



Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2026

(Unaudited, in thousands of Canadian dollars)

Condensed Interim Consolidated Statement of Income

Unaudited (\$000s)	For the three months ended	
	March 31, 2026	March 31, 2025
Revenue (note 8)	45,365	50,743
Cost of sales	(23,530)	(23,431)
Gross profit	21,835	27,312
General and administrative expense	(6,122)	(7,650)
Fair value adjustment on investment properties (note 5 and 13)	1,026	4,098
Adjustments related to REIT units (note 12)	—	(7,953)
Gain on sale of assets and derecognition of liabilities	2,043	1
Operating earnings	18,782	15,808
Interest income	1,087	983
Foreign exchange gain	7	4
Finance costs (note 9)	(6,495)	(8,584)
Net finance costs	(5,401)	(7,597)
Income before income taxes	13,381	8,211
Income tax recovery (expense) (note 15)	9,792	(3,195)
Net income for the period attributable to Melcor's Shareholders	23,173	5,016
Income per share:		
Basic income per share	0.77	0.17
Diluted income per share	0.76	0.16

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Comprehensive Income

Unaudited (\$000s)	For the three months ended	
	March 31, 2026	March 31, 2025
Net income for the period attributable to Melcor's Shareholders	23,173	5,016
Other comprehensive income		
Items that may be reclassified subsequently to net income:		
Currency translation differences	3,193	(17)
Comprehensive income	26,366	4,999

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Financial Position

Unaudited (\$000s)	March 31, 2026	December 31, 2025
ASSETS		
Cash and cash equivalents	54,482	74,884
Accounts receivable	9,462	13,909
Income taxes recoverable	1,267	541
Agreements receivable	188,963	198,903
Land inventory (note 4)	718,924	716,615
Assets held for sale (note 6 and 13)	30,360	75,160
Investment properties (note 5 and 13)	911,564	907,793
Property and equipment	10,513	10,750
Other assets	49,595	50,893
Derivative financial assets (note 13)	1,701	1,687
	1,976,831	2,051,135
LIABILITIES		
Accounts payable and accrued liabilities	46,235	52,269
Income taxes payable	—	2,884
Provision for land development costs	78,168	92,930
General debt (note 7)	501,545	548,744
Deferred income tax liabilities	72,312	86,235
	698,260	783,062
SHAREHOLDERS' EQUITY		
Equity attributable to Melcor's shareholders		
Share capital (note 10)	69,534	69,697
Contributed surplus	5,112	4,844
Accumulated other comprehensive income (AOCI)	30,162	26,969
Retained earnings	1,173,763	1,166,563
	1,278,571	1,268,073
	1,976,831	2,051,135

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Changes in Equity

Unaudited (\$000's)	Equity attributable to Melcor's shareholders				Total equity
	Share capital	Contributed surplus	AOCI	Retained earnings	
Balance at January 1, 2026	69,697	4,844	26,969	1,166,563	1,268,073
Net income for the period	—	—	—	23,173	23,173
Cumulative translation adjustment	—	—	3,193	—	3,193
Transactions with equity holders					
Dividends	—	—	—	(15,024)	(15,024)
Share repurchase (note 10)	(163)	—	—	(928)	(1,091)
Tax on share repurchase (note 10)	—	—	—	(21)	(21)
Employee share options					
Value of services recognized	—	268	—	—	268
Balance at March 31, 2026	69,534	5,112	30,162	1,173,763	1,278,571

Unaudited (\$000's)	Equity attributable to Melcor's shareholders				Total equity
	Share capital	Contributed surplus	AOCI	Retained earnings	
Balance at January 1, 2025	69,866	4,826	41,039	1,126,899	1,242,630
Net income for the period	—	—	—	5,016	5,016
Cumulative translation adjustment	—	—	(17)	—	(17)
Transactions with equity holders					
Dividends	—	—	—	(3,332)	(3,332)
Share repurchase	(214)	—	—	(889)	(1,103)
Tax on share repurchase	—	—	—	(22)	(22)
Employee share options					
Value of services recognized	—	316	—	—	316
Balance at March 31, 2025	69,652	5,142	41,022	1,127,672	1,243,488

See accompanying notes to these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Cash Flows

Unaudited (\$000's)	For the three months ended	
	March 31, 2026	March 31, 2025
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net income for the period	23,173	5,016
Non cash items:		
Amortization of tenant incentives	1,556	1,488
Depreciation of property and equipment	275	117
Stock based compensation expense	268	316
Non-cash finance costs (note 9)	(80)	1,486
Straight-line rent adjustment	189	261
Fair value adjustment on investment properties (note 5 and 13)	(1,026)	(4,098)
Fair value adjustment on REIT units (note 12)	—	2,333
Gain on sale of assets and derecognition of liabilities	(2,043)	(1)
Deferred income taxes	(13,923)	1,149
	8,389	8,067
Agreements receivable	9,940	33,071
Development activities	(9,150)	(4,284)
Purchase of land inventory (note 4)	(6,100)	—
Payment of tenant lease incentives and direct leasing costs	(441)	(820)
Operating assets and liabilities	(17,273)	(4,819)
	(14,635)	31,215
INVESTING ACTIVITIES		
Additions to investment properties and assets held for sale (note 5 and 6)	(652)	(3,884)
Net proceeds from disposal of investment properties (note 5)	872	1,222
Net proceeds from disposal of assets held for sale (note 6)	43,080	47,378
Change in restricted cash	—	250
Redemption of short-term investments	—	558
Purchase of property and equipment	(39)	(74)
Proceeds on disposal of property and equipment	3	2
	43,264	45,452
FINANCING ACTIVITIES		
Revolving credit facilities	(11,275)	(33,554)
Proceeds from general debt	788	1,534
Repayment of general debt	(28,741)	(34,062)
Transaction costs on REIT Units acquisition	—	(1,021)
Dividends paid	(15,024)	(3,332)
Common shares repurchased (note 10)	(1,091)	(1,103)
	(55,343)	(71,538)
FOREIGN EXCHANGE GAIN ON CASH HELD IN A FOREIGN CURRENCY	647	5
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(26,067)	5,134
January 1, 2026 opening balance prior to restatement for amendments to IFRS 7 and IFRS 9 (note 3)	74,884	—
Adjustment on adoption for 2025 outstanding cheques on January 1, 2026 (note 3)	5,665	—
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	80,549	54,338
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	54,482	59,472

See accompanying notes to these condensed interim consolidated financial statements.

1. DESCRIPTION OF THE BUSINESS

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

Melcor Developments Ltd. (“Melcor” or “we”) is incorporated in Canada. The registered office is located at Suite 900, 10310 Jasper Avenue Edmonton, AB T5J 1Y8. We operate in Canada and the United States (“US”). Our shares are traded on the Toronto Stock Exchange under the symbol “MRD”. As at March 31, 2026 Melton Holdings Ltd. holds approximately 52.2% of the outstanding shares and pursuant to IAS 24, Related party disclosures, is the ultimate controlling shareholder of Melcor.

Our quarterly results are impacted by the cyclical nature of our business environment. Income can fluctuate significantly from period to period due to the timing of plan registrations, the cyclical nature of real estate and construction markets, and the mix of lot sales and product types.

2. BASIS OF PRESENTATION

We prepare our condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

The statement of financial position is presented without reference to current assets or current liabilities. The operating cycle of an entity involved in real estate investment and development is normally considered to be longer than one year. Thus, the concept of current assets and current liabilities is not considered relevant and there is no need to segregate the balance sheet to disclose assets or liabilities that are expected to be settled within the immediately following year.

These condensed interim consolidated financial statements should be read in conjunction with our annual consolidated financial statements for the year ended December 31, 2025, which have been prepared in accordance with IFRS Accounting Standards.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on May 7, 2026.

3. MATERIAL ACCOUNTING POLICIES, NEW STANDARDS AND CRITICAL ACCOUNTING ESTIMATES

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those of the previous financial year except as described below.

NEW AND AMENDED STANDARDS ADOPTED

We have adopted the following amendments on January 1, 2026.

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

The amendment affects the timing of derecognition of financial liabilities in the condensed interim consolidated financial statements. We have elected to derecognize financial liabilities prior to the settlement date where they are settled in cash using an electronic cash transfer system. The amendment has been applied retrospectively without restatement. For financial liabilities affected by this amendment, its adoption resulted in an increase in cash of \$5,665, revolving credit facility decreased by \$8,533 and accounts payable increased by \$14,198 as at January 1, 2026. The rest of the amendments did not have a material impact on the condensed interim consolidated financial statements.

NEW AND AMENDED STANDARDS NOT YET ADOPTED

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

4. LAND INVENTORY

	March 31, 2026	December 31, 2025
Raw land held	355,282	346,444
Land under development	199,377	198,135
Developed land	164,265	172,036
	718,924	716,615

Land is recorded at the lower of cost and net realizable value. During the three month period ended March 31, 2026 we purchased 20.0 acres of land in Edmonton, Alberta at a cost of \$6,100 (December 31, 2025 - 33.2 acres of land at a cost of \$3,095 was purchased, or at joint arrangement ownership percentage, 32.1 acres at a cost of \$2,656).

5. INVESTMENT PROPERTIES

Investment properties consists of the following asset classes:

	March 31, 2026			December 31, 2025		
	Investment Properties	Held for sale (note 6)	Total	Investment Properties	Held for sale (note 6)	Total
Retail	580,112	29,938	610,050	577,920	42,757	620,677
Office	238,209	—	238,209	236,407	—	236,407
Industrial	25,627	—	25,627	25,624	31,411	57,035
Residential	51,566	—	51,566	51,792	—	51,792
Other	16,050	—	16,050	16,050	—	16,050
	911,564	29,938	941,502	907,793	74,168	981,961

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

	Three months ended March 31, 2026		
	Investment Properties	Held for sale (note 6)	Total
Balance - beginning of period	907,793	74,168	981,961
Additions			
Direct leasing costs	153	56	209
Property improvements	329	49	378
Development costs	263	—	263
Capitalized borrowing costs	11	—	11
Disposals	(872)	(42,568)	(43,440)
Fair value adjustment on investment properties	2,793	(1,767)	1,026
Other adjustments	(28)	—	(28)
Foreign currency translation (included in OCI)	1,122	—	1,122
Balance - end of period	911,564	29,938	941,502

Year ended
December 31, 2025

	Investment Properties	Held for sale (note 6)	Total
Balance - beginning of year	1,044,374	47,392	1,091,766
Additions			
Direct leasing costs	1,205	—	1,205
Property improvements	3,121	—	3,121
Development costs	5,100	—	5,100
Capitalized borrowing costs	125	—	125
Disposals	(15,740)	(74,289)	(90,029)
Fair value adjustment on investment properties	(24,301)	(1,577)	(25,878)
Investment properties transferred to assets held for sale (note 6)	(101,436)	101,436	—
Other adjustments	(614)	1,206	592
Foreign currency translation (included in OCI)	(4,041)	—	(4,041)
Balance - end of year	907,793	74,168	981,961

In accordance with our policy we record our investment properties at fair value. Fair value adjustments on investment properties are primarily driven by changes in capitalization rates and stabilized net operating income ("NOI"). Supplemental information on fair value measurement, including valuation techniques and key inputs, is included in note 13.

Disposals in the three month period ended March 31, 2026:

- We disposed of two residential units in Arizona for \$872 (US\$638) net of transaction costs.

We also disposed of four investment properties classified as assets held for sale. Refer to note 6 for details on investment properties classified as held for sale and sold during the period.

Disposals in prior year ended December 31, 2025:

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

During the comparative year, we also disposed of three investment properties classified as assets held for sale. Refer to note 6 for details on investment properties classified as held for sale and sold during the prior year.

6.	ASSETS HELD FOR SALE
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As at March 31, 2026, assets held for sale includes one retail property with a fair value of \$30,360 (including investment property of \$29,938, tenant incentives of \$219 and straight-line rent of \$203). As at March 31, 2026 management has listed this asset for sale with the intention to sell the property. As at December 31, 2025, we classified five properties as assets held for sale with a fair value of \$75,160 (including investment property of \$74,168, tenant incentives of \$263 and straight-line rent adjustments of \$729).

Disposals in the three month period ended March 31, 2026:

- On February 20, 2026 we disposed of an investment property classified as assets held for sale, for net proceeds of \$12,078 resulting from a purchase price of \$12,300 less transaction costs of \$222. This investment property had a fair value of \$13,300 (including investment property of \$12,847 and straight-line rent adjustments of \$453). The price was settled in cash, excluding working capital adjustments. Net proceeds from the sale were used to repay the outstanding principal balance on the mortgage of \$5,948 with remaining proceeds being used to pay down the credit facility.
- On March 17, 2026 we disposed of three investment properties classified as assets held for sale, for net proceeds of \$31,002 resulting from a purchase price of \$31,500 less transaction costs of \$498. This investment property had a fair value of \$33,300 (including investment property of \$33,242 and straight-line rent adjustments of \$58). The price was

settled in cash, excluding working capital adjustments. Net proceeds from the sale were used to repay the outstanding principal balance on the mortgage of \$19,188 with remaining proceeds being used to pay down the credit facility.

Disposals in prior year ended December 31, 2025:

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

7. GENERAL DEBT	March 31, 2026	December 31, 2025
Revolving credit facilities	59,566	79,375
Project specific financing	14,168	13,380
Debt on investment properties	427,811	455,989
General debt	501,545	548,744

Certain cash balances held under our centralized cash control arrangement are offset against amounts drawn under the revolving credit facilities and presented on a net basis in the condensed interim consolidated statement of financial position.

We have a legally enforceable right of set-off over these cash balances and related borrowings, which is enforceable in the normal course of business and in the event of default or insolvency. We also intend to settle these balances on a net basis, as cash surpluses and overdraft positions within the arrangement are periodically settled.

The following table presents the gross amounts, amounts set off, and the resulting net amounts recognized in the condensed interim consolidated statement of financial position:

	March 31, 2026	December 31, 2025
Revolving credit facilities		
Gross amount	87,247	143,005
Amounts set off	(27,681)	(63,630)
Net amount	59,566	79,375

Cash balances subject to offset are restricted to settling amounts outstanding under the revolving credit facilities while the cash control arrangement remains in place. There are no other material enforceable netting arrangements that are not reflected in the net amounts presented above.

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

	Three months ended March 31, 2026	Year ended December 31, 2025
Balance - beginning of period	13,380	14,119
Cash movements		
Loan repayments	—	(8,154)
New project financing	788	7,415
Balance - end of period	14,168	13,380

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

	Three months ended March 31, 2026	Year ended December 31, 2025
Balance - beginning of period	455,989	511,798
Cash movements		
Principal repayments		
Scheduled amortization on debt	(3,763)	(16,761)
Mortgage repayments	(24,978)	(62,613)
New mortgages	—	25,821
Non-cash movements		
Deferred financing fees capitalized	(47)	(457)
Amortization of deferred financing fees	263	876
Change in swap derivative fair value	(333)	(516)
Foreign currency translation included in OCI	680	(2,159)
Balance - end of period	427,811	455,989

8. REVENUE

Total Revenues

	For the three months ended	
	March 31, 2026	March 31, 2025
Revenue from contracts	20,813	28,066
Revenue from other sources	24,552	22,677
	45,365	50,743

Timing of contract revenue recognition

	For the three months ended	
	March 31, 2026	March 31, 2025
At a point in time	16,487	22,890
Over time	4,326	5,176
	20,813	28,066

9. FINANCE COSTS

	For the three months ended	
	March 31, 2026	March 31, 2025
Interest on revolving credit facilities	1,072	1,450
Interest on fixed rate mortgages	3,014	2,797
Interest on floating or fixed rate swap mortgages	1,468	1,712
Financing costs and bank charges	279	988
Defeasance costs	1,149	799
Accrued finance charges	315	—
Non-cash financing costs	(80)	1,486
	7,217	9,232
Less: capitalized interest	(722)	(648)
	6,495	8,584

Finance costs paid during the three months ended March 31, 2026 were \$7,300 (2025 - \$7,758). Non cash financing costs include fair value adjustment on derivatives.

10. SHARE CAPITAL

Issued and outstanding common shares at March 31, 2026 are 30,036,833 (December 31, 2025 – 30,102,605 shares).

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

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

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

During the three month period ended March 31, 2026, 65,772 shares were purchased for cancellation by Melcor pursuant to the NCIB at a cost of \$1,091 (December 31, 2025 - 344,980 shares purchased at a cost of \$4,775). Retained earnings was also reduced by \$21 (December 31, 2025 - \$72) for the tax on net share buyback.

11. SEGMENTED INFORMATION

In the prior year, there were changes to our segmented reporting where our former division "REIT" was combined into one division with "Properties". Comparative information has been restated to be consistent with the presentation of the new segments.

Geographic Analysis

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

	For the three months ended	
	March 31, 2026	March 31, 2025
United States	2,828	15,048
Canada	42,537	35,695
Total	45,365	50,743

Total Assets

As at	March 31, 2026	December 31, 2025
United States	232,428	227,485
Canada	1,744,403	1,823,650
Total	1,976,831	2,051,135

Divisional Analysis

Our divisions reported the following results:

For the three months ended March 31, 2026	Land	Properties	Golf	Corporate	Subtotal	Intersegment Elimination	Total
Revenue	20,073	25,346	103	—	45,522	(157)	45,365
Cost of sales	(11,698)	(11,124)	(730)	—	(23,552)	22	(23,530)
Gross profit	8,375	14,222	(627)	—	21,970	(135)	21,835
General and administrative expense	(1,844)	(1,548)	(454)	(2,411)	(6,257)	135	(6,122)
Fair value adjustment on investment properties	—	1,026	—	—	1,026	—	1,026
Gain on sale of assets and derecognition of liabilities	—	2,043	—	—	2,043	—	2,043
Interest income	896	54	2	135	1,087	—	1,087
Segment earnings (loss)	7,427	15,797	(1,079)	(2,276)	19,869	—	19,869
Finance costs							(6,495)
Foreign exchange gain							7
Income before tax							13,381
Income tax recovery							9,792
Net income for the period							23,173

For the three months ended March 31, 2025	Land	Properties	Golf	Corporate	Subtotal	Intersegment Elimination	Total
Revenue	23,283	27,508	102	—	50,893	(150)	50,743
Cost of sales	(10,533)	(12,371)	(552)	—	(23,456)	25	(23,431)
Gross profit	12,750	15,137	(450)	—	27,437	(125)	27,312
General and administrative expense	(1,833)	(1,988)	(384)	(3,570)	(7,775)	125	(7,650)
Fair value adjustment on investment properties	—	4,098	—	—	4,098	—	4,098
Gain on sale of assets and derecognition of liabilities	—	—	1	—	1	—	1
Interest income	813	67	4	99	983	—	983
Segment earnings (loss)	11,730	17,314	(829)	(3,471)	24,744	—	24,744
Finance costs							(8,584)
Foreign exchange gain							4
Adjustments related to REIT units							(7,953)
Income before tax							8,211
Income tax expense							(3,195)
Net income for the period							5,016

12. ADJUSTMENTS RELATED TO REIT UNITS

During the prior year, Melcor held a non-controlling interest in Melcor Real Estate Investment Trust ("the REIT"), which was accounted for as a financial liability measured at fair value through profit or loss ("FVTPL"). Melcor acquired the remaining publicly held interest in the REIT on April 23, 2025, and accordingly, there is no longer a non-controlling interest in the REIT.

We recorded adjustments related to REIT units for the three months ended March 31, 2025 of \$7,953. As illustrated in the table below, the adjustment was comprised of:

	For the three months ended March 31, 2025
Fair value adjustment on REIT units	(2,333)
Transaction costs on settlement of REIT units	(5,620)
Adjustments related to REIT units	(7,953)

13. FAIR VALUE MEASUREMENT

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

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

- the carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, agreements receivable and accounts payable and accrued liabilities approximate their fair values based on the short term maturities of these financial instruments.
- fair values of general debt are estimated by discounting the future cash flows associated with the debt at market interest rates (Level 3).
- fair values of interest rate swaps are estimated by discounting the future cash flows associated with the instrument at market interest rates (Level 2).

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

The fair value hierarchy categorizes fair value measurement into three levels based upon the inputs to valuation technique, which are defined as follows:

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

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

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

	Fair Value Hierarchy	March 31, 2026				December 31, 2025	
		Fair Value	Amortized Cost	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
Non-financial assets							
Investment properties	Level 3	911,564	—	911,564	911,564	907,793	907,793
Assets held for sale	Level 3	30,360	—	30,360	30,360	75,160	75,160
Financial liabilities							
General debt, excluding derivative financial liability	Level 3	—	500,905	500,905	488,071	547,771	539,456
Derivative financial liabilities							
Interest rate swaps	Level 2	640	—	640	640	973	973
Derivative financial assets							
Interest rate swaps	Level 2	1,701	—	1,701	1,701	1,687	1,687

Investment properties

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

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

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

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

- Capitalization rate - based on actual location, size and quality of the property and taking into consideration available market data as at the valuation date;
- Stabilized net operating income - revenue less direct operating expenses adjusted for items such as average lease up costs, vacancies, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items;
- Discount rate - reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Terminal capitalization rate - taking into account assumptions regarding vacancy rates and market rents;
- Estimated costs to complete for properties under development - based on expected completion dates considering development and leasing risks specific to each property and the status of approvals and/or permits; and

- Cash flows - based on the physical location, type and quality of the property and supported by the terms of existing leases, other contracts or external evidence such as current market rents for similar properties.

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

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

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

Investment properties are valued by Melcor's internal valuation team. For the three months ended March 31, 2026, 14 legal phases included in investment properties with a fair value of \$150,430 were valued by external valuation professionals (year ended December 31, 2025 - 55 legal phases included in investment properties with a fair value of \$581,781). Valuations performed during the three month period resulted in net fair value gains of \$1,026 (December 31, 2025 - net fair value losses of \$25,878).

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

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

Weighted average annual stabilized net operating income for investment properties as at March 31, 2026 is \$1,315 (December 31, 2025 - \$1,297). Other significant valuation metrics and unobservable inputs are set out in the following table. Fair values are most sensitive to changes in capitalization rates.

	Investment Properties			Properties under Development		
	Min	Max	Weighted Average	Min	Max	Weighted Average
March 31, 2026						
Capitalization rate	5.00%	9.75%	6.77%	6.25%	7.00%	6.38%
Terminal capitalization rate	5.75%	9.50%	6.97%	6.50%	7.25%	6.62%
Discount rate	6.75%	10.50%	7.88%	7.25%	7.75%	7.39%

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

An increase in capitalization rates by 50 basis points would decrease the fair value and carrying amount of investment properties by \$57,500 (December 31, 2025 - \$60,600). A decrease in capitalization rates by 50 basis points would increase the fair value and carrying amount of investment properties by \$66,700 (December 31, 2025 - \$70,200).

General debt, excluding derivative financial liabilities

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

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

Derivative financial assets and liabilities

Our derivative financial assets and liabilities are comprised of floating for fixed interest rate swaps on mortgages (level 2). The fair value of the interest rate swaps are calculated as the net present value of the future cash flows expected to arise on the variable and fixed portion, determined using applicable yield curves at the measurement date. As at March 31, 2026, the fair value of interest rate swap contracts was \$1,701 asset and \$640 liability (December 31, 2025 - \$1,687 asset and \$973 liability).

14. RISK MANAGEMENT

Melcor's exposure to risks as a result of holding financial instruments could be impacted. The impact on these risks is as follows:

a. Credit Risk

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

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

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

Accounts receivables have historically been significantly low risk due to their individual immaterial balances, the nature of the party they are due from (including joint venture participants under management by Melcor), and overall lack of historical write offs. At this time, based on management's best estimate of the current economic outlook, management has assessed and recorded the current expected credit loss at \$62 (December 31, 2025 - \$73).

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

b. Liquidity Risk

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

c. Market Risk

We are subject to interest rate cash flow risk as our revolving credit facilities and certain debt on investment properties bear interest at rates that vary in accordance with borrowing rates in Canada. Debt on investment properties issued at variable rates expose Melcor to cash flow interest rate risk. However, Melcor's policy is to fix the interest rate on its variable interest debt on investment properties. To manage this, we enter into interest rate swaps in which Melcor agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed on notional principal amount.

As at March 31, 2026, as in the previous year, after taking into account the effect of interest rate swaps, 100% of Melcor's debt on investment properties are at a fixed rate of interest, mitigating cash flow interest rate risk but resulting in fair value interest rate risk as the value of the interest rate swaps changes in response to changes in the market interest rates. The interest rate swaps are not designated as hedges for accounting purposes.

For each 1% change in the rate of interest on loans subject to floating rates, the change in annual interest expense is approximately \$737 (December 31, 2025 - \$928). We are not subject to other significant market risks pertaining to our financial instruments.

15. INCOME TAX

During the quarter, Melcor REIT Limited Partnership was wound up. In connection with the wind-up, Melcor implemented a tax basis "bump" under subsection 98(5)(c) of the Canadian Income Tax Act and recorded a deferred income tax benefit. The resulting step-up in tax basis reduces future taxable capital gains that would otherwise arise on disposition of these assets. The deferred tax benefit of \$12,749 recognized during the period ended March 31, 2026 reflects the expected future tax savings associated with this higher tax basis, measured using substantively enacted tax rates. Taxes paid during the three month period ended March 31, 2026 were \$4,764 (March 31, 2025 - \$10,709).

Reconciliation of effective tax rate:

	For the three months ended	
	March 31, 2026	March 31, 2025
Income before taxes	13,381	8,211
Statutory rate	23 %	23 %
	3,078	1,889
Non-taxable portion of capital gains and fair value adjustments	(123)	(263)
Non-deductible portion of REIT loss	—	869
Impact of different tax rates in subsidiaries	2	164
Non-deductible fair value adjustments on REIT units	—	536
Impact of Income Tax Act subsection 98(5)(c) designation	(12,749)	—
Total tax (recovery) expense	(9,792)	3,195

16. EVENTS AFTER THE REPORTING PERIOD

Dividends declared:

On May 7, 2026 our board of directors declared a dividend of \$0.15 per share payable on June 30, 2026 to shareholders of record on June 15, 2026.