Management's Discussion & Analysis

May 7, 2026

The following discussion of Melcor Developments' (Melcor's) financial condition and results of operations should be read in conjunction with the condensed interim consolidated financial statements and related notes for the quarter ended March 31, 2026, and management's discussion & analysis (MD&A) and consolidated financial statements for the fiscal year ended December 31, 2025.

The financial statements underlying this MD&A, including 2025 comparative information, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting, unless otherwise noted. All dollar amounts included in this MD&A are Canadian dollars unless otherwise specified.

Melcor's Board of Directors approved the content of this MD&A on May 7, 2026, on the recommendation of the Audit Committee.

Other Information

Additional information about Melcor, including our annual information form, information circular and annual and quarterly reports, is available on SEDAR+ at www.sedarplus.ca.

Non-standard Measures

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

Forward-looking Statements

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

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

This MD&A and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent Melcor's intentions, plans, expectations, and beliefs and are based on our experience and our assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Forward-looking statements may involve, but are not limited to, comments with respect to our strategic initiatives for 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. As at March 31, 2026, we manage 4.15 million square feet (sf) in commercial real estate assets and 443 residential rental units. We have been a public company since 1968 (TSX: MRD).

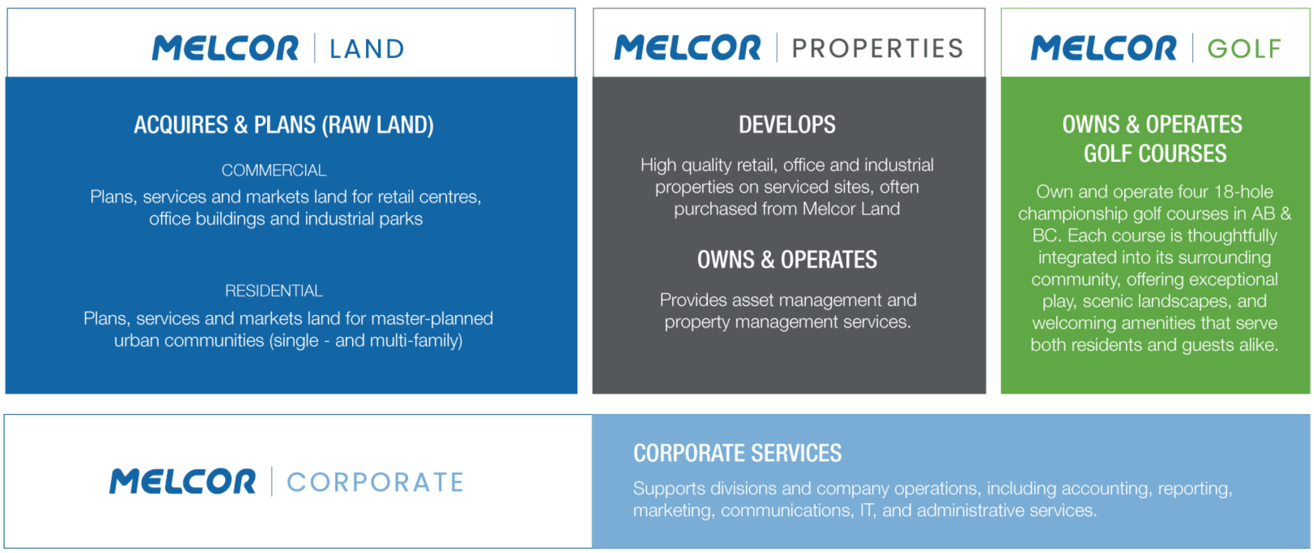
In 2025, Melcor repurchased its unowned equity interest (approximately 44.6%) in Melcor REIT and the REIT was terminated pursuant to the Declaration of Trust in late 2025; and on January 31, 2026 Melcor REIT Limited Partnership was wound up. This transaction (the "Transaction") represented a major milestone for Melcor and reinforces our commitment to long-term value creation for our shareholders.

We are committed to building communities that enrich quality of life.

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 53 income-producing properties (as at March 31, 2026) representing 3.68 million sf in gross leasable area.
3 **Golf**: owning and operating championship golf courses associated with our residential communities.
4 **Corporate**: orchestrates strategic planning, financial governance, risk mitigation guiding the organization though dynamic market shifts towards sustained and adaptive success.

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



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

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

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

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

Glossary of Acronyms

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

First Quarter Highlights

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

($000s except as noted)	**Three months ended March 31**		
	2026	2025	Change %
Revenue	**45,365**	50,743	(10.6)
Gross margin[1]	**48.1 %**	53.8 %	(10.6)
Net income	**23,173**	5,016	362.0
Net margin[1]	**51.1 %**	9.9 %	416.2
FFO[2]	**8,515**	13,426	(36.6)
Per Share Data ($)			
Basic earnings	**0.77**	0.17	352.9
Diluted earnings	**0.76**	0.16	375.0
FFO[3]	**0.28**	0.44	(36.4)
Dividends	**0.50**	0.11	354.5

As at ($000s except share and per share amounts)	**March 31, 2026**	December 31, 2025	Change %
Total assets	**1,976,831**	2,051,135	(3.6)
Shareholders' equity	**1,278,571**	1,268,073	0.8
Total shares outstanding	**30,036,833**	30,102,605	(0.2)
Per Share Data ($)			
Book value (3)	**42.57**	42.13	1.0

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

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

FIRST QUARTER HIGHLIGHTS:

Alberta's land development continued into 2026 with momentum despite navigating a dynamic and uncertain economic environment. While ongoing global trade tensions, political uncertainty, moderated interest rates and increases in gas and construction costs contributed to uncertainty, our diverse portfolio demonstrated resilience and performed amid these conditions.

To date in 2026, we have recorded revenue of $45.37 million at a gross margin of 48.1%, down 10.6% from revenue of $50.74 million in 2025 at a gross margin of 53.8%. Net income was up $18.16 million to $23.17 million in the period from $5.02 million in 2025.

Net income continues to be significantly impacted by non-cash items and management believes that FFO more accurately reflects true operating performance. To date, FFO decreased 36.6% to $8.52 million (Q1-2025: $13.43 million). The decrease over 2025 is primarily due to a reduction in gross profits generated from our Land division, paired with the recent property disposals in our Properties division.

We continue to maintain our conservative and disciplined approach to investment and development activities and the management of our assets and liabilities. As a part of an initiative started in 2024, we remain focused on pruning non-core assets in order to strengthen Melcor's financial position by reducing debt. In 2025 we sold four investment properties, and as at March 31, 2026, we have sold two additional properties, including our Staples Building, a retail property in Calgary, AB, and Telford Industrial Centre, which includes three industrial buildings in Leduc, AB. These sales impact year-over-year comparatives in the Properties division.

We have reduced our general debt by 8.1% to $501.55 million over the comparative quarter (Q1-2025: $546.03 million) and general debt is down 8.6% (December 31, 2025: $548.74 million) over year-end. Our debt to equity ratio on March 31, 2026 was 0.55, down from 0.64 in Q1-2025, and 0.62 since year-end.

FINANCIAL HIGHLIGHTS

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

We continuously assess assets held in our Properties division, with an aim of focusing on our core Alberta market. We disposed of four investment properties in 2025, and sold two additional properties in the three months ended March 31, 2026. In addition to the properties sold, we have also classified one property as held for sale as at March 31, 2026.

Revenue & Margins:

Consolidated revenue was down 10.6% to $45.37 million in Q1-2026 (Q1-2025: $50.74 million). Gross profit was down 20.1% to $21.84 million in Q1-2026 (Q1-2025: $27.31 million), with consolidated gross margin down 5.7% over Q1-2025 to 48.1%.

Our Land division contributed 44.1% of total revenue before intersegment elimination to date in 2026 compared to 45.7% in 2025. Revenue generated from our Land division was down due to the absence of the US land revenues, partially offset by higher revenue generated from single family lot sales. In the Q1-2025 comparative period, our US region successfully closed on a 44.00 acre sale of subdivided but unserviced land (paper lots) in the first quarter, contributing $12.00 million to revenues and $8.32 million to gross profit in the period. To date in 2026 we have recorded no US Land sales.

Our Properties division contributed 55.7% of revenue before intersegment eliminations to date in 2026 compared to 54.1% in 2025. Revenues from our Properties division was down 7.9% to $25.35 million in the quarter (Q1-2025: $27.51 million) as a result of recent property disposals partially offset by revenue generated from newly developed commercial properties.

Our Golf division courses opened subsequent to the first quarter, with the exception of Black Mountain Golf Club (Kelowna, BC) which opened on March 25, 2026.

Looking at revenue geographically, our US region contributed 6.3% or $2.83 million of total revenue to date in 2026, with our Properties division contributing 5.8% and our Land division contributing 0.5%. This compares to total US revenues of 29.7% or $15.05 million to date in Q1-2025, with our Properties division contributing 6.0% and our Land division contributing 23.6% . The reduction in year-to-date revenue from our Land division relates to the 44.00 acre sale in Q1-2025 for revenue of $12.00 million and gross profit of $8.32 million. Canadian revenue was up 19.2% or $6.84 million to $42.54 million (Q1-2025: $35.70 million).

Net Income & FFO:

In the first quarter net income was $23.17 million up $18.16 million from $5.02 million in Q1-2025. The increase in net income was significantly impacted by non-cash items including:

- *Fair value adjustments on investment properties*: in Q1-2026 we recorded a fair value gain on investment properties of $1.03 million (Q1-2025: fair value gain of $4.10 million).
- *Change in the REIT's unit price:* no adjustments related to the REIT units were recorded in 2026. This compares to a fair value loss of $2.33 million recorded in Q1-2025 as a result of the REIT Transaction which closed in Q2-2025.
- *Non-cash financing costs*: we recorded non-cash financing recoveries of $0.08 million in Q1-2025, compared to non-cash financing costs of $1.49 million in Q1-2025.
- *Deferred income taxes*: in Q1-2026, we recorded a $12.75 million deferred tax benefit in connection with the wind-up of REIT LP. This had a positive impact on net income and is 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.

FFO decreased by 36.6% to $8.52 million in Q1-2026 (Q1-2025: $13.43 million). The reduction in FFO is a result of lower gross profit, down 20.1% or $5.48 million to $21.84 million in the quarter (Q1-2025: $27.31 million). FFO was also impacted by the reduction of general and administrative expenses, which was down 20.0% or $1.53 million to $6.12 million (Q1-2025: $7.65 million), positively impacting FFO.

DIVISIONAL OPERATING HIGHLIGHTS

Our **Land** division revenue was down 13.8% or $3.21 million in Q1-2026 to $20.07 million (Q1-2025: $23.28 million). The decrease was attributed to the reduction in our US region, comparative to 2025. Included in 2025 was the sale of 44.00 acres of subdivided but unserviced lots (paper lots) sold in Q1-2025. In Q1-2025, our US region contributed $12.00 million in total revenues compared to $0.21 million in Q1-2026. Focusing on our Canadian market, we saw an increase in revenues of $8.58 million to $19.87 million over Q1-2025, as result of an increase in single-family lot sales.

Our **Properties** division accounted for 55.9% of total revenue, before intersegment eliminations compared to 54.2% in 2025 year-to-date. Occupancy decreased over year-end to 81.4% (December 31, 2025: 81.9%) and was down over last year (Q1-2025: 85.6%). During the quarter we completed 289,447 sf in renewals and an additional 130,777 sf of new leasing.

In our **Golf** division, our Black Mountain golf course opened March 25, 2026, and our Edmonton courses opened subsequent to the quarter.

ASSET DISPOSITIONS

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

2026 Dispositions (year-to-date):

- Telford Industrial, a industrial centre with three buildings, located in Leduc, AB for net proceeds of $31.00 million
- Staples Building, a retail building located in Calgary, AB for net proceeds of $12.08 million
- Two residential units located at the Edge at Grayhawk in Scottsdale, AZ for net proceeds of $0.87 million (US$0.64 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)

We continue to focus on divesting select non-core assets to generate cash for the purpose of reducing debt. Asset sales have been, and will continue to be, conducted with careful consideration of long-term shareholder value.

SHAREHOLDER HIGHLIGHTS

We continue to focus on returning value to our shareholders:

- We repurchased 65,772 shares for cancellation pursuant to the NCIB at a cost of $1.09 million to date in 2026.
- We paid dividends of $0.50 per share in the quarter, which included a regular quarterly dividend of $0.15 per share and a special dividend of $0.35 per share for a total cash outflow of $15.02 million.
- On May 7, 2026, we declared a quarterly dividend of $0.15 per share, payable on June 30, 2026, to shareholders of record on June 15, 2026. The dividend is an eligible dividend for Canadian tax purposes.

Funds From Operations (FFO)

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

Below is a reconciliation of net income to FFO:

($000s)	Three months ended March 31		
	2026	2025	Change %
Net income for the period	**23,173**	5,016	362.0
Amortization of tenant incentives	**1,556**	1,488	4.6
Fair value adjustment on investment properties	**(1,026)**	(4,098)	(75.0)
Depreciation on property and equipment	**275**	117	135.0
Stock based compensation expense	**268**	316	(15.2)
Non-cash finance costs	**(80)**	1,486	(105.4)
Gain on sale of assets and derecognition of liabilities	**(2,043)**	(1)	nm
Deferred income taxes	**(13,923)**	1,149	(1311.7)
Fair value adjustment on REIT Units	**–**	2,333	(100.0)
Transaction costs on REIT Units acquisition	**–**	5,620	nm
Accrued finance charges	**315**	–	nm
FFO[1]	**8,515**	13,426	(36.6)
FFO per share[2]	**$0.28**	$0.44	(36.4)

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

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

FFO can be calculated as well using the direct method outlined in the below table:

($000s)	Three months ended March 31		
	2026	2025	Change %
Sale of land	**19,817**	20,660	(4.1)
Golf course revenue	**80**	76	5.3
Base rent, net of intersegment eliminations	**17,989**	19,032	(5.5)
Recoveries	**7,731**	8,659	(10.7)
Other	**1,216**	3,256	(62.7)
Management fees, net of intersegment eliminations	**277**	809	(65.8)
Straight-line rent adjustment	**(189)**	(261)	(27.6)
	46,921	52,231	(10.2)
Cost of sales, excluding depreciation of property and equipment	**(23,306)**	(23,374)	(0.3)
General and administrative expenses, excluding depreciation of property and equipment and stock based compensation expense	**(5,803)**	(7,274)	(20.2)
Interest income	**1,087**	983	10.6
Foreign exchange gain	**7**	4	75.0
Interest on revolving credit facilities	**(1,072)**	(1,450)	(26.1)
Interest on fixed rate mortgages	**(3,014)**	(2,797)	7.8
Interest on floating or fixed rate swap mortgages	**(1,468)**	(1,712)	(14.3)
Financing costs and bank charges	**(279)**	(988)	(71.8)
Defeasance costs	**(1,149)**	(799)	43.8
Capitalized interest	**722**	648	11.4
Current income tax expense	**(4,131)**	(2,046)	101.9
FFO[1]	**8,515**	13,426	(36.6)

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

FFO was down 36.6% or $4.91 million to $8.52 million in the period (Q1-2025: $13.43 million).

The reduction in FFO was a direct result of gross profits decreasing 20.1% or $5.48 million to $21.84 million (Q1-2025: $27.31 million). This decrease 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 down 18.2% or $5.24 million. The reduction in gross profit is directly attributed to our US land sales that occurred in the comparative period.

FFO was also impacted by the reduction of general and administrative expenses, which was down 20.0% or $1.53 million to $6.12 million (Q1-2025: $7.65 million), positively impacting FFO. Included in general and administrative expenditures are non-cash items in which we exclude for the purposes FFO. Excluding these non-cash items, general and administrative expenses were down 20.2% or $1.47 million to $5.80 million (Q1-2025: $7.27 million)

Other factors that impacted FFO was interest income, which was up $0.10 million in the quarter to $1.09 million (Q1-2025: $0.98 million) and finance costs, which were down 24.3% or $2.09 million to $6.50 million (Q1-2025: $8.58 million). Included in finance costs are non-cash finance costs and accrued finance costs. Excluding these non-cash items, finance costs were down 11.8% or $0.84 million to $6.26 million (Q1-2025: $7.10 million) positively impacting FFO.

Divisional Results

Our business is comprised of four integrated and complementary divisions:

1 **Land**, which acquires raw land for future commercial and residential community development;
2 **Properties**, which manages the construction of high-quality income properties, oversees the leasing and property management of our diverse portfolio of assets, including 53 income-producing properties (as at March 31, 2026);
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 the results of our operating divisions:

	Land		Properties		Golf	
	Three months March 31		Three months March 31		Three months March 31	
($000s except as noted)	**2026**	2025	**2026**	2025	**2026**	2025
Revenue	**20,073**	23,283	**25,346**	27,508	**103**	102
Portion of total revenue %	**44 %**	46 %	**56 %**	54 %	**– %**	– %
Cost of sales	**(11,698)**	(10,533)	**(11,124)**	(12,371)	**(730)**	(552)
Gross profit	**8,375**	12,750	**14,222**	15,137	**(627)**	(450)
Gross margin %[1]	**42 %**	55 %	**56 %**	55 %	**(609)%**	(441)%
Portion of total margin[1]	**38 %**	46 %	**65 %**	55 %	**(3)%**	(2)%
General and administrative expense	**(1,844)**	(1,833)	**(1,548)**	(1,988)	**(454)**	(384)
Fair value adjustment on investment properties	**—**	—	**1,026**	4,098	**–**	–
Gain on sale of assets and derecognition of liabilities	**—**	—	**2,043**	–	**–**	1
Interest income	**896**	813	**54**	67	**2**	4
Segment earnings (loss)	**7,427**	11,730	**15,797**	17,314	**(1,079)**	(829)

Divisional results are shown before intersegment eliminations and exclude corporate division.
1. Supplementary financial measure. Refer to Non-GAAP and Non-Standard Measures section for further details.

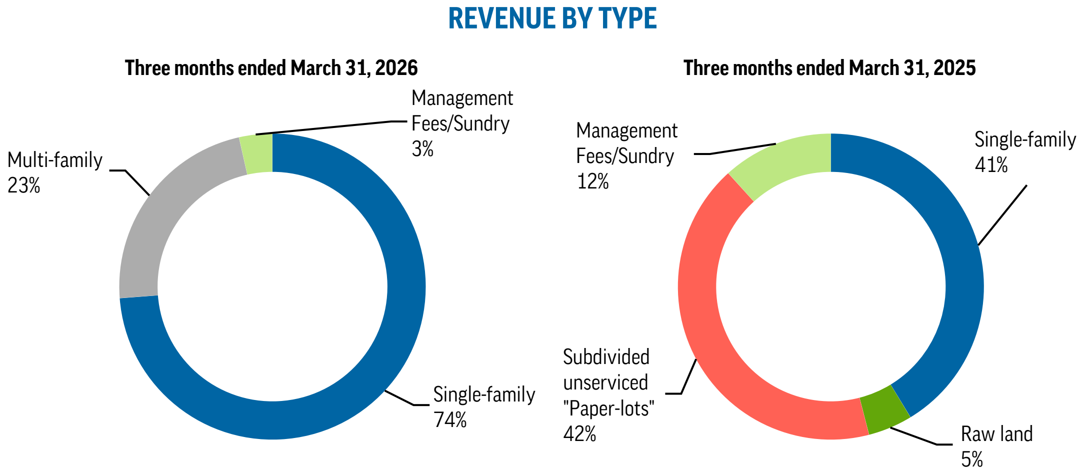
Land

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

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

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

Sales Activity



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

Consolidated	Three months ended March 31	
	2026	2025
Canada Sales data: (including joint ventures at 100%)[1]		
Single-family sales (number of lots)	**98**	80
Gross average revenue per single-family lot ($)	**209,964**	182,469
Multi-family sales (acres)	**2.84**	–
Gross average revenue per multi-family acre ($)	**1,600,000**	–
Other land sales - raw, other (acres)	**–**	21.77
Gross average revenue per other land acre ($)	**–**	50,691
US Sales data:		
Other land sales - raw, unserviced (paper lots), other	**–**	44.00
Gross average revenue per paper lot ($)	**–**	223,701
Divisional results: (including joint ventures at Melcor's interest)[1]		
Revenue ($000s)	**20,073**	23,283
Earnings ($000s)	**7,427**	11,730

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

Revenues in our Land division for the period totaled $20.07 million, a decrease of 13.8% or $3.21 million from $23.28 million in Q1-2025, with earnings down 36.7% or $4.30 million to $7.43 million (Q1-2025: $11.73 million).

Gross margin in our Land division is strongly impacted by the mix of both product type and location of inventory sold, and can vary period over period. Gross margin for Q1-2026 was 41.7%, down from 54.8% in Q1-2025.

In the comparative period, we sold 44.00 acres of unserviced land (paper lots) in our US region, generating revenue of $12.00 million (USD$8.36 million) at a gross margin of 62.7%. These transactions are generally non-recurring in nature and typically achieve higher margins than serviced lot sales. The decrease in revenue and gross profit in the current year reflects the absence of a comparable unserviced land sale in the US region.

Within our Canadian market, revenues increased 76.0% or $8.58 million to $19.87 million (Q1-2025: $11.29 million). This increase was primarily driven by higher single-family lot sales, with 98 single-family lots sold in Q1-2026, up from 80 single-family lots sales in Q1-2025.

Our Edmonton region had the largest volume of single-family lot sales in Q1-2026 with 84 lots sold, up from 58 lots sold in Q1-2025. In our Red Deer region, we sold 6 single-family lots in the quarter and an additional 3 single-family lots sold in our Calgary region. The timing of plan registrations can have a significant impact on when revenue is recorded and often occurs in the latter half of the calendar year as construction is completed in our communities.

The average sale price on single-family lots decreased 15.1% in the quarter over Q1-2025. Single-family lot sales cover a wide mix of product categories at various price points from starter town homes and duplexes to lakefront estate lots.

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

We continue to develop new phases in communities where demand is evident. We remain committed to managing our risk in uncertain markets and to by ensuring that market demand is in place prior to proceeding with development. As of Q1-2026, we have registered one phase in our Edmonton region (Q1-2025: no registrations to date).

Regional Sales Analysis

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

	Three months ended March 31, 2026			Three months ended March 31, 2025		
(including joint ventures at 100%)	**Single- family (Lots)**	**Multi-family (Acres)**	**Other (Acres)**	Single- family (Lots)	Multi-family (Acres)	Other (Acres)
Edmonton Region	**84**	**2.84**	**–**	58	–	–
Red Deer	**6**	**–**	**–**	15	–	–
Calgary Region	**3**	**–**	**–**	2	–	–
Lethbridge	**4**	**–**	**–**	4	–	–
Kelowna	**1**	**–**	**–**	1	–	–
	98	**2.84**	**–**	80	–	–

	Edmonton Region		**Red Deer**		**Calgary Region**	
Three months ended March 31	**2026**	2025	**2026**	2025	**2026**	2025
Single-family lot sales[1]	**84**	58	**6**	15	**3**	2
Multi-family acre sales[1]	**2.84**	–	**–**	–	**–**	–
Revenue	**17,514**	7,213	**631**	1,425	**764**	537
Gross profit	**7,145**	2,717	**213**	496	**348**	287
Gross margin (%)	**40.8 %**	37.7 %	**33.8 %**	34.8 %	**45.5 %**	53.4 %

	Lethbridge		**Kelowna**		**United States**	
Three months ended March 31	**2026**	2025	**2026**	2025	**2026**	2025
Single-family lot sales[1]	**4**	4	**1**	1	**–**	–
Raw land acre sales[1]	**–**	–	**–**	21.77	**–**	44.00
Revenue	**546**	545	**410**	1,567	**208**	11,996
Gross profit	**199**	152	**262**	778	**208**	8,320
Gross margin (%)	**36.4 %**	27.9 %	**63.9 %**	49.6 %	**100.0 %**	69.4 %

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

Inventory

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

	Three months ended March 31, 2026				Three months ended March 31, 2025			
	CANADA			**USA**	**CANADA**			USA
(including joint ventures at 100%)	**Single- family (Lots)**	**Multi-family (Acres)**	**Other (Acres)**	**Single-family (Lots)**	Single- family (Lots)	Multi-family (Acres)	Other (Acres)	Single-family (Lots)
Open	**549**	**39.64**	**107.47**	**1**	436	34.54	94.68	1
New developments	**48**	**–**	**–**	**–**	–	–	–	–
Sales	**(98)**	**(2.84)**	**–**	**–**	(80)	–	–	–
Close	**499**	**36.80**	**107.47**	**1**	356	34.54	94.68	1

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

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

Raw land inventory

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

In the quarter, we purchased 20.00 acres of raw land in Edmonton, AB for $6.10 million. There were no raw land purchases to date in Q1-2025, with total land purchases for 2025 consisting of 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.

To date in Q1-2026, there have been no raw land sales. In Q1-2025, we sold 21.77 acres of raw land in Mount Robson, BC for $1.10 million.

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

Properties

Our Properties division manages and leases our existing income properties and develops 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 Melcor REIT Limited Partnership ("REIT LP"), and now owns 100% of REIT LP. This strategic integration was aimed at creating operational synergies, particularly in leasing and property management functions. As a result, we have changed our segment reporting and the consolidated results reported in our Properties division now includes the combined operations of our previously reported "Properties" and "REIT" divisions.

Property Development

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

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

Owns & operates

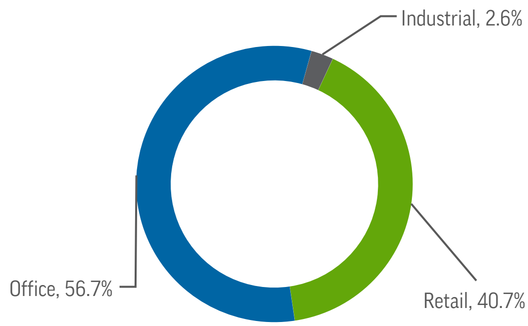
Our Properties division also manages a portfolio of high-quality office, retail, industrial and residential properties, which are located across western Canada and the US. Currently our Properties division manages 4.15 million sf of income-producing commercial GLA and 443 residential units.

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

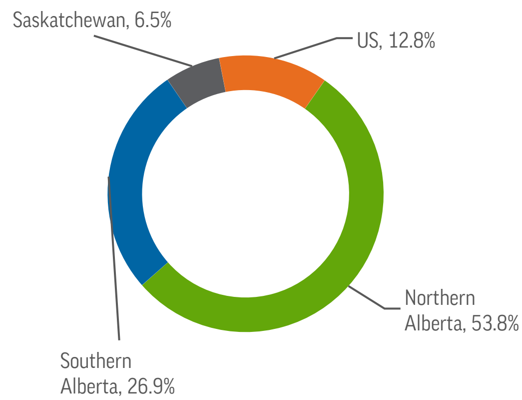
Our US properties provide the division with a stable income stream that diversifies our exposure to the western Canadian resource economy. We also own 11 parking lots and other assets which are held for the long-term, providing current stable income and future re-development potential.

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

GLA by Property Type



GLA by Region



Operating results

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

($000s except as noted)	**March 31, 2026**	December 31, 2025
Commercial properties GLA under management (sf, total)	**4,154,837**	4,365,327
Properties owned and managed (sf)	**3,676,781**	3,875,910
Properties managed (sf)	**478,056**	489,417
Commercial properties managed	**53**	55
Residential units managed	**443**	445
Occupancy (%)[1]	**81.4 %**	81.9 %
Committed Occupancy (%)[1]	**81.7 %**	83.3 %
New leases (sf)[1]	**24,101**	180,087
Renewed and holdover leases (sf)[1]	**121,301**	341,153
Matured leases (sf)[1]	**185,065**	484,984
Retention rate (%)[1]	**65.5 %**	70.3 %
WABR (per sf) - CAD	**$21.13**	$21.14
WABR (per sf) - US	**$22.42**	$22.34
Commercial properties under development (sf, total)		
Number of buildings completed	**–**	7
Properties completed (sf)[1]	**–**	108,897
Number of buildings under active construction	**1**	–
Properties under active construction (sf)[1]	**9,185**	–
Fair value recognized on properties under development ($000s)	**–**	4,581

1 The occupancy (%) and the leasing (sf) in the table above includes joint ventures at 100%.

Properties Revenue & Net Operating Income

($000s except as noted)	Three months ended March 31	
	2026	2025
Base rent	**18,123**	19,156
Recoveries	**7,731**	8,659
Other	**1,008**	1,103
Management Fee	**229**	339
Amortization of tenant incentives	**(1,556)**	(1,488)
Straight-line rent adjustment	**(189)**	(261)
Revenue	**25,346**	27,508
Utilities & property taxes	**(5,641)**	(6,381)
Operating Expenses	**(5,483)**	(5,990)
Cost of sales	**(11,124)**	(12,371)
Gross profit	**14,222**	15,137
Net operating income (NOI)[1]	**15,967**	16,886
Same-asset NOI[1]	**13,611**	13,669
Gross margin[2]	**56.1 %**	55.0 %

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

Our Properties portfolio has been impacted by the strategic disposition of non-core assets, partially offset by new development. As a result of changes to our portfolio, our year-over-year results may not necessarily reflect changes in our operating performance of the same properties. Management believes that same-asset NOI provides a more meaningful measure for assessing period-over-period performance, as this metric adjusts for changes to the portfolio.

Consolidated revenues in our Properties division was down 7.9% or $2.16 million to $25.35 million (Q1-2025: $27.51 million), with total gross profits down 6.0% or $0.92 million to $14.22 million (Q1-2025: $15.14 million).

Revenue includes non-cash items such as the amortization of tenant incentives and straight-line rent adjustments. These items are excluded from net operating income (NOI) to provide a more accurate reflection of the properties operating performance. To date, NOI was down 5.4% or $0.92 million to $15.97 million (Q1-2025: $16.89 million), with same-asset NOI steady at $13.61 million (Q1-2025: $13.67 million).

Occupancy of our Canadian properties was 83.4%, down from 86.6% at Q1-2025, and 83.1% at year-end. Committed occupancy was 83.7%, down from 87.7% at Q1-2025, and down from 84.7% at year-end. The decrease in our occupancy over the comparative Q1-2025 period was largely the result of the bankruptcy-related departure of a tenant, the Hudson Bay Company who occupied 133,243 sf. Excluding this outlier, our Canadian occupancy was 86.5%, inline with Q1-2025.

Canadian weighted average base rent was steady at $21.13 per sf compared to $21.14 per sf at year-end, and US WABR was up $0.08 per sf to $22.42 per sf from $22.34 per sf at year-end.

Fair value gains on properties under active development are recognized throughout the development process until the property is completed and recognized at fair market value. Management continues to take a conservative and disciplined approach to investment and development activities, advancing commercial land through the planning, approval, development, and lease-up stages in line with market conditions. While progress has been made across the portfolio, management has not recognized any fair value gains as at Q1-2026, reflecting a prudent valuation approach that defers recognition until value creation is sufficiently supported and realized.

NOI and Same-Asset NOI

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

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

($000s except as noted)	Three months ended March 31, 2026				
	Canadian Properties	US Properties	Total in functional currency	Foreign exchange	**Total**
Same asset - NOI[1]	**12,573**	**757**	**13,330**	**281**	**13,611**
Third party disposals and properties classified as held for sale	1,196	–	1,196	–	**1,196**
Properties recently completed construction	1,160	–	1,160	–	**1,160**
NOI[1]	**14,929**	**757**	**15,686**	**281**	**15,967**
Amortization of tenant incentives	(1,358)	(144)	(1,502)	(54)	**(1,556)**
Straight-line rent adjustment	(49)	(102)	(151)	(38)	**(189)**
Gross profit	**13,522**	**511**	**14,033**	**189**	**14,222**

	Three months ended March 31, 2025				
	Canadian Properties	US Properties	Total in functional currency	Foreign exchange	**Total**
Same asset - NOI[1]	**12,562**	**771**	**13,333**	**336**	**13,669**
Third party disposals and properties classified as held for sale	2,628	150	2,778	66	**2,844**
Properties recently completed construction	373	–	373	–	**373**
NOI[1]	**15,563**	**921**	**16,484**	**402**	**16,886**
Amortization of tenant incentives	(1,204)	(197)	(1,401)	(87)	**(1,488)**
Straight-line rent adjustment	95	(248)	(153)	(108)	**(261)**
Gross profit	**14,454**	**476**	**14,930**	**207**	**15,137**

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

Gross profit was down 6.0% or $0.92 million to $14.22 million (Q1-2025: $15.14 million), and NOI decreased 5.4% or $0.92 million to $15.97 million (Q1-2025: $16.89 million).

Gross profit and NOI are impacted by recent property sales and new commercial development. Same-asset NOI adjusts for these factors to provide a more direct period-over-period comparison. Recently completed development projects contributed an additional $1.16 million to NOI in Q1-2026 (Q1-2025: $0.37 million).

Melcor calculates same-asset NOI in both the countries functional currency and converted in Canadian dollars. On a same-asset basis, NOI was down 0.4% or $0.06 million to $13.61 million (Q1-2025: $13.67 million). Canadian properties same-asset NOI were stable at $12.57 million (Q1-2025: $12.56 million), with our US properties down 1.8% or $0.01 million to $0.76 million (Q1-2025: $0.77 million) in their functional currency.

Same-asset NOI by country and property type:

($000s except as noted)	Three months ended March 31	
	2026	2025
Canada		
Retail	**7,649**	7,324
Office	**3,517**	3,949
Industrial	**493**	466
Residential	**551**	495
Other	**363**	328
Total Canada	**12,573**	12,562
US		
Office	**700**	691
Residential	**57**	78
Other	**–**	2
Total US	**757**	771
Total in functional currency	**13,330**	13,333
Foreign exchange	**281**	336
Same-asset NOI[1]	**13,611**	13,669

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

Property Profile

	Commercial properties GLA under management (sf, total)	Properties owned and managed (sf)	% of Portfolio (GLA)	Fair Value of Investment Properties	Fair Value as a % of Total Portfolio Value[1]	Gross profit three months ended March 31, 2026
Retail	1,773,945	1,496,607	40.7 %	632,367	64.3 %	9,250
Office	2,283,996	2,083,278	56.7 %	258,404	26.3 %	3,128
Industrial	96,896	96,896	2.6 %	25,939	2.6 %	998
Residential	443 units	443 units	na	51,566	5.2 %	629
Other	na	na	na	16,050	1.6 %	217
	4,154,837	**3,676,781**	**100.0 %**	**984,326**	**100.0 %**	**14,222**

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

($000s except as noted)	Retail		Office		Industrial		Residential		Other	
	2026	2025	**2026**	2025	**2026**	2025	**2026**	2025	**2026**	2025
Three months ended March 31,										
Revenue	**13,820**	14,641	**8,632**	9,680	**1,240**	1,374	**1,183**	1,188	**471**	625
Gross profit	**9,250**	9,558	**3,128**	3,488	**998**	1,153	**629**	607	**217**	331
Net operating income (NOI)[1]	**9,602**	9,902	**4,509**	4,879	**1,010**	1,167	**629**	607	**217**	331
Same-asset NOI[1]	**7,649**	7,324	**4,477**	4,941	**493**	466	**551**	607	**441**	331
Gross margin[2]	**66.9 %**	65.3 %	**36.2 %**	36.0 %	**80.5 %**	83.9 %	**53.2 %**	51.1 %	**46.1 %**	53.0 %
As at March 31,										
Occupancy[3]	**93.8 %**	91.0 %	**71.0 %**	79.8 %	**100.0 %**	98.4 %	**97.7 %**	96.9 %	**na**	na
Committed Occupancy[3]	**94.2 %**	92.7 %	**71.3 %**	79.6 %	**100.0 %**	98.4 %	**97.7 %**	96.9 %	**na**	na

1 Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section for further information.
2 Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section for further information.
3 The occupancy percent (%) in the table above includes joint ventures at 100%; however, revenue and earnings are reported at Melcor's interest.

Management fees & other

Management fees on development is comprised of fees paid by joint arrangement partners and are a percentage of total development costs incurred, which fluctuate period to period depending on the development stage of the active projects. Due to managements conservative approach on development, there were no management fees recognized during the period on properties under development.

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 in Q1-2026 were $0.23 million up from $0.19 million in Q1-2025.

Revenue from parking stalls and other assets was down 8.6% or $0.10 million in the quarter to $1.01 million from $1.10 million in Q1-2025. These revenues are ancillary to our business and may fluctuate from period to period.

FFO

FFO was down 2.9% or $0.42 million to $14.28 million in Q1-2026 (Q1-2025: $14.70 million). To date in Q1-2026, gross profits were down 6.0% or $0.92 million as a result of the recent property disposals. This decrease was largely offset by reduction in G&A which was down $0.44 million to $1.55 million (Q1-2025: $1.99 million) positively impacting FFO as a result of the transaction between Melcor and REIT, resulting in lower public company costs compared to Q1-2025.

Fair Value of Investment Portfolio

The fair value of our income properties portfolio decreased by $40.46 million over December 31, 2025. The components leading to the change in fair value include:

- the sale of Staples Building (Calgary, AB) which sold in Q1-2026 for net proceeds of $12.08 million, reducing our investment properties by $12.85 million;
- the sale of Telford Industrial (Leduc, AB), which sold in Q1-2026 for net proceeds of $31.00 million, reducing our investment properties by $33.24 million;
- the sale of two residential units at Edge at Grayhawk (Scottsdale, AZ), which sold for net proceeds of $0.87 million (US$0.64 million) reducing the portfolio value by $0.87 million (US$0.60 million);
- fair value gains increasing our portfolio value by $2.79 million related to adjustments on properties from external valuation professionals and other adjustments impacting fair value recognized in the period, offset by a $1.77 million fair value loss recognized on our assets held for sale sold in the current year;
- property improvements and direct leasing costs of $0.59 million, increasing fair value;
- development costs and capitalized borrowings on development increasing the portfolio by $0.27 million; and,
- foreign currency translation gain of $1.12 million, and changes to tenant improvements and straight-line rent.

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

($000s)	March 31, 2026			December 31, 2025		
	Investment Properties	**Properties Under Development**	**Total**	Investment Properties	Properties Under Development	Total
Retail	**556**	**–**	**556**	(25,395)	157	(25,238)
Office	**620**	**–**	**620**	890	4,424	5,314
Industrial	**(501)**	**–**	**(501)**	(2,292)	–	(2,292)
Residential	**351**	**–**	**351**	(2,862)	–	(2,862)
Other	**–**	**–**	**–**	(800)	–	(800)
	1,026	**–**	**1,026**	(30,459)	4,581	(25,878)

($000s)	March 31, 2026			December 31, 2025		
	Investment Properties	**Properties Under Development**	**Total**	Investment Properties	Properties Under Development	Total
Northern Alberta	**631**	**–**	**631**	(18,505)	4,663	(13,842)
Southern Alberta	**609**	**–**	**609**	(3,244)	(82)	(3,326)
British Columbia/Saskatchewan	**(575)**	**–**	**(575)**	(685)	–	(685)
US	**361**	**–**	**361**	(8,025)	–	(8,025)
	1,026	**–**	**1,026**	(30,459)	4,581	(25,878)

Investment properties were valued by Melcor's internal valuation team as at March 31, 2026. Our qualified external valuation professionals valued 14 of the 82 legal phases with a fair value of $150.43 million. This resulted in fair value gain of $1.03 million recorded to date in 2026 as fair value adjustments on investment properties in the statements of income and comprehensive income. In 2025 our qualified external valuation professionals valued 55 of the 86 legal phases with a fair value of $581.87 million which resulted in a fair value loss of $25.88 million for the year.

The gains recognized on our US residential properties in 2026 are related to the recent sales of units at the Edge at Greyhawk. Additionally, tenant incentives recognized on the properties which do not affect fair value have been included in our year-to-date adjustments. Our US commercial properties continue to face challenges, and valuations have resulted in an increase in capitalization rates in our Arizona and Colorado regions and in 2025 we recognized fair value losses on those properties.

Golf

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

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

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

All courses opened subsequent to the first quarter, with the exception of Black Mountain Golf Club, located in Kelowna BC, which opened on March 25, 2026.

	Ownership Interest	2026	2025
		Season opened	Season opened
Managed by Melcor:			
Lewis Estates (Edmonton)	60%	**April 30**	April 15
The Links (Spruce Grove)	100%	**April 30**	April 15
Black Mountain (Kelowna)	100%	**March 25**	March 26
Managed by a Third Party:			
Jagare Ridge (Edmonton)	50%	**May 1**	April 24

General & Administrative Expense

($000s except as noted)	Three months ended March 31	
	2026	2025
Employee salary and benefits		
Salaries, wages and retirement allowance	**2,908**	3,307
Employee benefits	**482**	480
Stock based compensation	**268**	316
	3,658	4,103
Corporate asset depreciation	**51**	60
Marketing and promotions	**286**	324
Professional fees	**754**	1,783
Public company costs	**221**	348
Other	**1,152**	1,032
Total	**6,122**	7,650
G&A expenses as a % of revenue	*13.5 %*	*15.1 %*

G&A expenses were down 20.0% or $1.53 million to $6.12 million in the quarter (Q1-2025: $7.65 million).

G&A expenses in the comparative period were impacted by costs associated with the Transaction between Melcor and the REIT. Included in our Corporate division G&A comparative period were expenses of $1.17 million related to the Transaction that were not included in adjustments related to REIT Units.

Excluding costs related to the Transaction, G&A was down 5.5% to $6.12 million year-to-date (Q1-2025: $6.48 million). Our remaining G&A expense categories remain on budget, and stable over comparative period. G&A as a percent of total revenues was 13.5% year-to-date compared to 15.1% to date in 2025, or 12.8% excluding the transaction costs previously noted.

Management continues to prudently monitor and manage controllable expenses.

Income Tax Expense

The statutory tax rate is 23.0% for the three months ended March 31, 2026 (Q1-2025: 23.0%). The most significant adjustment impacting the 2026 effective tax rate was the decrease in deferred tax liability in the period as a result of implementing a tax basis “bump” under subsection 98(5)(c) of the Canadian Income Tax Act in connection with the wind-up of REIT LP. This provision permits Melcor to increase the tax cost of certain non-depreciable capital property received on the dissolution of the partnership to an amount not exceeding fair market value, subject to specific limitations. The resulting step-up in tax basis reduces future taxable capital gains that would otherwise arise on disposition of these assets. The benefit of $12.75 million recorded during the first quarter reflects the expected future tax savings associated with this higher tax basis, measured using substantively enacted tax rates. Other items that impact the effective tax rate include the fair value adjustment on investment properties, which is not subject to tax and different tax rates in subsidiaries.

Liquidity & Capital Resources

The following table represents selected information as at March 31, 2026, compared with December 31, 2025.

As at ($000s except as noted)	**March 31, 2026**	December 31, 2025
Cash & cash equivalents	**54,482**	74,884
Accounts receivable	**9,462**	13,909
Agreements receivable	**188,963**	198,903
Revolving credit facilities	**59,566**	79,375
Accounts payable and accrued liabilities	**46,235**	52,269
Total assets	**1,976,831**	2,051,135
Total liabilities	**698,260**	783,062
Debt to equity ratio[1]	**0.55**	0.62

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

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

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

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

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

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

Financing & Liquidity

Total liquidity (cash and credit facilities availability) was $177.16 million as at March 31, 2026 (December 31, 2025: $221.88 million). Our total general debt outstanding was $501.55 million as at March 31, 2026 (December 31, 2025: $548.74 million).

A summary of our debt is as follows:

As at ($000s)	**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

We are subject to financial covenants on our revolving credit facilities. The covenants include a maximum debt to total capital ratio of 125%; a minimum debt service coverage ratio of 2.00; and a minimum net book value of shareholder's equity of $600.00 million. As at March 31, 2026 and throughout the period, we were in compliance with our financial covenants.

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

Sources & Uses of Cash

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

($000s)	Three months ended March 31	
	2026	2025
Cash flow (used in) from operating activities	**(14,635)**	31,215
Cash flow from (used in) investing activities	**43,264**	45,452
Cash flow used in financing activities	**(55,343)**	(71,538)

Operating Activities:

Effective January 1, 2026, we adopted amendments to IFRS 9 and IFRS 7, which changed the timing of derecognition of certain financial liabilities. As a result, outstanding cheques are now included in accounts payable, whereas they were reflected in cash and revolving credit facilities in the comparative period. Prior periods were not restated and, accordingly, movements in operating assets and liabilities are not directly comparable to the prior year; however, the adoption had no impact on underlying liquidity or cash flows.

Cash used in operating activities resulted in cash outflows of $14.64 million in Q1-2026 down $45.85 million from cash inflows of $31.22 million in Q1-2025. Cash from operating activities is significantly impacted by the timing of development and sales activity, swings in working capital and net income adjusted for non-cash items.

Cash provided by operating activities before changes in non-cash working capital was up 4.0% or $0.32 million to $8.39 million (Q1-2025: $8.07 million).

Agreements receivable can fluctuate period-over-period depending on the timing of payments received. In Q1-2026, collections on agreements receivable positively impacted cash flows by $9.94 million, compared to a positive impact of $33.07 million in Q1-2025.

Development activities in Q1-2026 contributed net cash outflows of $9.15 million up $4.87 million from $4.28 million in Q1-2025. We also incurred $0.44 million in tenant incentives and direct leasing costs in Q1-2026, down $0.38 million from $0.82 million in Q1-2025. These costs can vary period over period, based on the timing of renewals and new leases signed in the trailing periods.

Investing Activities:

Cash from investing activities resulted in net cash inflows of $43.26 million in Q1-2026 compared to cash inflows of $45.45 million in Q1-2025.

In Q1-2026, we sold two properties classified as assets held for sale, including one retail property located in Calgary, AB, for a sale price of $12.30 million less transaction costs resulting in net proceeds on sale of $12.08, and one industrial centre located in Leduc, AB for a sale price of $31.50 million less transaction costs, resulting in net proceeds on sale of $31.00 million. Proceeds from the sale were used to repay the outstanding principal balances on the mortgages of $5.95 million and $19.19 million respectively, with remaining proceeds used to pay down our credit facility.

In Q1-2025, we sold one property classified as held for sale located in Grande Prairie, AB, for a purchase price of $48.00 million less transaction costs resulting in net proceeds on sale of $47.38 million. Proceeds were used to repay the outstanding principal balance on the mortgage of $29.71 million with remaining proceeds use to pay down our credit facility.

To date in 2026, we have sold two residential units at our Edge complex located in Scottsdale, AZ for net proceeds of $0.87 million (US$0.60 million). This compares to three residential units sold at our Edge complex for net proceeds of $1.22 million (US$0.85 million) in Q1-2025.

We remain committed to strengthening our asset base through ongoing asset enhancement projects. Investment in our properties includes active construction on new development and upgrades to income-generating assets within the Properties division. To date in 2026, we invested $0.27 million in properties under development, compared to $3.79 million in Q1-2025. Additionally, we invested $0.38 million in 2026 to our income-generating properties, up from $0.09 million in 2025.

Financing Activities:

Cash used in financing activities was $55.34 million in Q1-2026, down from $71.54 million in Q1-2025.

In Q1-2026 we have net repayments on our revolving credit of $11.28 million to date, compared to repayments in Q1-2025 of $33.55 million, a swing of $22.28 million. Net proceeds on disposals in our Properties division, after mortgage repayments, were used to reduce borrowings on our credit facilities in the current and comparative period. Movements in the revolving credit facilities are not directly comparable to the prior year due to the adoption of amendments to IFRS 9 and IFRS 7, which resulted in outstanding cheques being reflected in accounts payable rather than cash and revolving credit facilities. This accounting change did not impact our underlying financing position or cash management during the quarter.

Cash used for the repayment of general debt was down $5.32 million to $28.74 million in the period (Q1-2025: $34.06 million). Included in repayment of general debt was mortgage repayments of $24.98 million related to recent property disposals and $3.76 million in scheduled mortgage payments. This compares to the repayment of general debt of $29.71 million related to recent property disposals and $4.35 million in scheduled mortgage payments in Q1-2025.

On March 31, 2026, we paid dividends of $0.50 per share, which included a regular quarterly dividend of $0.15 per share and a special dividend of $0.35 per share for a cash outflow of $15.02 million. This compares to a quarterly dividend of $0.11 per share paid Q1-2025 for a cash outflow of $3.33 million. Subsequent to quarter end, on May 7, 2026, we declared a quarterly dividend of $0.15 per share which will be paid on June 30, 2026.

Share Data

Melcor has been a public company since 1968 and trades under the symbol “MRD” on the Toronto Stock Exchange. As at March 31, 2026 there were 30,036,833 common shares issued and outstanding and 323,601 restricted share units. Each and restricted share unit is convertible to one common share upon exchange. There is only one class of common shares issued.

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

There are no material changes to the above titled sections at March 31, 2026 in comparison to the December 31, 2025 annual MD&A. Refer to note 3 of the condensed interim consolidated financial statements for changes in accounting policies.

Normal Course Issuer Bid

On June 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 months ended March 31, 2026, 65,772 shares were purchased for cancellation by Melcor pursuant to the NCIB's at a cost of $1.09 million (December 31, 2025: 344,980 shares purchased at a cost of $4.78 million). Share capital was reduced by $0.16 million (December 31, 2025: $0.98 million) and retained earnings was reduced by $0.93 million (December 31, 2025: $3.80 million). Retained earnings was also reduced by $0.02 million (December 31, 2025: $0.07 million) for the tax on net share buyback.

Quarterly Results

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

	2026	2025				2024		
($000s)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Revenue	45,365	187,122	72,543	100,139	50,743	170,538	59,508	69,707
Net income (loss)	23,173	31,652	14,093	7,258	5,016	32,384	(34,984)	23,340
FFO[1]	8,515	49,183	23,403	36,125	13,426	43,436	16,507	20,115
Per Share ($)								
Basic earnings (loss)	0.77	1.05	0.46	0.24	0.17	1.07	(1.15)	0.76
Diluted earnings (loss)	0.76	1.05	0.46	0.24	0.16	1.05	(1.15)	0.76
FFO basic[2]	0.28	1.64	0.77	1.19	0.44	1.44	0.54	0.65
Book value[2]	42.57	42.13	41.38	40.90	41.07	40.92	39.56	40.81

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

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

Subsequent Events

Refer to note 16 of the interim consolidated financial statements for information pertaining to subsequent events.

Internal Control over Financial Reporting & Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were material changes to internal control over financial reporting during the quarter ended March 31, 2026, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Non-GAAP and Non-standard Measures

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

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

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

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

Properties

($000s)	Three months ended March 31	
	2026	2025
Segment earnings	**15,797**	17,314
Fair value adjustment on investment properties	**(1,026)**	(4,098)
General and administrative expenses	**1,548**	1,988
Interest income	**(54)**	(67)
Amortization of tenant incentives	**1,556**	1,488
Straight-line rent adjustment	**189**	261
Gain on sale of assets and derecognition of liabilities	**(2,043)**	–
Divisional NOI	**15,967**	16,886

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

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

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

Gross margin (%): Gross margin percent is a supplementary financial measure that indicates the relative efficiency with which we earn revenue. This ratio is calculated by dividing gross profit by revenue.

Net margin (%): Net margin percent is a supplementary financial measure that indicates the relative efficiency with which we earn income. This ratio is calculated by dividing net income by revenue.

Book value per share: Book value per share is a non-GAAP financial ratio and is calculated as shareholders' equity over the number of common shares outstanding.

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

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

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

Funds from operations (FFO): FFO is a non-GAAP financial measure and is defined as net income in accordance with IFRS Accounting Standards, excluding (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments, directly attributable transaction costs to the REIT Units acquisition, interest expense and other effects of redeemable units classified as liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) adjustment for amortization of deferred financing fees, which is included in non-cash financing costs and (vii) fair value adjustment on derivative instrument, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties (vii) accrued finance charges (viii) gain (or losses) from the derecognition of a liability.

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

Consolidated

($000s)	Three months ended March 31	
	2026	2025
Net income for the period	**23,173**	5,016
Amortization of tenant incentives	**1,556**	1,488
Fair value adjustment on investment properties	**(1,026)**	(4,098)
Depreciation on property and equipment	**275**	117
Stock based compensation expense	**268**	316
Non-cash finance costs	**(80)**	1,486
Gain on sale of assets and derecognition of liabilities	**(2,043)**	(1)
Deferred income taxes	**(13,923)**	1,149
Fair value adjustment on REIT Units	**—**	2,333
Transaction costs on REIT Units acquisition	**—**	5,620
Accrued finance charges	**315**	—
FFO	**8,515**	13,426

Properties

($000s)	Three months ended March 31	
	2026	2025
Segment earnings	**15,797**	17,314
Fair value adjustment on investment properties	**(1,026)**	(4,098)
Amortization of tenant incentives	**1,556**	1,488
Gain on sale of assets and derecognition of liabilities	**(2,043)**	—
Divisional FFO	**14,284**	14,704

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