million to \$122.14 million from \$93.81 million in 2024. The increase in FFO over 2024 can be directly attributed to higher gross profits which increased 20.5% over 2024 and was directly attributed to our US land sales occurring in the first half of the year.

## Portfolio Management

Our Properties division completed 7 retail buildings (82,209 sf) in 2025. These new buildings will positively impact results in future years as we continue to grow our income-generating assets. We continue to progress commercial land through the development, approvals and lease-up process.

We remain focused as well on disposing of non-core assets and have completed the below sales in the last 24 months, impacting current and comparative results.

### 2024 Dispositions:

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

### 2025 Dispositions:

- Evans Business Centre, an office building located in Scottsdale, AZ for net proceeds of \$12.96 million (US\$9.37 million)
- Melcor Crossing, a retail power centre located in Grande Prairie, AB for net proceeds of \$47.31 million
- Coast Home Centre, a retail building located in Edmonton, AB for net proceeds of \$14.52 million
- Westgrove Common, a retail power centre located in Spruce Grove, AB for net proceeds of \$12.46 million
- Seven residential units located at the Edge at Grayhawk in Scottsdale, AZ for net proceeds of \$2.78 million (US\$1.97 million)

### 2026 Dispositions (subsequent to year-end):

- Staples Building, a retail building located in Calgary, AB for net proceeds of \$12.07 million

## Return to Shareholders

We continued to return value to our shareholders and unitholders:

### Melcor Developments:

- On April 23, 2025 Melcor acquired its unowned equity interest in the REIT for \$5.50 per Unit. The REIT used the proceeds to purchase and cancel all of the REIT's outstanding participating trust units.
- We repurchased 344,980 shares for cancellation pursuant to the NCIB at a cost of \$4.78 million during 2025. In 2024 we repurchased 356,703 shares at a cost of \$4.33 million.
- Dividends paid to shareholders increased to \$0.48 per share in 2025, up from \$0.44 per share in 2024.
- On March 10, 2026 we declared a quarterly dividend of \$0.15 per share, and a special dividend of \$0.35 per share. Both dividends are payable on March 31, 2026 to shareholders of record on March 20, 2026. The dividend is an eligible dividend for Canadian tax purposes.

## Revenue & Margins

Consolidated revenue was up 17.5% to \$410.55 million in 2025 (2024 - \$349.50 million). This increase was primarily the result of higher revenues generated from our US Land region, partially offset by lower revenues from our Properties division following recent property dispositions of non-core assets. Gross profit was up 20.5% to \$189.65 million in 2025 (2024 - \$157.39 million), with consolidated gross margin up 1.2% to 46.2% (2024 - 45.0%).

Our Land division contributed 71.1% of total revenue before intersegment elimination in 2025, up from 64.8% in 2024. Our Properties division contributed 25.9% of revenue before intersegment elimination in 2025 down from 31.9% in 2024.

In 2025, our Land division revenue was up 28.7% or \$65.21 million to \$292.49 million (2024 - \$227.27 million). The increase in our revenues from our Land division was heavily impacted by US sales in the current year, which contributed 21.2% or \$62.14 million to our total Land division revenue compared to 5.1% or \$11.56 million of our total divisional revenues in 2024.

Revenue from our Properties division was down 4.7% or \$5.30 million to \$106.61 million from \$111.92 million in 2024. The reduction in our Properties division revenue can be attributed to recent property disposals offset by revenue generated from newly developed commercial properties.

Gross margin was 46.2% in 2025 compared to 45.0% in 2024. Net margin increased to 14.1% from 9.6% in 2024. The increase in our gross margin is a direct result of the sale of 198.40 acres of subdivided unserviced land that occurred in the year at a higher margin.

Gross margin earned in our Land division was up to 42.3% from 39.3% in 2024. Gross profit contributed by the Land division increased to 38.3% or \$34.27 million to \$123.64 million (2024 - \$89.38 million) as a result of higher sales in our US region that occurred in the year. Our Land division contributed 71.1% of total revenue before eliminating entries in the year, up from 64.8% in 2024.

Our Properties division consistently provides higher gross margins than our other operating divisions. In 2025 and 2024 the margin in this division was 57.7% and 57.3% respectively. In 2025, our Properties division contributed 25.9% of total revenue before intersegment eliminations, down from 31.9% in 2024.

Net income is significantly impacted by non-cash items and in 2025, net income was \$58.02 million up from \$33.53 million in 2024. Non-cash items that had a significant impact on net income include:

- *Fair value adjustments on investment properties:* in 2025 we recorded a fair value loss on investment properties of \$25.88 million, compared to a fair value loss of \$28.44 million in 2024.
- *Change in the REIT's unit price:* this change has a counter-intuitive impact on net income as an increase in unit value decreases net income. In 2025, we recorded a fair value loss of \$3.24 million compared to a loss of \$14.26 million in 2024.
- *Non-cash financing costs:* we recorded non-cash financing costs of \$1.23 million in 2025. This compares to 2024 non-cash financing costs of \$3.97 million.

Additionally in 2025, Melcor incurred \$7.08 million in transaction costs and other fees related to the REIT Unit acquisition which negatively impacted net income. \$5.88 million of these costs were considered directly attributable to the acquisition and accordingly included in Adjustments related to REIT Units, with the balance of costs recorded through general and administrative expenses. Costs included in adjustments related to REIT Units have been adjusted for in our FFO calculations. The Transaction also resulted in an additional \$23.09 million in deferred income taxes recorded in the second quarter of 2025, as described on page 3, which negatively impacted net income and is also adjusted for in our FFO calculations.

These non-cash gains and losses are driven by market forces outside of Melcor's control and are a key reason we focus on FFO as a truer measure of our financial performance.

Gross margin and net margin are supplementary financial measures of performance. Please refer to the Non-GAAP and Non-Standard Measures section on page 37 for more information.

## Funds From Operations (FFO)

Funds From Operations (FFO) is a non-GAAP measure used in the real estate industry to measure operating performance. Refer to the Non-GAAP Measures section starting on page 37. We believe that FFO is an important measure of the performance of our real estate assets.

Below is a reconciliation of net income to FFO:

(\$000s)	Year Ended	
	December 31, 2025	December 31, 2024
<b>Net income for the year</b>	<b>58,019</b>	33,528
Amortization of tenant incentives	<b>6,618</b>	8,217
Fair value adjustment on investment properties	<b>25,878</b>	28,439
Depreciation of property and equipment	<b>1,156</b>	1,247
Stock based compensation expense	<b>1,330</b>	1,238
Non-cash financing costs	<b>1,233</b>	3,974
Gain on sale of assets	<b>(126)</b>	(58)
Deferred income taxes	<b>18,911</b>	2,962
Fair value adjustment on REIT units	<b>3,240</b>	14,259
Transaction costs on REIT units acquisition	<b>5,878</b>	–
<b>FFO<sup>(1)</sup></b>	<b>122,137</b>	93,806
<i>Per Share Data</i>		
<b>FFO per share<sup>(2)</sup></b>	<b>4.04</b>	3.08

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 37 for further information.

(2) Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 37 for further information.

FFO was up 30.2% or \$28.33 million to \$122.14 million from \$93.81 million in 2024.

Gross profit increased 20.5% or \$32.26 million to \$189.65 million in 2025 (2024 - \$157.39 million). This increase includes non-cash items such as amortization of tenant incentives and straight-line rent adjustments which can swing period over period as new leases commence. Excluding amortization of tenant incentives (non-cash), gross profit was up 22.1% or \$36.54 million to \$202.14 million in 2025 (2024 - \$165.60 million), which had a positive impact on FFO. The increase in gross profit is directly attributed to our US land sales occurring in the first half of the year.

Higher gross profit resulted in an increase in current income tax expense of \$29.41 million in 2025, up \$10.97 million over 2024 (2024 - \$18.44 million) reducing FFO. The Transaction between Melcor and REIT resulted in deferred tax expense of \$23.09 million recognized on closing, impacting our overall income tax expense in the year. This amount is non-cash and therefore adjusted for in the FFO calculations above. For more information on the tax impact of the Transaction refer to page 24.

As a result of the Transaction, Melcor also incurred significant transaction costs which reduced overall income year-to-date. Costs considered directly attributable and incremental to the Transaction were included in the adjustment on REIT Units of \$5.88 million in 2025 and have been adjusted out of our FFO calculation above.

G&A expenses were down 2.1% or \$0.63 million to \$29.38 million (2024 - \$30.01 million). G&A expenses in both the current and comparative periods included professional fees in connection with the Transaction. These costs were non-recurring in nature and were directly attributable to the Transaction. As a result, transaction-related expenditures increased G&A in both periods and had a negative impact on FFO.

Other factors that impacted FFO was interest income, which was up 55.7% or \$1.58 million to \$4.42 million in 2025 (2024 - \$2.84 million), and finance costs, excluding non-cash items were down 7.8% or \$2.22 million to \$26.34 million in 2025 (2024 - \$28.56 million), both positively impacting FFO.

## Divisional Results

Our business is comprised of four integrated and complementary operating divisions:

- 1 **Land**, which acquires raw land for future commercial and residential community development;
- 2 **Properties**, which manages the construction of high-quality income properties, oversees the leasing and property management of our diverse portfolio of assets, including 55 income-producing properties (as at December 31, 2025);
- 3 **Golf**, which owns and operates championship golf courses associated with Melcor residential communities; and,
- 4 **Corporate**, which carries out support functions including accounting, treasury, information technology, marketing, administration, legal and human resources.

The following table summarizes operating division results before intersegment eliminations and excludes the corporate division.

	Land		Properties		Golf	
	Year ended December 31		Year ended December 31		Year ended December 31	
	2025	2024	2025	2024	2025	2024
<i>(\$000s except as noted)</i>						
Revenue	<b>292,486</b>	227,273	<b>106,612</b>	111,916	<b>12,486</b>	11,446
Portion of total revenue <sup>(1)</sup>	<b>71.1%</b>	64.8%	<b>25.9%</b>	31.9%	<b>3.0%</b>	3.3%
Cost of sales	<b>(168,842)</b>	(137,898)	<b>(45,073)</b>	(47,838)	<b>(7,082)</b>	(6,546)
Gross profit	<b>123,644</b>	89,375	<b>61,539</b>	64,078	<b>5,404</b>	4,900
Gross margin (%) <sup>(1)</sup>	<b>42.3%</b>	39.3%	<b>57.7%</b>	57.3%	<b>43.3%</b>	42.8%
Portion of total gross profit <sup>(1)</sup>	<b>64.9%</b>	56.5%	<b>32.3%</b>	40.5%	<b>2.8%</b>	3.1%
General and administrative expense	<b>(9,656)</b>	(9,198)	<b>(7,663)</b>	(10,633)	<b>(3,120)</b>	(2,912)
Fair value adjustment on investment properties	–	–	<b>(25,878)</b>	(28,439)	–	–
Gain on sale of assets	–	–	–	–	<b>126</b>	58
Interest income	<b>3,453</b>	2,486	<b>412</b>	213	<b>13</b>	16
Segment Earnings	<b>117,441</b>	82,663	<b>28,410</b>	25,219	<b>2,423</b>	2,062

(1) Supplementary financial measure. Refer to Non-GAAP and Non-Standard Measures section on page 37 for further details.

## Land

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

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

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

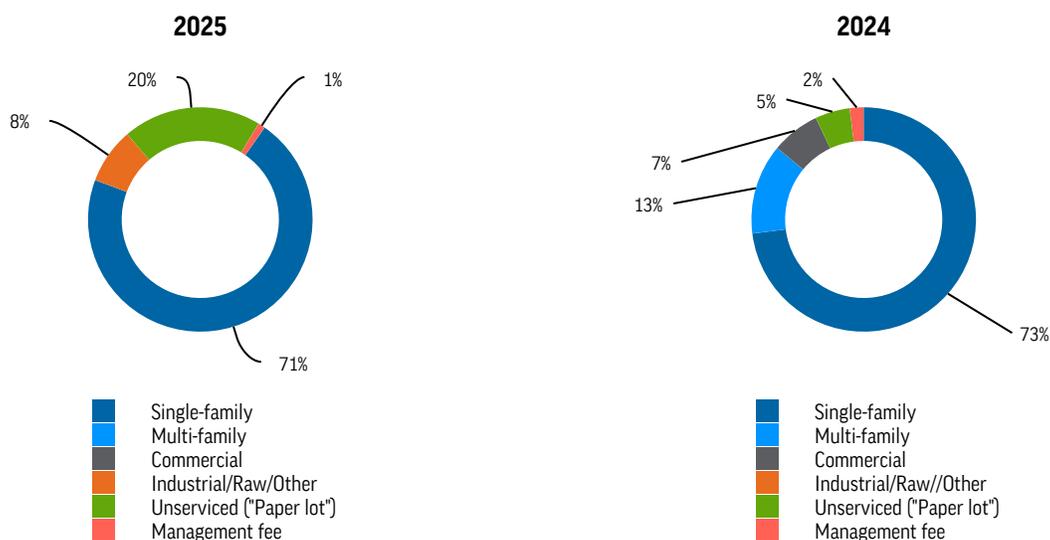
As at December 31, 2025 we held 9,003 acres of land for future development and developed inventory of 549 single-family lots in Canada, 1 single-family lot in the US, 39.64 acres ready for multi-family development, and 107.48 acres for commercial and industrial development.

### Sales Activity

Income can fluctuate significantly from quarter to quarter due to the timing of plan registrations, the cyclical nature of real estate markets and the mix of land sold. The seasonality caused by the timing of plan registrations and the real estate construction cycle typically evens out over the course of the year.

We introduced 27 new phases across 20 communities to replenish inventory in 2025. While closely monitoring market demands, we remain committed to reducing existing inventory while advancing new developments to meet consumer needs. Our active marketing programs support this effort by highlighting both current and upcoming communities.

## REVENUE BY TYPE



The following table summarizes our activity:

Consolidated	2025	2024
<b>Canada Sales data: (including joint operations at 100%)</b>		
Single-family sales (number of lots)	1,454	1,296
Gross average revenue per single family lot (\$)	176,769	186,949
Multi-family sales (acres)	1.71	37.62
Gross average revenue per multi-family acre (\$)	880,000	1,081,971
Commercial sales (acres)	–	14.00
Gross average revenue per commercial land acre (\$)	–	1,583,143
Other land sales - Industrial, Other (acres)	19.17	1.45
Gross average revenue per other land acre (\$)	1,448,774	470,000
Raw land sales to municipalities (acres)	151.00	–
Gross average revenue per raw land acre (\$)	21,878	–
<b>US Sales data: (including joint operations at 100%)</b>		
Other land sales - unserviced ("paper lots"), other (acres)	198.40	42.46
Gross average revenue per paper lot acre (\$)	295,556	223,939
<b>Financial results: (including joint operations at Melcor's interest)</b>		
Revenue (\$000s)	292,486	227,273
Earnings (\$000s)	117,441	82,663

### Regional Highlights

Edmonton & Region	2025	2024
<b>Sales data:</b>		
Single-family sales (number of lots)	759	583
Multi-family sales (acres)	–	35.29
Commercial sales (acres)	–	10.33
Other land sales - Industrial & Other (acres)	–	1.45
<b>Financial results:</b>		
Revenue (\$000s)	101,985	101,003
Earnings (\$000s)	32,452	38,400

Our Edmonton region continued its success with revenues of \$101.99 million in 2025, up from \$101.00 million in 2024. We saw an increase in single-family lot sales of 30.2% or 176 lots to 759 lots sold in 2025 compared to 583 lots sold in 2024. The increase in single-family lot sales was offset by a decrease in revenue generated from acre sales. In 2024, we sold 47.07 acres of multi-family, commercial and industrial land, while no acre sales were completed in 2025.

The Edmonton region had a busy year, bringing on 13 new phases across 9 communities, and developed 844 new single-family lots. We offer a variety of price-sensitive options in all neighbourhoods, including duplexes, townhomes, detached garage homes, homes with secondary or garage suites and zero lot-line homes. We also offer estate lots in some neighbourhoods. Demand remains for lots at all price points.

Red Deer & Region	2025	2024
<b>Sales data:</b>		
Single-family (number of lots)	156	104
Raw land sales to government bodies	129.00	–
Multi-family sales (acres)	1.71	–
<b>Financial results:</b>		
Revenue (\$000s)	16,465	8,642
Earnings (\$000s)	5,133	3,192

Given that Red Deer is a smaller market, sales can fluctuate year to year depending on market demands. Our Red Deer region saw sales growth, increasing revenue 90.5% or \$7.82 million to \$16.47 million in 2025 compared to \$8.64 million in 2024. The increase in revenue can be attributed to both the increase in single-family lot sales which increased by 52 lots to 156 (2024 - 104), paired with the sale of 129.00 acres of raw land for revenue \$2.20 million and the sale of a 1.71 acres of multi-family site for revenue of \$0.75 million. There were no acre sales in 2024.

In 2025 Melcor brought on 3 new phases within 3 communities and developed 101 new single-family lots.

Calgary & Region	2025	2024
<b>Sales data:</b>		
Single-family sales (number of lots)	456	575
Commercial sales (acres)	–	3.67
Other land sales - Industrial & Other (acres)	19.17	–
<b>Financial results:</b>		
Revenue (\$000s)	100,009	95,269
Earnings (\$000s)	39,387	34,323

In 2025, the Calgary region delivered another solid year of performance, maintaining steady growth as it continues to be a key contributor to divisional results. The Calgary region generated \$100.01 million in revenue representing 34.2% of total divisional revenues.

Our reduction in single-family lot sales to 456 (2024 - 575), was offset by an increase in total acre sales with 19.17 acres of industrial land sold in 2025, compared to 3.67 acres of commercial land sold in 2024.

In Calgary, we registered 9 new phases across 6 communities in 2025, and developed 573 new single-family lots.

Lethbridge	2025	2024
<b>Sales data:</b>		
Single-family sales (number of lots)	77	22
Multi-family sales (acres)	–	2.33
<b>Financial results:</b>		
Revenue (\$000s)	8,020	4,599
Earnings (\$000s)	2,862	1,563

Single-family lot sales increased to 77 in 2025 (2024 - 22), which contributed to our increase in revenues of 74.4% or \$3.42 million to \$8.02 million in 2025. Lethbridge is one of our smaller markets and therefore lot sales can fluctuate significantly from period to period depending on the stage of development in various communities.

In 2025, we registered 2 new phases in 2 communities, and developed 49 new single-family lots.

Kelowna	2025	2024
<b>Sales data:</b>		
Single-family sales (number of lots)	6	12
Raw land sales to municipalities (acres)	21.77	–
<b>Financial results:</b>		
Revenue (\$000s)	3,871	6,199
Earnings (\$000s)	1,115	923

In 2025, revenues were impacted by a shift in the product mix, with sales consisting of 6 single-family lots and 21.77 acres of raw land, compared to 12 single-family lots sold in 2024. Total revenues in the year were \$3.87 million, down from \$6.20 million in 2024.

Kelowna is also one of our smaller markets and lot sales can fluctuate significantly period over period depending on the stage of development. We are planning on the development of additional phases within our Black Mountain community and are working on planning the second phase of our North Clifton Estates community.

United States	2025	2024
<b>Sales data:</b>		
Other land sales - Paper Lot (acres)	198.40	42.46
<b>Financial results:</b>		
Revenue (\$000s)	62,136	11,561
Earnings (\$000s)	38,204	5,326

In 2025, our US region continued to focus on the sale of subdivided but unserviced lots ("paper lots"). We sold 198.40 acres in Arizona, contributing to our \$62.14 million total revenues. This compares to 42.46 acres sold in Arizona in 2024, which contributed to our \$11.56 million of revenues in 2024. In addition to land sales, our US region also receives royalties from mineral rights and the use of company-owned land.

## Properties

Our Properties division includes the management and leasing of our existing income properties along with the development of new income properties supporting our strategic objective of asset diversification, income growth and value creation.

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

### Property Development

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

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

### Owns & operates

Our Properties division also manages a portfolio of high-quality office, retail, industrial and residential properties, which are located across western Canada and the US. Currently our Properties division manages 4.37 million sf of income-producing commercial GLA and 445 residential units.

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

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

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

## Operating Results

The following table summarizes the division's GLA, occupancy and average base rent:

(\$000s except as noted)	2025	2024
<b>Commercial properties GLA under management (sf, total)</b>	<b>4,365,327</b>	4,761,750
Properties owned and managed (sf)	<b>3,875,910</b>	4,281,251
Properties managed (sf)	<b>489,417</b>	480,499
Commercial properties managed	<b>55</b>	59
Residential units managed	<b>445</b>	452
Occupancy - CAD	<b>82.1 %</b>	87.2 %
Occupancy - US	<b>71.4 %</b>	78.2 %
WABR (per sf) - CAD	<b>\$ 21.14</b>	\$ 19.91
WABR (per sf) - US	<b>\$ 22.34</b>	\$ 21.70
Fair value recognized on investment properties (\$000s)	<b>(30,459)</b>	(32,245)
<b>Commercial properties under development (sf, total)</b>		
Number of properties completed	<b>7</b>	5
Properties completed (sf)	<b>82,209</b>	95,558
Number of properties under active construction	<b>–</b>	5
Properties under active construction (sf)	<b>–</b>	81,755
Fair value recognized on properties under development (\$000s)	<b>4,581</b>	3,806

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

(\$000s except as noted)	2025	2024
<b>Revenue (total)</b>	<b>106,612</b>	111,916
Canadian properties	<b>92,438</b>	96,591
US properties	<b>12,118</b>	13,105
Management fees	<b>1,072</b>	1,158
Parking lots and other assets	<b>984</b>	1,062
<b>NOI <sup>(1)</sup></b>	<b>67,812</b>	72,394
<b>FFO <sup>(1)</sup></b>	<b>60,906</b>	61,875
<b>FFO per share <sup>(2)</sup></b>	<b>\$ 2.02</b>	\$ 2.04

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 37 for further information.

(2) Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 37 for further information.

## Canadian properties

The Canadian property portfolio decreased overall, as a result of the strategic disposition of non-core assets, partially offset by the new development. In 2025, we completed 7 buildings totaling 82,209 sf which has added \$3.17 million (2024 - \$2.14 million) to NOI as detailed in the same asset NOI table following. This includes:

- 3 buildings at our Winterburn Point development in Edmonton AB (24,990 sf);
- 2 buildings at our Greenwich Village development in Calgary, AB (37,278 sf);
- 1 building at our Woodbend Market development in Leduc, AB (9,913 sf); and
- 1 building at our Chestermere Station development, in Chestermere, AB (10,028 sf).

Occupancy of our Canadian properties was 82.1%, down from 87.2% in 2024. Committed occupancy was 83.7%, down from 88.0% in 2024. Occupancy in our Canadian properties was significantly impacted by the departure of a tenant that previously occupied 133,243 sf. Excluding this outlier, our Canadian occupancy was 85.5%, down 1.7% from 2024.

Canadian weighted average base rent was up 6.2% or \$1.23 per sf to \$21.14 per sf compared to \$19.91 per sf in 2024.

Fair value gains (losses) on properties under active development are recognized throughout the development process until the property is completed and recognized at fair market value. From new development we have generated \$4.58 million in fair value gains (losses) in 2025 compared to \$3.81 million recognized in fair value gains in 2024. In 2025, fair value gains were primarily driven by development activity.

A breakdown of our fair value gains on active development by region is as follows:

(\$000s)	2025	2024
Northern Alberta	4,663	3,750
Southern Alberta	(82)	56
	4,581	3,806

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

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

(\$000s except as noted)	2025	2024
<b>Same asset NOI</b> <sup>(1)</sup>	51,443	52,407
Disposals	7,785	12,470
Properties recently completed construction	3,165	2,138
<b>NOI</b> <sup>(1)</sup>	62,393	67,015
Amortization of tenant incentives	(5,400)	(6,865)
Straight-line rent adjustment	810	(190)
<b>Gross profit</b>	57,803	59,960

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 37 for further information.

Gross profit was down 3.6% or \$2.16 million to \$57.80 million from \$59.96 million in 2024. NOI decreased 6.9% or \$4.62 million to \$62.39 million from \$67.02 million in 2024. Gross profit and NOI are impacted by recent property dispositions and new commercial development. Same asset NOI adjusts for these factors to provide a more direct year-over-year comparison. Recently completed developments contributed an additional \$3.17 million to NOI (2024 - \$2.14 million). On a same-asset basis, NOI was down 1.8% or \$0.96 million to \$51.44 million from \$52.41 million in 2024.

### US properties

Revenue on US properties was down 7.5% to \$12.12 million compared to \$13.11 million in 2024 and NOI was down 0.9% to \$3.89 million compared to \$3.92 million in 2024.

Revenue includes certain non-cash items, such as the amortization of tenant incentives and straight-line rent adjustments, which are excluded from NOI to better reflect the underlying operating performance of the properties. While reported revenue declined, excluding impacts from recent property sales, our same asset NOI was up 1.1% or \$0.04 million to \$3.63 million from \$3.59 million in 2024.

Our US properties have seen a reduction in occupancy to 71.4% from 78.2% in 2024. WABR increased 2.9% or \$0.64 per sf to \$22.34 per sf from \$21.70 per sf in 2024. In 2025, we sold 7 residential units and an additional 14 residential units were sold in 2024, which impacted our current and comparative period results. We also sold Evans Business Centre an office building located in Scottsdale, AZ for net proceeds of \$12.96 million (US\$9.37 million) in 2025.

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

(\$000s except as noted)	2025	2024
<b>Same asset NOI</b> <sup>(1)</sup>	3,625	3,587
Disposals	260	334
<b>NOI</b> <sup>(1)</sup>	3,885	3,921
Foreign currency translation	1,534	1,458
Amortization of tenant incentives	(1,218)	(1,352)
Straight-line rent adjustment	(465)	91
<b>Gross profit</b>	3,736	4,118

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 37 for further information.

### Management fees & other

Management fees on development is comprised of fees paid by joint arrangement partners and is a percentage of total development costs incurred, which fluctuate period to period depending on the development stage of the active projects. Management fees earned on development during 2025 were \$0.21 million (2024 - \$0.27 million).

Management fees are also earned under joint venture agreements where Melcor acts as the asset manager. Melcor's portion of the management fees are eliminated on consolidation. After eliminating entries, management fees earned on asset and property management during 2025 were \$0.87 million (2024 - \$0.88 million).

Revenue from parking stalls and other assets was down 7.3% to \$0.98 million from \$1.06 million in 2024. These revenues are ancillary to our business and tend to fluctuate from period to period.

### Fair Value of Investment Portfolio

The fair value of our Properties portfolio decreased by \$109.81 million over December 31, 2024. The components leading to the change in fair value include:

- the sale of Melcor Crossing (Grande Prairie, AB) which sold in Q2-2025 for a selling price of \$48.00 million, reducing our investment properties by \$47.39 million;
- the sale of Evans Business Centre (Scottsdale, AZ), which sold in Q3-2025 for a selling price of \$13.19 million (US\$9.53 million), reducing our investment properties by \$12.96 million (US\$9.37 million);
- the sale of Coast Home Centre (Edmonton, AB), which sold in Q4-2025 for a selling price of \$14.85 million, reducing our investment properties \$14.79 million;
- the sale of Westgrove Common (Spruce Grove AB), which sold in Q4-2025 for a selling price of \$12.70 million, reducing our investment properties \$12.11 million;
- the sale of seven residential units at Edge at Grayhawk (Scottsdale, AZ), reducing the portfolio value by \$2.78 million (US\$1.97 million);
- fair value losses decreased our portfolio value by \$24.30 million related to adjustments on properties from external valuation professionals and other adjustments impacting fair value recognized in the period, with an additional \$1.58 million in fair value losses recognized on our assets held for sale in the current year;
- property improvements and direct leasing costs of \$4.33 million, increasing fair value;
- development costs and capitalized borrowings on development increasing the portfolio by \$5.23 million; and,
- foreign currency translation loss and other adjustments of \$3.45 million, and changes to tenant improvements and straight-line rent.

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

(\$000s)	2025			2024		
	Investment Properties	Properties Under Development	Total	Investment Properties	Properties Under Development	Total
Northern Alberta	(18,505)	4,663	(13,842)	(27,932)	3,750	(24,182)
Southern Alberta	(3,244)	(82)	(3,326)	(655)	56	(599)
British Columbia/ Saskatchewan	(685)	–	(685)	1,649	–	1,649
US	(8,025)	–	(8,025)	(5,307)	–	(5,307)
	(30,459)	4,581	(25,878)	(32,245)	3,806	(28,439)

Investment properties were valued by Melcor's internal valuation team as at December 31, 2025. Our qualified external valuation professionals valued 55 of the 86 legal phases with a fair value of \$581.87 million. This resulted in fair value losses of \$25.88 million recorded as fair value adjustments on investment properties in the statements of income and comprehensive income. In 2024 our qualified external valuation professionals valued 59 of the 90 legal phases with a fair value of \$736.48 million which resulted in a fair value loss of \$28.44 million for the year.

Our US residential and commercial properties continue to face challenges, as a result of the increase in capitalization rates on office properties in our Arizona and Colorado region paired with decreased occupancy. The increase in capitalization rate is a correlated to the continued interest rate pressures and higher market risk across the industry. Losses on our Alberta assets are also attributed to an increase in capitalization rates on several properties correlated to current interest rate pressures and market risk. Refer to note 28 to the consolidated financial statements for additional information on the calculation of fair value adjustments.

## Golf

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

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

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

## Operating Results

(\$000s except as noted)	2025	2024
Revenue	12,486	11,446
Gross profit	5,404	4,900
Gross margin (%) <sup>(1)</sup>	43.3 %	42.8 %
Earnings	2,423	2,062

<sup>(1)</sup> Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 37 for further information.

All of our golf courses were open mid-April, with the exception of our Black Mountain golf course in Kelowna, which was able to get an early start opening March 26, 2025. In 2025 we saw an increase of rounds played of 5.53% to 129,612 from 122,824 in 2024, with revenues also increasing 9.1% or \$1.04 million to \$12.49 million from \$11.45 million in 2024. We also saw an increase in our gross margin to 43.3% from 42.8% in 2024.

Melcor operated golf courses closed on November 2, 2025 and our externally managed golf course closed on October 14, 2025.

	Ownership interest	2025		Rounds of golf <sup>(1)</sup>
		Season opened	Season closed	
<b>Managed by Melcor:</b>				
Lewis Estates (Edmonton)	60%	April 15	November 2	30,319
The Links (Spruce Grove)	100%	April 15	November 2	33,806
Black Mountain (Kelowna)	100%	March 26	November 2	40,475
<b>Managed by a Third Party:</b>				
Jagare Ridge (Edmonton)	50%	April 26	October 14	25,012
		2024		
	Ownership interest	Season opened	Season closed	Rounds of golf <sup>(1)</sup>
<b>Managed by Melcor:</b>				
Lewis Estates (Edmonton)	60%	April 10	October 18	29,545
The Links (Spruce Grove)	100%	April 11	October 18	30,049
Black Mountain (Kelowna)	100%	March 22	November 3	38,163
<b>Managed by a Third Party:</b>				
Jagare Ridge (Edmonton)	50%	April 22	October 14	25,067

<sup>(1)</sup> Rounds of golf indicated at 100%.

## General and Administrative Expense

G&A expenses were down 2.1% or \$0.63 million to \$29.38 million from \$30.01 million in 2024.

G&A expenses in both the current and comparative periods were impacted by costs associated with the Transaction between Melcor and the REIT. These costs were non-recurring in nature and were directly attributable to the Transaction. As a result, transaction-related expenditures increased G&A in 2025 and 2024. Excluding professional fees associated with the Transaction, G&A expenses were up 12.1% in the current year.

Our remaining G&A expense categories remain on budget, and fairly stable over the prior year. G&A as a percent of total revenues was 7.2% in 2025 compared to 8.6% in 2024. Excluding the extraordinary costs related to the Transaction, Management believes that G&A expenditures remain relatively stable over prior year. Management continues to prudently monitor and manage controllable expenses.

## Income Tax Expense

The statutory tax rate for the year ended December 31, 2025 is 23.0% (2024 - 23.0%). The most significant adjustment impacting the 2025 effective tax rate was the increase in deferred tax as a result of the Transaction. Prior to the close of the Transaction, Melcor was only taxable on its share of the REIT and, as a result, recorded 55.4% of the REIT LP's deferred tax balance. On close of the Transaction, Melcor owns 100% of REIT LP and recognized 100% of the deferred tax balances related to the REIT LP. This resulted in an increase in deferred tax expense of \$23.09 million during the second quarter. Other items that impact the effective tax rate include the fair value adjustment on investment properties, which is not subject to tax, permanent differences related to revaluation adjustments on REIT Units, transaction costs, different tax rates in subsidiaries and the non-taxable portion of REIT income prior to the Transaction (after removal of fair value adjustments on Class B Units).

## Financing

As at December 31, 2025, our total general debt outstanding was \$548.74 million compared to \$611.34 million in 2024. The financing function is managed by our Corporate division and decisions on how to deploy operating and acquisition funds are a centrally managed corporate decision. We use various forms of financing to fund our development and acquisition activities. We are often able to leverage the assets in one division to fund development opportunities in others.

A summary of our debt is as follows:

As at (\$000s)		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
		548,744	611,339

### a) Revolving credit facility

#### i. Melcor credit facility

One of our primary sources of funding for development projects is an operating line of credit with a syndicate of major chartered banks. This line of credit margins our Melcor Land and qualifying property development assets.

Under the terms of the facilities, Melcor pledges specific agreements receivable, specific lot inventory, undeveloped land inventory and a general security agreement as collateral. The facilities mature on July 31, 2027, renewable one year in advance of expiry.

#### ii. Subsidiary credit facility

Our subsidiary's credit facility for REIT LP was cancelled in November 2025.

In 2024, the available credit limit was based on the lesser of the present value of discounted cash flows or 75.0% of the appraised value of specific investment properties to a maximum of \$50.00 million for general corporate purposes and acquisitions, including a \$5.00 million 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 \$5.00 million 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.

In 2024, the carrying value of pledged properties was \$66.40 million and we had \$24.85 million drawn from facility (net of unamortized transaction fees), which included \$25.00 million drawn on the CORRA facility; and posted no letters of credit. The weighted average effective interest rate on borrowings in 2024 was 5.84%.

A summary of the credit facilities is as follows:

As at (\$000s)		2025	2024
Credit limit approved	i)	266,380	316,430
Supportable credit limit	ii)	250,857	303,000
Credit used		(79,375)	(85,422)
Credit available		171,482	217,578

- i. The portion of these loan limits that relate solely to Melcor is \$170.00 million (2024 - \$170.00 million) with the remaining balance pertaining to specific joint arrangements and the REIT in 2024.
- ii. Our supportable credit limit is calculated based on a formula and tests as required by the bank. The supportable credit limit is calculated based on agreements receivable balances and land inventory. As such, the supportable limit fluctuates in response to increases or decreases in these balance sheet accounts. Management monitors the supportable credit limit and keeps the bank informed at all times of its current collections and inventory production plans.

In the normal course of development operations, we are required to issue letters of credit as collateral for the completion of obligations pursuant to development agreements signed with municipalities. The credit facility described above also includes a letter of credit facility. Melcor's letter of credit balances, net of joint arrangement interests are:

As at (\$000s)	2025	2024
Total letter of credit facility	76,667	80,617
Letters of credit issued	(39,388)	(39,461)
Available for issue	37,279	41,156

### b) Project specific financing

We use project financing to supplement our line of credit, or when certain projects allow us to access a lower cost of capital typically provided by project financing. This type of loan usually has floating rates of interest tied to prime. Project specific debt is due on demand.

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 \$29.13 million (2024 - \$30.18 million), have been pledged as collateral on project specific debt on investment properties under development.

The composition of our project specific financing is as follows:

As at (\$000s)	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
Weighted average effective interest rate	5.85 %	5.91 %

### c) Debt on investment properties

We use fixed rate, long-term mortgage financing on our investment property assets to raise capital. We are able to finance increased loan amounts from our existing portfolio of buildings as old mortgages renew and there is increased equity in our investment properties.

Debt on investment properties in the amount of \$455.99 million (2024 - \$511.80 million), excluding fair value adjustments and deferred finance fees, reflects financing placed on investment properties that have a carrying value of \$790.32 million (2024 - \$874.18 million).

Rates are negotiated at a pre-agreed benchmark bond rate plus a spread and are negotiated with different lenders to ensure competitive terms and multiple sources. New mortgage rates from Canadian lending institutions ranged from 3.94% to 5.77% in 2025.

The composition of our debt on investment properties and golf course assets is as follows:

As at (\$000s)	2025	2024
Canadian mortgages at fixed rates	286,481	338,518
Canadian mortgages at variable rates	130,321	127,006
US mortgages at fixed rates	40,127	47,269
	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%)
Weighted average effective interest rate	4.10 %	4.28 %

Loan maturity dates are spread out so as to reduce associated loan renewal risks. The following table represents cumulative loan amounts due for renewal over the next ten years:

Year	Loan renewal amount (\$000s)	Weighted average interest rate	Number of loans
2026	97,946	3.55%	15
2027	27,273	5.20%	4
2028	91,310	4.85%	8
2029	91,836	4.34%	9
2030	49,379	3.36%	6
2031	33,115	2.83%	4
2032	61,567	4.51%	5
2033	4,506	5.20%	1

As at December 31, 2025, \$40.13 million of debt was payable in US dollars (2024 - \$47.27 million).

## Liquidity & Capital Resources

The following table represents selected information as at December 31, 2025, compared to December 31, 2024.

As at (\$000s except as noted)	2025	2024
Cash & cash equivalents	74,884	54,338
Restricted cash	–	1,329
Accounts receivable	13,909	17,853
Agreements receivable	198,903	157,412
Revolving credit facilities	79,375	85,422
Accounts payable and accrued liabilities	52,269	52,119
Total assets	2,051,135	2,108,553
Total liabilities	783,062	865,923
Debt to equity ratio <sup>(1)</sup>	0.62	0.70

(1) Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 37 for further information.

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

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

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

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

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

### Cash requirements

The following information about our contractual obligations and other commitments summarizes certain of our liquidity and capital resource requirements. The information presented includes legally committed capital expenditures.

Contractual obligations include:

	Total	Payments due by period			
		Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Debt on investment properties	456,929	116,854	130,664	126,974	82,437
Revolving credit facilities	79,375	–	79,375	–	–
Project specific financing	13,380	13,380	–	–	–
Interest expense	65,103	21,277	27,791	11,730	4,305
Lease obligation	1,428	–	1,428	–	–
Accounts payable and other liabilities	50,841	50,841	–	–	–
<b>Total contractual obligations</b>	<b>667,056</b>	<b>202,352</b>	<b>239,258</b>	<b>138,704</b>	<b>86,742</b>

### Sources and uses of cash

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

	2025	2024
Cash flows from operating activities	<b>93,568</b>	98,626
Cash flows from investing activities	<b>85,205</b>	2,685
Cash flows used in financing activities	<b>(157,278)</b>	(82,085)

#### Operating activities:

Cash from operations was down by \$5.06 million to \$93.57 million in 2025 (2024 - \$98.63 million). Cash from operating activities is significantly impacted by timing of development and sales activity, swings in working capital and net income adjusted for non-cash items.

Cash provided by operating activities before changes in non-cash working capital was up 23.4% or \$22.01 million to \$115.91 million from \$93.91 million in 2024.

Agreements receivable can fluctuate year-over-year dependent on timing of payments received. In 2025, collections on agreements receivables negatively impacted cash flows by \$41.49 million, compared to a negative impact of \$31.34 million in 2024.

Development activities within our Land division contributed cash inflows of \$21.23 million in 2025, down \$19.27 million from cash inflows of \$40.50 million in 2024, negatively impacting cash flows.

We also incurred \$4.71 million in tenant incentives and direct leasing costs in 2025, down \$4.58 million from \$9.29 million in 2024. These costs can vary year over year tenant on the mix of leasing that occurs.

### **Investment activities:**

Cash from investing activities was \$85.21 million, up \$82.52 million from \$2.69 million in 2024.

In early 2025, we sold one property classified as assets held for sale, located in Grande Prairie, AB, for a sale price of \$48.00 million less transaction costs resulting in net proceeds on sale of \$47.31 million. Proceeds from the sale were used to repay the outstanding principal balance on the mortgage of \$29.71 million with remaining proceeds used to pay down our credit facilities. Deposits of \$0.25 million, classified as restricted cash at year end, were also received on closing.

Additionally, in Q4-2025 we sold two retail properties classified as held for sale, including Coast home Centre, located in Edmonton, AB for net proceeds of \$12.46 million and Westgrove Common, a retail power centre located in Spruce Grove, AB for net proceeds of \$14.52 million. Proceeds from the sale of Westgrove Common were used to repay the outstanding principal balance on the mortgages of \$7.39 million, with remaining cash flow from the sales used to reduce borrowing on our credit facility.

In our US region, we sold seven residential units at our Edge complex located in Scottsdale, AZ for net proceeds of \$2.78 million (US\$1.97 million) and sold our Evans Business Centre, an office property located in Scottsdale, AZ for net proceeds of \$12.96 million (US\$9.37 million), with proceeds being used to repay the outstanding principal balance on the mortgage of \$3.46 million (US\$2.48 million).

We remain committed to strengthening our asset base through ongoing asset enhancement projects. Additions to investment properties include active construction on new development and upgrades to income-generating assets within the Properties division. In 2025, we invested \$5.23 million in properties under development, compared to \$13.79 million in 2024. Additionally, we invested \$3.12 million in 2025 to our income-generating properties, up from \$2.40 million in 2024.

### **Financing activities:**

Cash used in financing activities was \$157.28 million up \$75.19 million from \$82.09 million cash used in 2024.

On April 23, 2025, we acquired our unowned equity interest (approximately 44.6%) in REIT LP for \$5.50 per Class A LP Unit in cash consideration (see page 3 for more details). This resulted in cash outflows of \$71.30 million in April 2025. Melcor funded the purchase using availability on our revolving credit facility. Costs considered directly attributable and incremental to the Transaction were included in the Adjustment on REIT Units and \$5.88 million of transaction costs were recorded year-to-date.

Cash used for the repayment of general debt was up \$56.49 million to \$87.53 million from \$31.04 million in 2024. Included in our repayment of general debt were mortgage repayments of \$62.61 million, along with \$16.76 million of scheduled mortgage principal payments. Despite draws on our facility related to the Transaction, we had net repayment on our credit facilities of \$6.05 million in 2025 compared to net repayments in 2024 of \$24.41 million.

In the comparative period, the convertible debentures were redeemed which had an aggregate principle of \$46.00 million.

In 2025, we repurchased 344,980 shares for \$4.78 million under our NCIB plan. These shares were subsequently cancelled and returned to treasury. This compares to 356,703 shares purchased for \$4.33 million and subsequently canceled in 2024.

In 2025, we paid dividends of \$0.48 per share (2024 - \$0.44 per share), for a total cash outflow of \$14.49 million, compared to \$13.40 million in 2024.

## **Share Data**

Melcor has been a public company since 1968 and trades under the symbol "MRD" on the Toronto Stock Exchange. As at December 31, 2025 there were 30,102,605 common shares issued and outstanding and 316,059 restricted share units. Each restricted share unit is convertible to one common share upon redemption. There is only one class of shares issued. As at March 10, 2026 there were 30,073,351 common shares issued, and 316,059 restricted share units.

Please refer to note 16 to the consolidated financial statements for information pertaining to our outstanding shares and options.

## Normal Course Issuer Bid

### Melcor Developments Ltd:

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 (new 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 new NCIB expires on June 9, 2026.

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

During 2025, 344,980 shares were purchased for cancellation by Melcor pursuant to the NCIB at a cost of \$4.78 million (December 31, 2024 - 356,703 shares purchased at a cost of \$4.33 million). In 2025, we recognized \$0.07 million (2024 - \$0.07 million) in tax on share buyback.

## Off Balance Sheet Arrangements

In the normal course of operations, Melcor engages in transactions that, under IFRS Accounting Standards, are either not recorded on our consolidated statements of financial position or are in amounts that differ from the full contract amounts. The main off-balance sheet arrangements we make include the issuance of guarantees and letters of credit.

A discussion of our letter of credit facility arrangement can be found in the Financing section. Refer to note 19 to the consolidated financial statements for information pertaining to our guarantees and letters of credit.

## Quarterly Results

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

(\$000s)	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	187,122	72,543	100,139	50,743	170,538	59,508	69,707	49,748
Net income (loss)	31,652	14,093	7,258	5,016	32,384	(34,984)	23,340	12,788
FFO <sup>(2)</sup>	49,183	23,403	36,125	13,426	43,436	16,507	20,115	13,748
<i>Per Share</i>								
Basic earnings (loss)	1.05	0.46	0.24	0.17	1.07	(1.15)	0.76	0.42
Diluted earnings (loss)	1.05	0.46	0.24	0.16	1.05	(1.15)	0.76	0.42
FFO basic <sup>(1)</sup>	1.64	0.77	1.19	0.44	1.44	0.54	0.65	0.45
Book value <sup>(1)</sup>	42.13	41.38	40.90	41.07	40.92	39.56	40.81	40.01

(1) Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 37 for further information.

(2) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 37 for further information.

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

## Fourth Quarter

Three months ended December 31 (\$000s)	2025	2024
Revenue	187,122	170,538
Cost of sales	(115,815)	(100,457)
Gross profit	71,307	70,081
General and administrative expense	(8,778)	(9,547)
Fair value adjustment on investment properties	(20,596)	(2,825)
Adjustments related to REIT units	–	(5,054)
Gain on sale of assets	–	2
Operating earnings	41,933	52,657
Interest income	1,528	846
Foreign exchange gain	942	367
Finance costs	(5,736)	(7,354)
Net finance costs	(3,266)	(6,141)
Income before income taxes	38,667	46,516
Income tax expense	(7,015)	(14,132)
Net income for the period	31,652	32,384
<b>Earnings per share attributable to Melcor's shareholders:</b>		
Basic earnings per share	1.05	1.07
Diluted earnings per share	1.05	1.05

### Financial Highlights for the Quarter

- Revenue was up 9.7% or \$16.58 million to \$187.12 million (Q4-2024 - \$170.54 million)
- Gross profit was up 1.7% or \$1.23 million to \$71.31 million (Q4-2024 - \$70.08 million)
- Net income was down 2.3% or \$0.73 million to \$31.65 million (Q4-2024 - \$32.38 million)

Net income continues to be significantly impacted by non-cash items, including fair value adjustments on our investment properties which saw a loss of \$20.60 million in the quarter (Q4-2024 - loss of \$2.83 million). In Q4-2024, Adjustments related to REIT units resulted in a loss of \$5.05 million. The Transaction closed and REIT Units were delisted on April 24, 2025, after which no further adjustments were recorded.

Management believes that FFO is a more accurate representation of true operating performance. FFO was up 12.4% or \$5.39 million to \$48.82 million from \$43.44 million in Q4-2024. The increase was primarily driven by higher gross profits, paired with reductions in general and administrative expenses and reduced finance costs over Q4-2024.

### Operating Highlights for the Quarter

- Land division:** registered 15 plans in 9 communities, which added 1,131 lots to inventory and sold 989 single-family lots in Q4-2025. This compares to 16 plan registrations in 10 communities adding 795 lots to inventory with 775 lots sold in Q4-2024.
  - Edmonton region: 550 single-family lots sold (Q4-2024 - 292).
  - Calgary region: 530 single-family lots sold (Q4-2024 - 425).
- Properties division:** completed construction on 3 buildings (47,306 sf), with two buildings located in our Greenwich Village development in Calgary, AB and one building located at our Chestermere Station development in Chestermere, AB.
- We sold two buildings and one residential unit:
  - One residential units located at the Edge at Grayhawk in Scottsdale, AZ for net proceeds of \$0.38 million (US\$0.26 million)
  - Coast Home Centre, a retail building located in Edmonton, AB for proceeds of \$14.85 million, less transaction costs
  - Westgrove Common, a retail power centre located in Spruce Grove, AB for proceeds of \$12.70 million, less transaction costs
- Our **Golf division** wrapped up the season with our Melcor operated courses closing on November 2, 2025 and our third-party managed golf course closing on October 14, 2025.

Segmented information for the fourth quarter is as follows:

Three months ended						Intersegment	
December 31, 2025	Land	Properties	Golf	Corporate	Subtotal	Elimination	Total
Revenue	160,122	26,829	852	–	187,803	(681)	<b>187,122</b>
Cost of sales	(103,784)	(10,772)	(1,289)	–	(115,845)	30	<b>(115,815)</b>
Gross profit	56,338	16,057	(437)	–	71,958	(651)	<b>71,307</b>
General and administrative expense	(3,674)	(2,716)	(717)	(2,322)	(9,429)	651	<b>(8,778)</b>
Fair value adjustment on investment properties	–	(20,596)	–	–	(20,596)	–	<b>(20,596)</b>
Gain on sale of assets	–	–	–	–	–	–	–
Interest income	1,259	48	2	219	1,528	–	<b>1,528</b>
Segment earnings (loss)	53,923	(7,207)	(1,152)	(2,103)	43,461	–	<b>43,461</b>
Foreign exchange gain					942	–	<b>942</b>
Finance costs					(5,736)	–	<b>(5,736)</b>
Adjustments related to REIT units					–	–	–
Income before income taxes					38,667	–	<b>38,667</b>
Income tax expense					(7,015)	–	<b>(7,015)</b>
Net income for the period					31,652	–	<b>31,652</b>

Three months ended						Intersegment	
December 31, 2024	Land	Properties	Golf	Corporate	Subtotal	Elimination	Total
Revenue	141,646	28,875	746	–	171,267	(729)	170,538
Cost of sales	(87,696)	(11,813)	(980)	–	(100,489)	32	(100,457)
Gross profit	53,950	17,062	(234)	–	70,778	(697)	70,081
General and administrative expense	(3,195)	(5,023)	(617)	(1,409)	(10,244)	697	(9,547)
Fair value adjustment on investment properties	–	(2,825)	–	–	(2,825)	–	(2,825)
Gain on sale of assets	–	–	2	–	2	–	2
Interest income	703	71	5	365	1,144	(298)	846
Segment earnings (loss)	51,458	9,285	(844)	(1,044)	58,855	(298)	58,557
Foreign exchange gain					42	–	367
Finance costs					(7,652)	298	(7,354)
Adjustments related to REIT units					(5,054)	–	(5,054)
Income before income taxes					46,191	–	46,516
Income tax expense					(14,132)	–	(14,132)
Net income for the period					32,059	–	32,384

## Outlook

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Melcor maintains a diversified real estate platform encompassing raw land, land under development, serviced residential, multifamily and commercial lots, income-producing properties, and the operation of championship golf courses. This diversified asset base continues to position us well to respond to demand across multiple real estate segments, regardless of market conditions. While market volatility is an ongoing factor, our long history demonstrates resilience and the ability to operate successfully through various economic cycles.

Looking ahead to 2026, we expect continued moderate strength in both residential and commercial development. Ongoing migration to Alberta is anticipated to support demand for serviced residential lots and contribute to the continued shift toward suburban communities. Alberta's positive employment environment and population growth trends are expected to further reinforce development activity. In addition, there is potential for improved land sales within our U.S. operations as market conditions evolve.

Despite the broader economic uncertainties and the opportunities emerging across our markets, our business model has consistently adapted to changing conditions. Melcor remains cautiously optimistic and committed to a disciplined, conservative operating approach. This positions us to maintain profitability, safeguard shareholder capital, and continue delivering value through responsible growth and the distribution of corporate earnings.

## Business Environment & Risks

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A discussion of credit risk, liquidity risk and market risk can be found in note 27 to the consolidated financial statements.

The following is an overview of certain risk factors that could adversely impact our financial condition, results of operations, and the value of our common shares.

### General Risks

We are exposed to the micro- and macro-economic conditions that affect the markets in which we operate and own assets. In general, a decline in economic conditions will result in downward pressure on Melcor's margins and asset values as a result of lower demand for the services and products we offer. Specifically, general inflation and interest rate fluctuations; population growth and migration; job creation and employment patterns; consumer confidence; government policies and global politics, regulations and taxation; and availability of credit and financing could pose a threat to our ongoing business operations. Improvements to these factors could have a positive impact on our results.

International economic forces and conditions will impact our business particularly related to our US investment. We adapt our business plan to reflect current conditions and we believe that we have sufficient resources to carry our operations through uncertain times.

We participate in joint arrangements under the normal course of business that may have an effect on certain assets and businesses. These joint arrangements may involve risks that would not otherwise be present if the third parties were not involved, including the possibility that the partners have different economic or business interests or goals. Also, within these arrangements, Melcor may not have sole control of major decisions relating to these assets and businesses, such as: decisions relating to the sale of the assets and businesses; timing and amount of distributions of cash from such entities to Melcor and its joint arrangement partners; and capital expenditures.

### Adverse Global Market, Economic and Political Conditions

Adverse Canadian and global market, economic and political conditions, including credit market volatility and general economic uncertainty, unexpected or ongoing geopolitical events (including disputes between nations, war, terrorism or other acts of violence), could have a material adverse effect on our business, results of operations and financial condition. Potential impacts include the value of our properties, the availability of financing on favourable terms, our ability to make principal and interest payments on, or refinance, any outstanding debt when due, the occupancy rates in our properties, and our tenants ability to enter into new leases or satisfy rental payments under existing leases.

U.S. tariffs on Canadian goods could pose significant risks to the Canadian, and more specifically Alberta economy. Alberta relies heavily on exports, particularly in oil, gas, and agriculture, so higher tariffs would make its products more expensive and less competitive in the U.S. market. The energy sector could see reduced profitability and investment, while farmers could lose access to key markets. This could lead to revenue losses, job cuts, and slower economic recovery, especially as Alberta continues to rebound from the pandemic.

### Real Estate Risk

Real estate investments are subject to varying levels of risk. These risks include changes to general economic conditions, government and environmental regulations, local supply/demand, and competition from other real estate companies. Real estate assets are relatively illiquid in down markets. As a result, Melcor may not be able to rebalance its portfolio in response to changing economic or investment conditions.

Other real property risks include:

- The value of the property and any improvements made to it;
- Rollover of leases and the ability to rent unleased suites;
- Financial stability of tenants and their ability to pay rent and fulfill their lease obligations; and
- Geographic concentration.

Cash available for dividends will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of space in our properties becomes vacant and cannot be leased on economically favourable lease terms.

General declines in real estate markets, including changes in demand for real estate resulting from COVID-19 and related economic conditions, will impact fair values reported or the cash flows associated with owning or disposing of such properties. Market assumptions applied for valuation purposes do not necessarily reflect Melcor's specific history or experience, and the conditions for realizing the fair values through a sale may change or may not be realized. Consequently, there is a risk that the actual fair values may differ, and the differences may be material. In addition, there is an inherent risk related to the reliance on and use of a single appraiser as this approach may not adequately capture the range of fair values that market participants would assign to the real estate properties. Certain ratios and covenants could be negatively affected by downturns in the real estate market and could have significant impact on our investment properties operating revenues and cash flows, as well as the fair values of the real estate properties.

### **Concentration of Assets Risk**

The majority of our assets are located in Alberta. Adverse changes in economic conditions in Alberta may have a material adverse effect on our business, cash flows, financial condition and results of operations and ability to pay dividends. The Alberta economy is sensitive to the price of oil and gas. To mitigate against this risk, we endeavor to diversify our revenue mix by product and location. On the flip-side, growth in the price of oil and gas may have a positive affect. Melcor's share price has traditionally tracked with oil prices.

### **Financing & Interest Rates Risk**

We use debt and other forms of leverage in the ordinary course of business to enhance returns to shareholders. The Bank of Canada started lowering its policy rate in June 2024. While interest rates continue to decline, external factors like potential U.S. tariffs create uncertainties that could affect Alberta's financing and interest rate landscape. The potential to increased interest rates would result in an increase in the amount required to service debt. Most leveraged debt within the business has recourse only to the assets being financed or margined and has no recourse to Melcor. We are subject to general risks associated with debt financing.

The following risks may adversely affect our financial condition and results of operations:

- Cash flow may be insufficient to meet required payments of principal and interest;
- Payments of principal and interest on borrowings may leave us with insufficient cash resources to pay operating expenses;
- We may not be able to refinance indebtedness on our assets at maturity due to company and market factors;
- The fair market value of our assets;
- Liquidity in the debt markets;
- Financial, competitive, business and other factors, including factors beyond our control;
- Refinancing terms that are not as favourable as the original terms of the related financing.

We attempt to mitigate these risks through the use of long-term debt and diversifying terms and maturity dates.

The terms of various credit agreements and other financing documents require that we comply with a number of financial and other covenants, such as maintaining debt service coverage and leverage ratios, and minimum insurance coverage. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we had satisfied our payment obligations.

If we are unable to refinance assets/indebtedness on acceptable terms, or at all, we may need to utilize available liquidity, which would reduce our ability to pursue new investment opportunities, or require that we dispose of one or more of our assets on disadvantageous terms. In addition, unfavourable interest rates or other factors at the time of refinancing could increase interest expense.

A large proportion of our capital is invested in physical, long-lived assets, which can be difficult to liquidate, especially if local market conditions are poor. This circumstance could limit our ability to diversify our portfolio of assets promptly in response to changing economic or investment conditions.

We enter into financing commitments in the normal course of business and, as a result, may be required to fund these, particularly through joint arrangements. If we are unable to fulfill any of these commitments, damages could be pursued against Melcor.

### **Environmental Risk**

Our development activities are subject to various requirements (including federal, provincial and municipal laws) relating to the protection of the environment. For example, environmental laws or local bylaws may apply to a development site based on its environmental condition, present and former uses, and its adjoining properties. Environmental laws and conditions may result in delays, cause Melcor to incur significant compliance and other costs, and can severely restrict or prevent development in environmentally sensitive regions or areas.

Under these requirements, we could be, or become, liable for environmental or other harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under our properties (including commercial buildings, land inventory and development sites).

Such requirements often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such substances. Additional liability may be incurred by Melcor with respect to the release of such substances from our properties to properties owned by third parties, including properties adjacent to our properties or with respect to the exposure of persons to such substances. The failure to remove or otherwise address such substances may materially adversely affect our ability to sell such property, maximize the value of such property or borrow using such property as collateral security, and could potentially result in claims or other proceedings against Melcor.

We employ a rigorous due diligence process prior to acquiring raw land, and development sites to mitigate our exposure to these potential issues. It is our operating policy to obtain, or be entitled to rely on, a Phase I environmental site assessment prior to acquiring property or land. Where a Phase I environmental site assessment warrants further investigation, it is our operating policy to conduct further environmental investigations. Although such environmental assessments provide Melcor with some level of assurance about the condition of the property, we may become subject to liability for undetected contamination or other environmental conditions of our properties against which we cannot insure, or against which we may elect not to insure where insurance premium costs are considered to be disproportionate to the assessed risk, which could have a material adverse effect on our business, cash flows, financial condition and results of operations and ability to make distributions to unitholders.

Environmental laws and other requirements can change and we may become subject to more stringent environmental laws or other requirements in the future. Compliance with more stringent environmental laws or requirements, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have a material adverse effect on our business, cash flows, financial condition and results of operations and ability to pay dividends to shareholders.

Melcor bears the risk of assessment, remediation or removal of such contamination, hazardous substances or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against Melcor. The remediation of any contamination and the related additional measures we would have to undertake could have a materially adverse effect and could involve considerable additional costs that we may have to bear. Melcor will also be exposed to the risk that recourse against the polluter or the previous owners or occupants of the properties might not be possible, for example, because they cannot be identified, no longer exist or have become insolvent. Moreover, the existence or even the mere suspicion of the existence of contamination, hazardous materials or other residual pollution can materially adversely affect the value of a property and our ability to lease or sell such a property.

We employ a rigorous due diligence process, including obtaining a Phase I environmental site assessment, prior to acquiring property to mitigate our exposure to these potential issues.

### **Pandemics, Natural Disasters or Other Unanticipated Events**

The occurrence of pandemics, natural disasters, or other unanticipated events, in any of the areas where we or our partners and suppliers operate could disrupt operations. In addition, pandemics, natural disasters or other unanticipated events could have a material adverse effect on our business, financial condition, results of operations and cash flows. The COVID-19 pandemic resulted in restrictive government measures. Future outbreaks of viruses or other contagions, epidemic or pandemic diseases including subsequent outbreaks of COVID may lead to prolonged voluntary or mandatory building and/or business closures, restrictions on travel and gatherings, quarantines, self-isolation and physical distancing. The impact of these measures may cause a general shutdown of economic activity and disrupt workforce and business operations in the regions where we operate. An occurrence such as this, including the COVID-19 pandemic, could have material adverse effects and increased risk, including but not limited to:

- negative impact on pricing and availability of Canadian debt and equity capital markets
- material reduction in rental revenue and related collections due to financial hardship and government ordered closures of certain business
- reduced demand for commercial real estate leading to a material increase in vacancy and decline in revenue
- trading price of Melcor's securities
- negative impact to real estate valuations from declining revenue and lack of market activity
- ability to access capital markets at a reasonable cost
- uncertainty regarding delivering services due to illness, Melcor or government imposed isolation programs, restrictions on the movement of personnel, closures and supply chain disruptions
- impact of additional legislation, regulation, fiscal and monetary policies and other government interventions

This is not an exhaustive list of all risk factors. To mitigate these risks, we have a comprehensive health and safety program and have expanded it to include pandemics. We have introduced new policies and practices both internally and at the properties that we manage to reduce the spread of COVID-19.

### **Cyber Security Risk**

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including for Melcor and the real estate industry in general. Cyber attacks may focus on financial fraud, obtaining sensitive data for inappropriate use or to disrupt business operations. A cyber incident is any adverse event that threatens the confidentiality, integrity or availability of our information resources, including intentional or unintentional events to gain unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information.

As our reliance on technology has increased, so has our risk of a cyber security breach. The primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our reputation, damage to our business relationships with tenants and

suppliers, disclosure of confidential information regarding our tenants, employees and third parties with whom we do business, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation.

We completed a cyber security assessment with a third-party consultant, which resulted in an action plan that we are in the process of implementing. Progress against this plan is reported to the Audit Committee on a quarterly basis. Measures implemented to help mitigate cyber security risks include a combination of technical, administrative, and insurance-based controls, such as network firewalls, endpoint detection and response (EDR), identity threat detection and response (ITDR), least-privilege administrative access, staff training, and cyber security insurance. While these measures are intended to enhance our cyber resilience and risk posture, they do not provide assurance that our efforts will be effective or that cyber security incidents, including attempted breaches or disruptions, will not be successful or result in material harm.

### **Volatile Market Price of the Melcor's Securities**

Financial markets have experienced significant price and volume fluctuations in recent years. In many cases volatile market movement impacts a wide variety of issuers unrelated to the operating performance, underlying asset values or prospects of such issuers. The market price of Melcor's securities may decline even if our financial performance, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in losses. As well, certain institutional investors may base their investment decisions on consideration of Melcor's environmental, governance and social practices and performance according to such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited investment or no investment in Melcor's securities by those institutions. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil exist for a protracted period of time, our operations and the trading price of our securities could be adversely affected.

### **Insurance**

Melcor maintains insurance coverage for cyber risks, director & officer liability, comprehensive general liability, fire, flood, extended coverage and rental loss with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but Melcor would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

### **Land**

The Land division is subject to risks influenced by the demand for new housing in the regions where we operate. Demand is primarily impacted by interest rates, growth in employment, migration, general economic conditions, new family formations and the size of these families. The division's ability to bring new communities to the market is impacted by municipal regulatory requirements and environmental considerations that affect the planning, subdivision and use of land. The planning and approval process can take several years. During this period, the market conditions in general and/or the market for lots in the size and price range in our developments may change dramatically.

In addition, supply chain delays and other issues have recently caused volatility in pricing and delivery times for homes under construction.

The division manages our assets to ensure that we have adequate future land assets to develop by ensuring appropriate approvals are in place and by balancing our inventory of land between long, medium and short-term development horizons against the cost of acquiring and holding these lands, and by locking in construction and material pricing early.

### **Properties**

The Properties division is subject to the market conditions in the geographic areas where we own and manage properties. Where strong market conditions prevail, we are able to achieve higher occupancy rates. Market conditions are influenced by outside factors such as government policies, demographics and employment patterns, the affordability of rental properties, competitive leasing rates and long-term interest and inflation rates.

Commercial development would also be subject to risks that would normally be associated with the construction industry (such as fluctuating labour, material and consulting costs), combined with the normal leasing risks. We manage the overall costs of projects, project financing requirements, construction quality, and the suitability of projects in relation to the needs of the tenants who will occupy the completed building. Our Properties division may be subject to additional holding costs if an asset is not leased out on a timely basis.

### **Golf**

The results of golf course operations may be adversely affected by weather, which limits the number of playing days; competition from other courses; the level of disposable income available to customers to spend on recreational activities; the popularity of the sport; and the cost of providing desirable playing conditions on the course.

While weather is outside our control, we manage our golf courses to provide consistent playing conditions to support the popularity of our courses. We also focus on growing revenue related to food and beverage and event rentals.

## Other Financial Information

### Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with IFRS Accounting Standards. In applying IFRS Accounting Standards, 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. We have discussed the development, selection and application of our key accounting policies, and the critical accounting estimates and assumptions they involve, with the Audit Committee and the Board of Directors.

Our significant accounting policies and accounting estimates are contained in the consolidated financial statements. Please refer to note 3 to the consolidated financial statements for a description of our accounting policies and note 5 and 6 for a discussion of accounting estimates and judgments.

### Changes in Accounting Policies and Adoption of IFRS Accounting Standards

Refer to note 4 to the consolidated financial statements for information pertaining to accounting pronouncements that will be effective in future years.

### Subsequent Events

Please refer to note 29 to the consolidated financial statements for information pertaining to subsequent events.

### Joint Arrangement Activity

We record only our proportionate share of the assets, liabilities, revenue and expenses of our joint arrangements. Refer to note 23 to the consolidated financial statements for a listing of our current joint arrangements. The following table illustrates selected financial data related to joint arrangements at 100% as well as the net portion relevant to Melcor.

Joint arrangement activity at 100% (\$000s)	2025	2024
Revenue	208,243	252,672
Earnings	73,021	71,535
Assets	975,093	968,414
Liabilities	342,755	306,400

Joint arrangement activity at Melcor's ownership % (\$000s) <sup>(1)</sup>	2025	2024
Revenue	87,872	116,529
Earnings	31,405	34,639
Assets	454,944	458,312
Liabilities	154,083	146,311

<sup>(1)</sup> Ownership in joint arrangements varies from 7% - 67%.

## Internal Control over Financial Reporting and Disclosure Controls

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant and material information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), in a timely manner. Under the supervision of the CEO and CFO, we carried out an evaluation of the effectiveness of our disclosure controls and procedures as defined in Canada by National Instrument 52-109 as of December 31, 2025. Based on this evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures related to Melcor and its subsidiaries and joint arrangements were effective.

Internal control over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. Management designed these controls based on the criteria set out in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 Framework). The CEO and CFO have certified that the internal controls over financial reporting were properly designed and effective for the year ended December 31, 2025.

There has been no change to Melcor's disclosure controls and procedures or internal control over financial reporting during the year ended December 31, 2025, that materially affected, or is reasonably likely to materially affect, Melcor's internal control over financial reporting.

Notwithstanding the foregoing, no assurance can be made that the Melcor's controls over disclosure and financial reporting and related procedures will detect or prevent all failures of people to disclose material information otherwise required to be set forth in Melcor's reports.

## Non-GAAP and Non-standard Measures

Melcor's financial statements are prepared in accordance with IFRS Accounting Standards. Throughout this MD&A, we refer to terms known as non-GAAP financial performance measures that are not specifically defined in the CPA Canada Handbook or in IFRS Accounting Standards. These non-standard measures may not be comparable to similar measures presented by other companies. We use REALpac definitions for items such as FFO except for FFO we have included adjustments for amortization of deferred financing fees, which is included in non-cash financing costs and stock based compensation expense.

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

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

### Calculations

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

#### *Melcor Properties*

(\$000s)	Three-Months		Year Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
<b>Segment earnings<sup>(1)</sup></b>	<b>17,070</b>	9,243	<b>28,410</b>	25,219
Fair value adjustment on investment properties	<b>21,133</b>	29,966	<b>25,878</b>	28,439
General and administrative expenses	<b>3,627</b>	6,853	<b>7,663</b>	10,633
Interest income	<b>(314)</b>	(199)	<b>(412)</b>	(213)
Amortization of tenant incentives	<b>4,630</b>	6,338	<b>6,618</b>	8,217
Straight-line rent adjustments	<b>108</b>	434	<b>(345)</b>	99
<b>Divisional NOI</b>	<b>46,254</b>	52,635	<b>67,812</b>	72,394

(1) Refer to note 24 to the consolidated financial statements

Further discussion over NOI can be found in the Properties divisional results sections starting on page 19 of the MD&A.

**Same-asset NOI:** Same-asset NOI is a non-GAAP financial measure that compares the NOI on assets that have been owned for the entire current and comparative period and are classified for continuing use. Further discussion over same-asset NOI can be found in the Properties divisional results sections starting on page 19 of the MD&A.

**Fair value of investment properties:** Fair value of investment properties starting on page 19 is a supplementary financial measure and is calculated as the sum of the balance sheet balances for investment properties and assets held for sale and other assets (TI's and SLR).

**Gross margin (%):** Gross margin percent is a supplementary that indicates the relative efficiency with which we earn revenue. This ratio is calculated by dividing gross profit by revenue. Please refer to the 2025 Highlights section on page 11 of the MD&A for further discussion.

**Net margin (%):** Net margin percent is a supplementary financial measure that indicates the relative efficiency with which we earn income. This ratio is calculated by dividing net income by revenue. Please refer to the 2025 Highlights section on page 11 of the MD&A for further discussion.

**Book value per share:** Book value per share is a non-GAAP financial ratio and is calculated as shareholders' equity over number of common shares outstanding. Please refer to the 2025 Highlights section on page 11 of the MD&A for further discussion.

**Debt to equity ratio:** this is a non-GAAP financial ratio and is calculated as total debt over total equity. Refer to the Liquidity & Capital Resources section on page 26 of the MD&A for further discussion.

**Portion of total revenue:** Portion of total revenue is a supplementary financial measure and is calculated as divisional revenue over total consolidated revenue. Refer to the Divisional Results section on page 15 of the MD&A for further information.

**Portion of total gross profit:** Portion of total gross profit is a supplementary financial measure and is calculated as divisional gross profit over total consolidated gross profit. Refer to the Divisional Results section on page 15 of the MD&A for further information.

**Funds from operations (FFO):** FFO is a non-GAAP financial measure and is defined as net income in accordance with IFRS Accounting Standards, excluding (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of assets; (iii) amortization of tenant incentives; (iv) fair value adjustments, directly attributable transaction costs on the REIT Units acquisition, interest expense and other effects of redeemable units classified as liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) adjustment for amortization of deferred financing fees, which is included in non-cash financing costs and (vii) fair value adjustment on derivative instrument, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties. Further discussion over FFO, including a reconciliation from net income, can be found in the Funds from Operations section on page 14 of the MD&A and in the tables below:

*Consolidated*

(\$000s)	Three-Months		Year Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
<b>Net income for the year</b>	<b>31,652</b>	32,384	<b>58,019</b>	33,528
Amortization of tenant incentives	<b>1,399</b>	1,798	<b>6,618</b>	8,217
Fair value adjustment on investment properties	<b>20,596</b>	2,825	<b>25,878</b>	28,439
Depreciation of property and equipment	<b>156</b>	188	<b>1,156</b>	1,247
Stock based compensation expense	<b>365</b>	324	<b>1,330</b>	1,238
Non-cash financing costs	<b>(645)</b>	91	<b>1,233</b>	3,974
Gain on sale of assets	–	(2)	<b>(126)</b>	(58)
Deferred income taxes	<b>(4,699)</b>	773	<b>18,911</b>	2,962
Fair value adjustment on REIT units	–	5,055	<b>3,240</b>	14,259
Transaction costs on REIT Units acquisition	–	–	<b>5,878</b>	–
<b>FFO</b>	<b>48,824</b>	43,436	<b>122,137</b>	93,806

*Properties*

(\$000s)	Three-Months		Year Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
<b>Segment earnings <sup>(1)</sup></b>	<b>17,070</b>	9,243	<b>28,410</b>	25,219
Fair value adjustment on investment properties	<b>21,133</b>	29,966	<b>25,878</b>	28,439
Amortization of tenant incentives	<b>4,630</b>	6,338	<b>6,618</b>	8,217
<b>Divisional FFO</b>	<b>42,833</b>	45,547	<b>60,906</b>	61,875

(1) Refer to note 25 to the consolidated financial statements

**FFO per share:** FFO per share is a non-GAAP financial ratio and is defined as FFO over basic weighted average common shares outstanding. Refer to the Funds From Operations section on page 14 of the MD&A for further discussion.