Management's Discussion & Analysis

August 13, 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 June 30, 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 August 13, 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.

TABLE OF CONTENTS

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 June 30, 2026, we manage 4.16 million square feet (sf) in commercial real estate assets and 442 residential rental units. We have been a public company since 1968 (TSX: MRD).

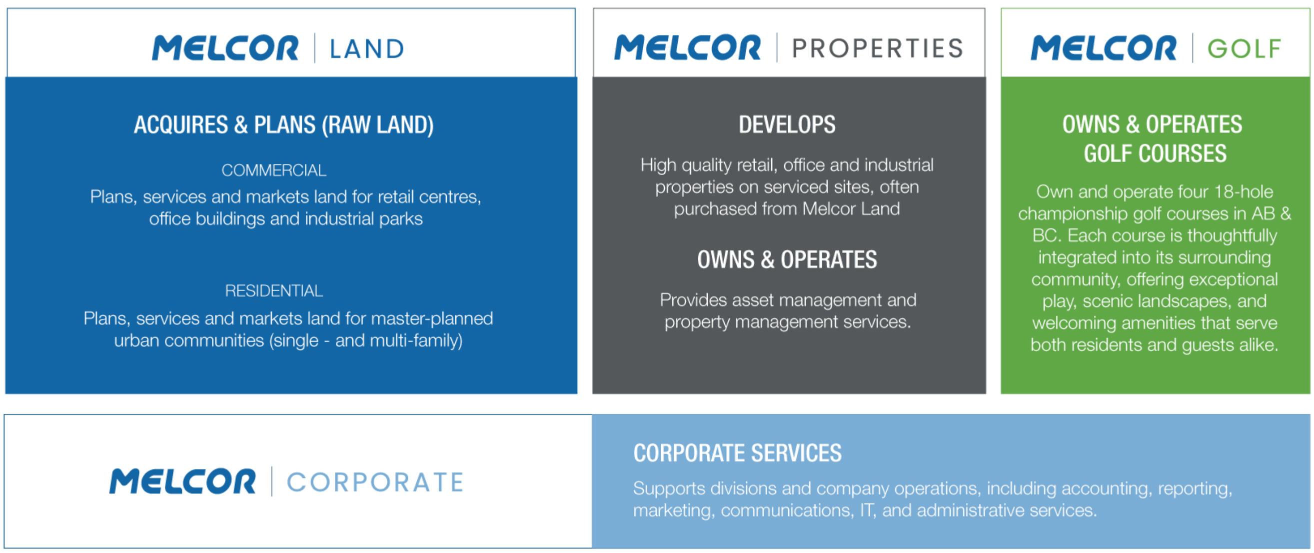
In 2025, Melcor repurchased its unowned equity interest (approximately 44.6%) in Melcor REIT and the REIT was terminated pursuant to the Declaration of Trust in late 2025; and on January 31, 2026 Melcor REIT Limited Partnership was wound up. This transaction (the "Transaction") represented a major milestone 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 June 30, 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

Second 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.

($000s except as noted)	Three months ended June 30			Six months ended June 30		
	2026	2025	Change %	**2026**	2025	Change %
Revenue	**61,992**	100,139	(38.1)	**107,357**	150,882	(28.8)
Gross margin[1]	**50.5 %**	55.0 %	(8.2)	**49.5 %**	54.6 %	(9.3)
Net income	**21,935**	7,258	202.2	**45,108**	12,274	267.5
Net margin[1]	**35.4 %**	7.2 %	391.7	**42.0 %**	8.1 %	418.5
FFO[2]	**21,717**	36,125	(39.9)	**30,232**	49,910	(39.4)
Per Share Data ($)						
Basic earnings	**0.73**	0.24	204.2	**1.50**	0.41	265.9
Diluted earnings	**0.73**	0.24	204.2	**1.49**	0.40	272.5
FFO[3]	**0.72**	1.19	(39.5)	**1.00**	1.65	(39.4)
Dividends	**0.15**	0.11	36.4	**0.65**	0.22	195.5

As at ($000s except share and per share amounts)	**June 30, 2026**	December 31, 2025	Change %
Total assets	**1,983,538**	2,051,135	(3.3)
Shareholders' equity	**1,296,687**	1,268,073	2.3
Total shares outstanding	**29,968,752**	30,102,605	(0.4)
Per Share Data ($)			
Book value [(3)]	**43.27**	42.13	2.7

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.

HIGHLIGHTS:

Demand for residential and commercial real estate in Alberta remained healthy during the six months ended June 30, 2026, driven by continued population growth, housing demand and steady activity across residential and commercial real estate markets. The operating environment, however, continued to be influenced by global trade tensions, evolving policy decisions, uncertainty and elevated development and construction costs. Despite these challenges, Melcor's diversified portfolio of land development, income producing properties and our golf courses demonstrated stability and resilience, resulting in solid operating performance.

To date in 2026, we have recorded revenue of $107.36 million at a gross margin of 49.5%, down 28.8% from revenue of $150.88 million in 2025 at a gross margin of 54.6%. Net income was up $32.83 million to $45.11 million year-to-date compared to $12.27 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 39.4% to $30.23 million (2025: $49.91 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 during the six months ended June 30, 2026, we 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 18.4% to $490.24 million over the comparative quarter (Q2-2025: $601.05 million) and general debt is down 10.7% (December 31, 2025: $548.74 million) over year-end. Our debt to equity ratio on June 30, 2026 was 0.53, down from 0.65 in Q2-2025, and 0.62 since year-end.

FINANCIAL HIGHLIGHTS

The real estate industry is impacted by the cyclical nature of development, demand for products, 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 can be difficult to predict when they will close.

We continuously assess assets held in our Properties division, with the aim of focusing on our core Alberta market. We disposed of four investment properties in 2025 and sold two additional properties in the six months ended June 30, 2026. In addition to the properties sold, we have also classified one property as held for sale as at June 30, 2026.

Revenue & Margins:

Consolidated revenue was down 38.1% to $61.99 million in Q2-2026 (Q2-2025: $100.14 million) and was down 28.8% to $107.36 million year-to-date (2025: $150.88 million). Gross profit was down 43.1% to $31.33 million in Q2-2026 (Q2-2025: $55.04 million), and was down 35.4% to $53.16 million year-to-date (2025: $82.35 million), with consolidated gross margin down 4.5% over Q2-2025 to 50.5% in the quarter and was down 5.1% over 2025 to 49.5% year-to-date.

Our Land division contributed 47.8% of total revenue before intersegment elimination to date in 2026 compared to 60.5% in 2025. The decrease in revenue generated from our Land division was primarily attributable to lower land sales in our US region partially offset by an increase in single-family lot sales in our Canadian regions. In the 2025 comparative period, our US region generated year-to-date revenue of $61.66 million and gross profit of $39.02 million. Results were positively impacted by the sale of 198.40 acres of subdivided but unserviced land (paper lots) in Goodyear, Arizona. By comparison, the US region generated year-to-date revenue of $11.46 million and gross profits of $5.99 million in 2026 which included the sale of 61.57 acres of subdivided but unserviced land (paper lots) in Buckeye, AZ.

Our Properties division contributed 46.6% of revenue before intersegment eliminations to date in 2026 compared to 35.5% in 2025. Revenues from our Properties division was down 5.2% to $24.87 million in the quarter (Q2-2025: $26.24 million) and was down 6.3% to $50.22 million year-to-date (2025: $53.62 million) as a result of recent property disposals partially offset by revenue generated from newly developed commercial properties.

Our Golf division courses opened during the second quarter, with the exception of Black Mountain Golf Club (Kelowna, BC) which opened on March 25, 2026. As a result of the unfavourable weather, and Alberta's significant rainfall this 2026 golf season, our golf courses have seen a reduction of 10.7% in rounds played to 47,933 (2025: 53,674). Although rounds were down year-to-date, revenue remained stable at $6.06 million (2025: $6.02 million) due to other revenue streams including food and beverage sales.

From a geographic perspective, our US region contributed 15.7%, or $16.86 million of our total revenue to date in 2026. This included contributions from our Properties division of 5.0% or $5.39 million, and our Land division of 10.7%, or $11.46 million. This compares to total US revenues of 44.9%, or $67.70 million to date in 2025, comprised of 4.0% or $6.03 million from our Properties division and 40.9%, or $61.66 million from our Land division. The year-over-year decrease in the US revenue was primarily attributable to lower land sales activity, as noted above.

Net Income & FFO:

In the second quarter, net income was $21.94 million, up $14.68 million from $7.26 million in Q2-2025, and was $45.11 million year-to-date, up $32.83 million from $12.27 million in 2025. The increase in net income was significantly impacted by non-cash items including:

- *Fair value adjustments on investment properties*: in Q2-2026 we recorded a fair value gain on investment properties of $4.87 million (Q2-2025: fair value loss of $3.08 million), and we recorded a $5.90 million in fair value gain year-to-date (2025: fair value gain of $1.02 million).
- *Change in the REIT's unit price:* no fair value adjustments related to REIT units were recorded in 2026 as Melcor no longer held REIT units following the completion of the REIT transaction in Q2-2025. This compares to losses of $0.91 million recorded in Q2-2025 and $3.24 million year-to-date in 2025.
- *Non-cash financing costs*: we recorded non-cash financing costs of $0.46 million in Q2-2026, compared to non-cash financing recoveries of $0.58 million in Q2-2025, and non-cash financing costs of $0.38 million year-to-date (2025: $0.91 million).
- *Deferred income taxes*: we have recorded a deferred tax benefit of $12.21 million year-to-date in 2026 (2025: $23.93 million deferred tax expense), which includes a one-time $12.75 million deferred tax benefit record in Q1-2026 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 factors outside of Melcor's control, as well as the one-time deferred income tax benefit recognized on the wind-up of REIT LP. As a result, management focuses on FFO as a more meaningful measure of our financial performance.

FFO decreased by 39.9% to $21.72 million in Q2-2026 (Q2-2025: $36.13 million) and was down 39.4% to $30.23 million year-to-date (2025: $49.91 million). The reduction in FFO is a result of lower gross profit, down 43.1% or $23.71 million to $31.33 million in the quarter (Q2-2025: $55.04 million) and down 35.4% or $29.19 million to $53.16 million year-to-date (2025: $82.35 million). FFO was also impacted by the reduction of general and administrative expenses, which was down 0.6% or $0.04 million in the period to $6.71 million (Q2-2025: $6.76 million), and down 10.9% or $1.57 million to $12.83 million year-to-date (2025: $14.41 million), positively impacting FFO.

DIVISIONAL OPERATING HIGHLIGHTS

Our **Land** division revenue was down 53.8% or $36.67 million in Q2-2026 to $31.48 million (Q2-2025: $68.15 million). The decrease was attributed to the lower revenue generated from our US regions comparative to 2025. In 2025 we sold 198.40 acres of subdivided but unserviced lots (paper lots) contributing to $61.66 million in US Land revenue generated in the first half of the year. This compares to 61.57 acres of subdivided but unserviced lots (paper lots) contributing to $11.46 million in US Land revenue to date in 2026. Focusing on our Canadian markets, we saw an increase in revenues of $1.75 million to $20.23 million over Q2-2025 (Q2-2025: $18.48 million), and of $10.32 million to $40.09 million year-to-date (2025: $29.77 million) as result of an increase in single-family lot sales.

Our **Properties** division accounted for 46.8% of total revenue, before intersegment eliminations compared to 35.5% in 2025 year-to-date. Occupancy decreased over year-end to 81.1% (December 31, 2025: 81.9%) and was down over last year (Q2-2025: 82.5%) primarily reflecting the disposition of highly occupied properties, including Telford Industrial (Leduc, AB) and the Staples Building (Calgary, AB), which were sold in the first half of the year. To date, we completed 289,447 sf in renewals and an additional 130,777 sf of new leasing.

In our **Golf** division, all our courses opened in the quarter, with the exception of our Black Mountain golf course which opened March 25, 2026. Rounds of golf were down 10.7% to 47,933 rounds played to date (2025: 53,674 rounds) and revenue remained stable at $6.06 million year-to-date (2025: $6.02 million).

ASSET DISPOSITIONS

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

2026 Dispositions (year-to-date):

- Telford Industrial, an 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
- Three residential units located at the Edge at Grayhawk in Scottsdale, AZ for net proceeds of $1.27 million (US$0.86 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 137,304 shares for cancellation pursuant to the NCIB at a cost of $2.40 million to date in 2026.
- We paid dividends of $0.65 per share which includes quarterly dividend of $0.15 per share paid on March 31, 2026 and June 30, 2026 as well as a special dividend of $0.35 per share paid on March 31, 2026 for a total cash outflow of $19.52 million to date in 2026.
- On August 13, 2026, we declared a quarterly dividend of $0.15 per share, payable on September 29, 2026, to shareholders of record on September 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 June 30			Six months ended June 30		
	2026	2025	Change %	2026	2025	Change %
Net income for the period	**21,935**	7,258	202.2	**45,108**	12,274	267.5
Amortization of tenant incentives	**1,421**	1,759	(19.2)	**2,977**	3,606	(17.4)
Fair value adjustment on investment properties	**(4,874)**	3,081	(258.2)	**(5,900)**	(1,017)	480.1
Depreciation on property and equipment	**283**	420	(32.6)	**558**	537	3.9
Stock based compensation expense	**507**	356	42.4	**775**	672	15.3
Non-cash finance costs	**462**	(575)	(180.3)	**382**	911	(58.1)
Gain on sale of assets and derecognition of liabilities	**(56)**	(115)	(51.3)	**(2,099)**	(116)	nm
Deferred income taxes	**1,715**	22,776	(92.5)	**(12,208)**	23,925	(151.0)
Fair value adjustment on REIT Units	**–**	907	nm	**–**	3,240	nm
Transaction costs on REIT Units acquisition	**–**	258	nm	**–**	5,878	nm
Accrued finance charges	**324**	–	nm	**639**	–	nm
FFO[1]	**21,717**	36,125	(39.9)	**30,232**	49,910	(39.4)
FFO per share[2]	**$0.72**	$1.19	(39.5)	**$1.00**	$1.65	(39.4)

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 June 30			Six months ended June 30		
	2026	2025	Change %	**2026**	2025	Change %
Sale of land	**30,003**	68,150	(56.0)	**49,820**	88,810	(43.9)
Golf course revenue	**5,806**	5,749	1.0	**5,886**	5,825	1.0
Base rent, net of intersegment eliminations	**17,461**	18,654	(6.4)	**35,450**	38,075	(6.9)
Recoveries	**7,512**	8,074	(7.0)	**15,243**	16,733	(8.9)
Other	**1,349**	991	36.1	**2,565**	4,247	(39.6)
Management fees, net of intersegment eliminations	**1,252**	294	325.9	**1,529**	1,103	38.6
Straight-line rent adjustment	**30**	(14)	(314.3)	**(159)**	(305)	(47.9)
	63,413	101,898	(37.8)	**110,334**	154,488	(28.6)
Cost of sales, excluding depreciation of property and equipment	**(30,428)**	(44,736)	(32.0)	**(53,734)**	(68,110)	(21.1)
General and administrative expenses, excluding depreciation of property and equipment and stock based compensation expense	**(6,157)**	(6,342)	(2.9)	**(11,960)**	(13,616)	(12.2)
Interest income	**911**	797	14.3	**1,998**	1,780	12.2
Foreign exchange gain	**2,342**	321	629.6	**2,349**	325	622.8
Interest on revolving credit facilities	**(954)**	(1,688)	(43.5)	**(2,026)**	(3,138)	(35.4)
Interest on fixed rate mortgages	**(2,512)**	(3,458)	(27.4)	**(5,526)**	(6,255)	(11.7)
Interest on floating or fixed rate swap mortgages	**(1,792)**	(1,686)	6.3	**(3,260)**	(3,398)	(4.1)
Financing costs and bank charges	**(250)**	(168)	48.8	**(529)**	(1,156)	(54.2)
Gain on settlement of interest rate swap	**–**	1	(100.0)	**–**	1	(100.0)
Defeasance costs	**(32)**	–	nm	**(1,181)**	(799)	47.8
Capitalized interest	**1,025**	737	39.1	**1,747**	1,385	26.1
Current income tax expense	**(3,849)**	(9,551)	(59.7)	**(7,980)**	(11,597)	(31.2)
FFO[1]	**21,717**	36,125	(39.9)	**30,232**	49,910	(39.4)

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

FFO was down 39.9% or $14.41 million to $21.72 million in the period (Q2-2025: $36.13 million) and was down 39.4% or $19.68 million to $30.23 million year-to-date (2025: $49.91 million).

The reduction in FFO was a direct result of gross profits decreasing 43.1% or $23.71 million to $31.33 million in the quarter (Q2-2025: $55.04 million), and 35.4% or $29.19 million to $53.16 million year-to-date (2025: $82.35 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 34.5% or $29.78 million to date. The reduction in gross profit is directly attributed to the decrease in gross profit generated from our US land region, down $24.92 million in the period and $33.03 million year-to-date compared to 2025.

FFO was positively impacted by the reduction of general and administrative expenses, which was down 0.6% or $0.04 million to $6.71 million (Q2-2025: $6.76 million), and down 10.9% or $1.57 million to $12.83 million year-to-date (2025: $14.41 million). Included in general and administrative expenses are non-cash items which are excluded for the purposes of calculating FFO. Excluding these non-cash items, general and administrative expenses were down 12.2% or $1.66 million to $11.96 million year-to-date (2025: $13.62 million).

Other factors that impacted FFO was interest income, which was up $0.11 million in the quarter to $0.91 million (Q2-2025: $0.80 million) and up $0.22 million to $2.00 million year-to-date (2025: $1.78 million), and finance costs, which were down 6.8% or $0.39 million to $5.30 million in the quarter (Q2-2025: $5.69 million) and down 17.3% or $2.48 million to $11.80 million year-to-date (2025: $14.27 million). Included in finance costs are non-cash finance costs and accrued finance costs. Excluding these non-cash items, finance costs were down 27.9% or $1.75 million to $4.52 million in the quarter (Q2-2025: $6.26 million) and down 19.3% or $2.59 million to $10.78 million year-to-date (2025: $13.36 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 June 30, 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 June 30		Three months June 30		Three months June 30	
($000s except as noted)	**2026**	2025	**2026**	2025	**2026**	2025
Revenue	**31,482**	68,150	**24,873**	26,240	**5,960**	5,914
Portion of total revenue %	**51 %**	68 %	**40 %**	26 %	**10 %**	6 %
Cost of sales	**(17,789)**	(31,341)	**(10,730)**	(11,490)	**(2,168)**	(2,293)
Gross profit	**13,693**	36,809	**14,143**	14,750	**3,792**	3,621
Gross margin %[1]	**43 %**	54 %	**57 %**	56 %	**64 %**	61 %
Portion of total margin[1]	**43 %**	67 %	**45 %**	27 %	**12 %**	7 %
General and administrative expense	**(2,084)**	(2,100)	**(1,504)**	(1,615)	**(1,245)**	(1,187)
Fair value adjustment on investment properties	**–**	–	**4,874**	(3,081)	**–**	–
Gain on sale of assets and derecognition of liabilities	**–**	–	**–**	–	**56**	115
Interest income	**712**	547	**39**	235	**2**	3
Segment earnings	**12,321**	35,256	**17,552**	10,289	**2,605**	2,552

	Land		Properties		Golf	
	Six months June 30		Six months June 30		Six months June 30	
($000s except as noted)	**2026**	2025	**2026**	2025	**2026**	2025
Revenue	**51,555**	91,433	**50,219**	53,624	**6,063**	6,016
Portion of total revenue %	**48 %**	61 %	**47 %**	35 %	**6 %**	4 %
Cost of sales	**(29,487)**	(41,874)	**(21,854)**	(23,861)	**(2,898)**	(2,845)
Gross profit	**22,068**	49,559	**28,365**	29,763	**3,165**	3,171
Gross margin %[1]	**43 %**	54 %	**56 %**	56 %	**52 %**	53 %
Portion of total margin %[1]	**41 %**	60 %	**53 %**	36 %	**6 %**	4 %
General and administrative expense	**(3,928)**	(3,933)	**(3,052)**	(3,479)	**(1,699)**	(1,571)
Fair value adjustment on investment properties	**–**	–	**5,900**	1,017	**–**	–
Gain on sale of assets and derecognition of liabilities	**–**	–	**2,043**	–	**56**	116
Interest income	**1,608**	1,360	**93**	302	**4**	7
Segment earnings	**19,748**	46,986	**33,349**	27,603	**1,526**	1,723

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

Land

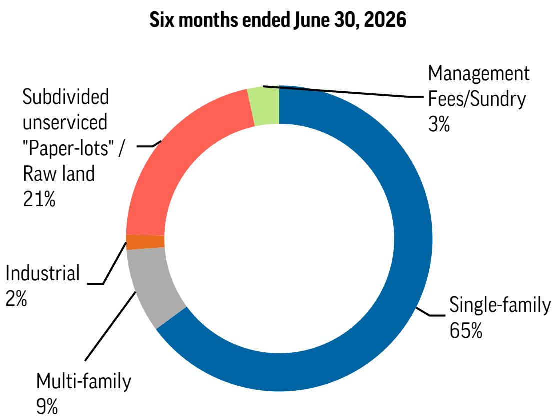
Our Land division acquires raw land in strategic urban corridors and subsequently plans, develops and markets this land as builder-ready urban communities and large-scale commercial and industrial centres. This process includes identifying and evaluating land acquisitions, site planning, obtaining approvals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

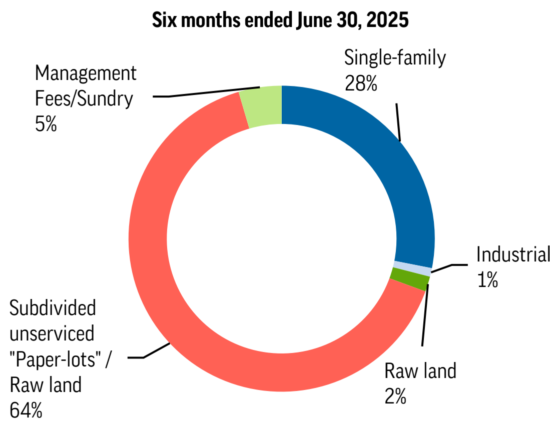
Master-planned mixed-use residential communities comprise the majority of Land's portfolio. We create efficient and sustainable urban communities by establishing an overall vision for each community and the amenities that will make it a desirable place to live. Residential lots and multi-family parcels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

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

Sales Activity

REVENUE BY TYPE





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

Consolidated	Three months ended June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Canada Sales data: (including joint ventures at 100%)[1]				
Single-family sales (number of lots)	**157**	113	**255**	193
Gross average revenue per single-family lot ($)	**187,346**	203,508	**195,959**	191,380
Multi-family sales (acres)	**–**	–	**2.84**	–
Gross average revenue per multi-family acre ($)	**–**	–	**1,600,000**	–
Industrial sales (acres)	**–**	1.63	**–**	1.63
Gross average revenue per industrial land acre ($)	**–**	1,500,920	**–**	1,500,920
Other land sales - raw, other (acres)	**6.01**	–	**6.01**	21.77
Gross average revenue per other land acre ($)	**135,333**	–	**135,333**	50,691
US Sales data:				
Other land sales - raw, unserviced (paper lots), other	**61.57**	154.40	**61.57**	198.40
Gross average revenue per paper lot ($)	**177,349**	315,712	**177,349**	293,540
Divisional results: (including joint ventures at Melcor's interest)[1]				
Revenue ($000s)	**31,482**	68,150	**51,555**	91,433
Earnings ($000s)	**12,321**	35,256	**19,748**	46,986

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 totaled $51.56 million, a decrease of 43.6% or $39.88 million from $91.43 million in 2025, with earnings down 58.0% or $27.24 million to $19.75 million (2025: $46.99 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 Q2-2026 was 43.5%, down from 54.0% in Q2-2025, and our year-to-date gross margin was 42.8% in 2026, down from 54.2% in 2025.

Revenue transactions in our US region occur sporadically and often generate higher margins than serviced lot sales, which can materially affect period-over-period comparisons. In Q2-2026, we closed on the sale of 61.57 acres of unserviced land (paper lots) in Buckeye, Arizona for revenue of $10.92 million (US$7.89 million) at a gross margin of 56.5%. To date in 2025, we closed on the sale of 198.40 acres of unserviced land (paper lots) in Goodyear, Arizona for revenue of $61.66 million (USD$44.42 million) at a gross margin of 62.7%.

Within our Canadian market, revenues increased 9.4% or $1.75 million to $20.23 million in the quarter (Q2-2025: $18.48 million) and increased 34.7% or $10.32 million to $40.09 million year-to-date (2025: $29.77 million). This increase was primarily driven by higher single-family lot sales, with 157 single-family lots sold in Q2-2026, up from 113 single family lots sold in Q2-2025 and 255 single-family lots sold to date in 2026, up from 193 single-family lots sold in 2025.

Our Edmonton region recorded the highest level of single-family lot sales during 2026, with 128 lots sold in the quarter and 212 lots sold year-to-date, up from 41 and 99 lots sold in 2025 respectively. Our Red Deer region sold 15 single-family lots during the quarter and 21 lots year-to-date. Our Calgary region contributed a further 13 single-family lot sales in the quarter, with 16 lots sold year-to-date. 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 was up 2.4% year-to-date. Single-family lot sales cover a wide mix of product categories at various price points from starter town homes and duplexes to lakefront estate lots.

Melcor continues to focus on pre-sales before developing new phases or launching new communities in response to ongoing economic uncertainty. This enables 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 ensuring that market demand is in place prior to proceeding with development. As of June 30, 2026, we have registered four phases, all located within our Edmonton region (2025: one registration in our Calgary region and one registration in our Lethbridge region).

Regional Sales Analysis

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

	Six months ended June 30, 2026			Six months ended June 30, 2025		
(including joint ventures at 100%)	**Single- family (Lots)**	**Multi-family (Acres)**	**Other (Acres)**	Single- family (Lots)	Multi-family (Acres)	Other (Acres)
Edmonton Region	**212**	**2.84**	**–**	99	–	–
Red Deer	**21**	**–**	**–**	34	–	–
Calgary Region	**16**	**–**	**–**	24	–	1.63
Lethbridge	**5**	**–**	**–**	34	–	–
Kelowna	**1**	**–**	**–**	2	–	–
	255	**2.84**	**–**	193	–	1.63

	Three months ended June 30, 2026			Three months ended June 30, 2025		
(including joint ventures at 100%)	**Single- family (Lots)**	**Multi-family (Acres)**	**Other (Acres)**	Single- family (Lots)	Multi-family (Acres)	Other (Acres)
Edmonton Region	**128**	**–**	**–**	41	–	–
Red Deer	**15**	**–**	**–**	19	–	–
Calgary Region	**13**	**–**	**–**	22	–	1.63
Lethbridge	**1**	**–**	**–**	30	–	–
Kelowna	**–**	**–**	**–**	1	–	–
	157	**–**	**–**	113	–	1.63

	Edmonton & Area		Red Deer & Area		Calgary & Area	
Three months ended June 30	**2026**	2025	**2026**	2025	**2026**	2025
Single-family lot sales[1]	**128**	41	**15**	19	**13**	22
Non-residential acre sales[1]	**–**	–	**–**	–	**–**	1.63
Raw land acre sales[1]	**6.01**	–	**–**	–	**–**	–
Revenue	**16,001**	5,249	**1,849**	1,548	**2,151**	7,675
Gross profit	**5,998**	993	**860**	546	**930**	3,020
Gross margin (%)	**37.5 %**	18.9 %	**46.5 %**	35.3 %	**43.2 %**	39.3 %
Six months ended June 30	**2026**	2025	**2026**	2025	**2026**	2025
Single-family lot sales[1]	**212**	99	**21**	34	**16**	24
Multi-family acre sales[1]	**2.84**	–	**–**	–	**–**	–
Non-residential acre sales[1]	**–**	–	**–**	–	**–**	1.63
Raw land acre sales[1]	**6.01**	–	**–**	–	**–**	–
Revenue	**33,515**	12,462	**2,480**	2,973	**2,915**	8,212
Gross profit	**13,143**	3,710	**1,073**	1,042	**1,278**	3,307
Gross margin (%)	**39.2 %**	29.8 %	**43.3 %**	35.0 %	**43.8 %**	40.3 %

	Lethbridge & Area		Kelowna & Area		United States	
Three months ended June 30	**2026**	2025	**2026**	2025	**2026**	2025
Single-family lot sales[1]	**1**	30	**–**	1	**–**	–
Raw land acre sales[1]	**–**	–	**–**	–	**61.57**	154.40
Revenue	**226**	3,552	**–**	457	**11,255**	49,669
Gross profit	**122**	1,486	**–**	59	**5,783**	30,705
Gross margin (%)	**54.0 %**	41.8 %	**na**	12.9 %	**51.4 %**	61.8 %
Six months ended June 30	**2026**	2025	**2026**	2025	**2026**	2025
Single-family lot sales[1]	**5**	34	**1**	2	**–**	–
Raw land acre sales[1]	**–**	–	**–**	21.77	**61.57**	198.40
Revenue	**772**	4,097	**410**	2,024	**11,463**	61,665
Gross profit	**322**	1,638	**261**	837	**5,991**	39,025
Gross margin (%)	**41.7 %**	40.0 %	**63.7 %**	41.4 %	**52.3 %**	63.3 %

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:

	Six months ended June 30, 2026				Six months ended June 30, 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	**166**	**–**	**–**	**–**	16	–	13.58	–
Sales	**(255)**	**(2.84)**	**–**	**–**	(193)	–	(1.63)	–
Close	**460**	**36.80**	**107.47**	**1**	259	34.54	106.63	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.

To date in 2026 we have purchased 20.00 acres of raw land in Edmonton, AB for $6.10 million (Q1-2026) and 60.63 acres of raw and partially serviced land in Blackfalds, AB for $5.13 million (Q2-2026). Annually, in 2025 we purchased 24.96 acres in Leduc AB for $1.50 million, 5.51 acres in Red Deer, AB for $0.50 million, and 2.77 acres in Edmonton, AB for $1.10 million ($0.66 million at JV%).

To date in 2026 we have sold 6.01 acres of raw land in the Edmonton region for $0.81 million. In 2025 we sold 21.77 acres of raw land in Mount Robson, BC for $1.10 million and 129.00 acres of raw land in the Red Deer region for $2.20 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.

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

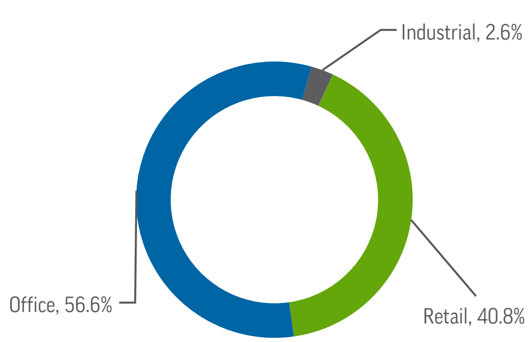
Our Properties division also manages a portfolio of high-quality office, retail, industrial and residential properties, which are located across western Canada and the US. Currently our Properties division manages 4.16 million sf of income-producing commercial GLA and 442 residential units.

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.

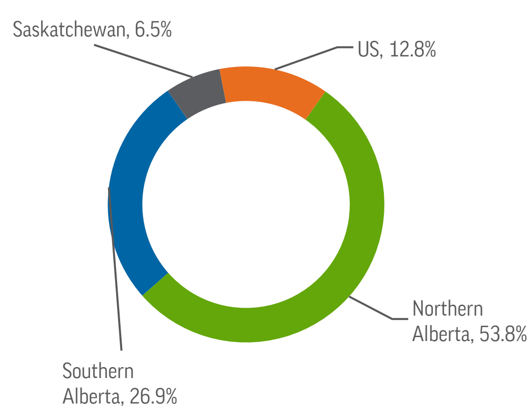
Our US properties provide the division with a stable income stream that diversifies our exposure to the western Canadian resource economy. We also own 11 parking lots and other assets which are held for the long-term, providing stable income and future re-development potential.

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)	June 30, 2026	December 31, 2025
Commercial properties GLA under management (sf, total)	**4,155,611**	4,365,327
Properties owned and managed (sf)	**3,677,554**	3,875,910
Properties managed (sf)	**478,057**	489,417
Commercial properties managed	**53**	55
Residential units managed	**442**	445
Commercial properties occupancy (including joint ventures at 100%)		
Occupancy (%)	**81.1 %**	81.9 %
Committed occupancy (%)	**82.2 %**	83.3 %
Commercial properties leasing activity (including joint ventures at 100%)		
New leases (sf)	**61,212**	180,087
Renewed and holdover leases (sf)	**198,139**	341,153
Matured leases (sf)	**252,395**	484,984
Retention rate (%)	**78.5 %**	70.3 %
Commercial properties base rent (per sf)		
WABR - CAD	**$21.36**	$21.14
WABR - US	**$23.50**	$22.34
Commercial properties under development (including joint ventures at 100%, total)		
Number of buildings completed	**–**	7
Properties completed (sf)	**–**	108,897
Number of buildings under active construction	**1**	–
Properties under active construction (sf)	**9,185**	–
Fair value recognized on properties under development ($000s)	**341**	4,581

Properties Revenue & Net Operating Income

($000s except as noted)	Three months ended June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Base rent	**17,630**	18,654	**35,753**	38,075
Recoveries	**7,512**	8,074	**15,243**	16,733
Other	**890**	991	**1,898**	2,094
Management Fee	**232**	294	**461**	633
Amortization of tenant incentives	**(1,421)**	(1,759)	**(2,977)**	(3,606)
Straight-line rent adjustment	**30**	(14)	**(159)**	(305)
Revenue	**24,873**	26,240	**50,219**	53,624
Utilities & property taxes	**(5,604)**	(5,910)	**(11,245)**	(12,291)
Operating Expenses	**(5,126)**	(5,580)	**(10,609)**	(11,570)
Cost of sales	**(10,730)**	(11,490)	**(21,854)**	(23,861)
Gross profit	**14,143**	14,750	**28,365**	29,763
Net operating income (NOI)[1]	**15,534**	16,523	**31,501**	33,674
Same-asset NOI[1]	**13,853**	14,038	**27,464**	27,707
Gross margin[2]	**56.9 %**	56.2 %	**56.5 %**	55.5 %

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 5.2% or $1.37 million to $24.87 million (Q2-2025: $26.24 million) in the quarter and was down 6.3% or $3.41 million to $50.22 million year-to-date (2025: $53.62 million). Gross profit was down 4.1% or $0.61 million to $14.14 million in the quarter (Q2-2025: $14.75 million) and was down 4.7% or $1.40 million to $28.37 million year-to-date (2025: $29.76 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 operating performance. NOI was down 6.0% or $0.99 million in the quarter to $15.53 million (Q2-2025: $16.52 million) and was down 6.5% or $2.17 million year-to-date to $31.50 million (Q2-2025: $33.67 million), with same-asset NOI down slightly both in the quarter and year-to-date at $13.85 million (Q2-2025: $14.04 million) and $27.46 million (Q2-2025: $27.71 million) respectively.

Occupancy of our Canadian properties was 83.3%, down from 83.6% at Q2-2025, and 83.1% at year-end. Committed occupancy was 84.5%, steady over Q2-2025 at 84.5%, and down from 84.7% at year-end. The decrease in occupancy primarily reflects the disposition of highly occupied properties, including Telford Industrial (Leduc, AB) and the Staples Building (Calgary, AB), which were sold in the first half of the year.

Canadian weighted average base rent was $21.36 per sf, up $0.22 from $21.14 per sf at year-end, and US WABR was up $1.16 per sf to $23.50 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. To date, we have recognized $0.34 million in fair value gains on properties under active development.

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:

	Three months ended June 30, 2026				
	Canadian Properties	US Properties	Total in functional currency	Foreign exchange	**Total**
Same asset - NOI[1]	**12,914**	**685**	**13,599**	**254**	**13,853**
Third party disposals and properties classified as held for sale	520	–	520	–	**520**
Properties recently completed construction	1,161	–	1,161	–	**1,161**
NOI[1]	**14,595**	**685**	**15,280**	**254**	**15,534**
Amortization of tenant incentives	(1,172)	(183)	(1,355)	(66)	**(1,421)**
Straight-line rent adjustment	(111)	103	(8)	38	**30**
Gross profit	**13,312**	**605**	**13,917**	**226**	**14,143**

	Three months ended June 30, 2025				
	Canadian Properties	US Properties	Total in functional currency	Foreign exchange	**Total**
Same asset - NOI[1]	**12,586**	**1,012**	**13,598**	**440**	**14,038**
Third party disposals and properties classified as held for sale	1,588	92	1,680	39	**1,719**
Properties recently completed construction	766	–	766	–	**766**
NOI[1]	**14,940**	**1,104**	**16,044**	**479**	**16,523**
Amortization of tenant incentives	(1,268)	(342)	(1,610)	(149)	**(1,759)**
Straight-line rent adjustment	137	(106)	31	(45)	**(14)**
Gross profit	**13,809**	**656**	**14,465**	**285**	**14,750**

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

($000s except as noted)	Six months ended June 30, 2026				
	Canadian Properties	US Properties	Total in functional currency	Foreign exchange	**Total**
Same asset - NOI[1]	**25,487**	**1,442**	**26,929**	**535**	**27,464**
Third party disposals and properties classified as held for sale	1,716	–	1,716	–	**1,716**
Properties recently completed construction	2,321	–	2,321	–	**2,321**
NOI[1]	**29,524**	**1,442**	**30,966**	**535**	**31,501**
Amortization of tenant incentives	(2,530)	(327)	(2,857)	(120)	**(2,977)**
Straight-line rent adjustment	(160)	1	(159)	–	**(159)**
Gross profit	**26,834**	**1,116**	**27,950**	**415**	**28,365**

	Six months ended June 30, 2025				
	Canadian Properties	US Properties	Total in functional currency	Foreign exchange	**Total**
Same asset - NOI[1]	**25,148**	**1,783**	**26,931**	**776**	**27,707**
Third party disposals and properties classified as held for sale	4,481	242	4,723	105	**4,828**
Properties recently completed construction	1,139	–	1,139	–	**1,139**
NOI[1]	**30,768**	**2,025**	**32,793**	**881**	**33,674**
Amortization of tenant incentives	(2,831)	(539)	(3,370)	(236)	**(3,606)**
Straight-line rent adjustment	202	(354)	(152)	(153)	**(305)**
Gross profit	**28,139**	**1,132**	**29,271**	**492**	**29,763**

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

Gross profit was down 4.1% or $0.61 million to $14.14 million (Q2-2025: $14.75 million) in the quarter and was down 4.7% or $1.40 million to $28.37 million (2025: $29.76 million) year-to-date. In the quarter, NOI decreased 6.0% or $0.99 million to $15.53 million (Q2-2025: $16.52 million) and was down 6.5% or $2.17 million to $31.50 million (2025: $33.67 million) year-to-date.

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 Q2-2026 (Q2-2025: $0.77 million) and an additional $2.32 million to NOI year-to-date (2025: $1.14 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 in the quarter 1.3% or $0.19 million to $13.85 million (Q2-2025: $14.04 million), and down 0.9% or $0.24 million to $27.46 million (2025: $27.71 million) year-to-date. Canadian properties same-asset NOI were stable year-to-date at $25.49 million (2025: $25.15 million), and our US properties same-asset NOI was down 19.1% or $0.34 million to $1.44 million (2025: $1.78 million) in their functional currency.

Same-asset NOI by country and property type:

($000s except as noted)	Three months ended June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Canada				
Retail	**7,919**	7,734	**15,568**	15,058
Office	**3,647**	3,504	**7,164**	7,453
Industrial	**494**	520	**987**	986
Residential	**556**	532	**1,107**	1,027
Other	**298**	296	**661**	624
Total Canada	**12,914**	12,586	**25,487**	25,148
US				
Office	**592**	954	**1,292**	1,645
Residential	**92**	57	**149**	135
Other	**1**	1	**1**	3
Total US	**685**	1,012	**1,442**	1,783
Total in functional currency	**13,599**	13,598	**26,929**	26,931
Foreign exchange	**254**	440	**535**	776
Same-asset NOI[1]	**13,853**	14,038	**27,464**	27,707

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[1]	Fair Value as a % of Total Portfolio Value	Gross profit six months ended June 30,2026
Retail	1,774,818	1,497,479	40.8 %	635,655	64.1 %	18,383
Office	2,283,897	2,083,179	56.6 %	261,590	26.4 %	6,513
Industrial	96,896	96,896	2.6 %	25,937	2.6 %	1,496
Residential	442 units	442 units	na	52,565	5.3 %	1,312
Other	na	na	na	16,050	1.6 %	661
	4,155,611	**3,677,554**	**100.0 %**	**991,797**	**100.0 %**	**28,365**

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 June 30,										
Revenue	**13,672**	13,423	**8,920**	9,568	**575**	1,329	**1,191**	1,182	**515**	738
Gross profit	**9,133**	9,379	**3,385**	3,282	**498**	1,052	**683**	613	**444**	424
Gross margin[2]	**66.8 %**	69.9 %	**37.9 %**	34.3 %	**86.6 %**	79.2 %	**57.3 %**	51.9 %	**86.2 %**	57.5 %
Net operating income (NOI)[1]	**9,515**	9,559	**4,387**	5,254	**505**	1,062	**683**	613	**444**	300
Same - asset NOI[1]	**7,919**	7,734	**4,459**	4,873	**494**	520	**556**	614	**424**	297
Six months ended June 30,										
Revenue	**27,492**	28,064	**17,552**	19,248	**1,815**	2,703	**2,374**	2,370	**986**	1,239
Gross profit	**18,383**	18,937	**6,513**	6,770	**1,496**	2,205	**1,312**	1,220	**661**	631
Net operating income (NOI)[1]	**19,117**	19,461	**8,896**	10,133	**1,515**	2,229	**1,312**	1,220	**661**	631
Same-asset NOI[1]	**15,568**	15,058	**8,936**	9,814	**987**	986	**1,107**	1,221	**865**	628
Gross margin[2]	**66.9 %**	67.5 %	**37.1 %**	35.2 %	**82.4 %**	81.6 %	**55.3 %**	51.5 %	**67.0 %**	50.9 %
As at June 30,										
Occupancy[3]	**93.8 %**	90.7 %	**70.4 %**	74.0 %	**100.0 %**	98.4 %	**97.3 %**	96.9 %	**na**	na
Committed Occupancy[3]	**94.8 %**	92.2 %	**71.6 %**	72.9 %	**100.0 %**	98.4 %	**97.3 %**	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 are comprised of fees paid by joint arrangement partners and are a percentage of total development costs incurred, which fluctuate period to period depending on the development stage of the active projects. Management fees 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, total management fees earned in 2026 were $0.46 million, down from $0.63 million in 2025.

Revenue from parking stalls and other assets was down 9.4% or $0.20 million year-to-date to $1.90 million from $2.09 million in 2025. These revenues are ancillary to our business and may fluctuate from period to period.

FFO

FFO was down 6.8% or $1.03 million to $14.10 million in Q2-2026 (Q2-2025: $15.13 million) and was down 6.0% or $1.81 million to $28.38 million (2025: $30.19 million). Year-to-date, gross profits were down 4.7% or $1.40 million, and gross profits were down 4.1% or $0.61 million in the quarter as a result of the recent property disposals negatively impacting FFO. Included in our year-to-date results was a reduction in G&A, down $0.43 million to $3.05 million year-to-date (2025: $3.48 million) positively impacting FFO.

Fair Value of Investment Portfolio

The fair value of our income properties portfolio (including assets classified as held for sale) decreased by $32.51 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 three residential units at Edge at Grayhawk (Scottsdale, AZ), which sold for net proceeds of $1.17 million (US$0.86 million) reducing the portfolio value by $1.26 million (US$0.86 million);
- fair value gains increasing our portfolio value by $7.65 million related to adjustments on properties from external valuation professionals and other adjustments impacting fair value recognized in the period, offset by a $1.75 million fair value loss recognized on our assets classified as held for sale and sold in the current year;
- property improvements and direct leasing costs of $0.89 million, increasing fair value;
- development costs and capitalized borrowings on development increasing the portfolio by $2.01 million; and,
- foreign currency translation gain of $2.56 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)	**June 30, 2026**			December 31, 2025		
	Investment Properties	**Properties Under Development**	**Total**	Investment Properties	Properties Under Development	Total
Retail	**4,487**	**341**	**4,828**	(25,395)	157	(25,238)
Office	**1,128**	**–**	**1,128**	890	4,424	5,314
Industrial	**(495)**	**–**	**(495)**	(2,292)	–	(2,292)
Residential	**439**	**–**	**439**	(2,862)	–	(2,862)
Other	**–**	**–**	**–**	(800)	–	(800)
	5,559	**341**	**5,900**	(30,459)	4,581	(25,878)

($000s)	**June 30, 2026**			December 31, 2025		
	Investment Properties	**Properties Under Development**	**Total**	Investment Properties	Properties Under Development	Total
Northern Alberta	**3,251**	**341**	**3,592**	(18,505)	4,663	(13,842)
Southern Alberta	**2,831**	**–**	**2,831**	(3,244)	(82)	(3,326)
British Columbia/Saskatchewan	**(990)**	**–**	**(990)**	(685)	–	(685)
US	**467**	**–**	**467**	(8,025)	–	(8,025)
	5,559	**341**	**5,900**	(30,459)	4,581	(25,878)

Investment properties were valued by Melcor's internal valuation team as at June 30, 2026. Our qualified external valuation professionals valued 23 of the 82 legal phases with a fair value of $298.28 million. This resulted in fair value gain of $5.90 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 our courses opened in the second quarter of 2026, with the exception of Black Mountain Golf Club, located in Kelowna BC, which opened on March 25, 2026. Adverse weather conditions in Alberta during the 2026 season resulted in later than normal opening dates and a decline in rounds played to 47,933 from 53,674 in 2025 . Despite lower rounds of golf played, revenues remained steady at $6.06 million (2025: $6.02 million) due to other revenue streams including food and beverage sales.

	Ownership Interest	2026		2025	
		Season opened	**Rounds of Golf**	Season opened	Rounds of Golf
Managed by Melcor:					
Lewis Estates (Edmonton)	60%	**April 30**	**10,255**	April 15	12,404
The Links (Spruce Grove)	100%	**April 30**	**11,040**	April 15	13,548
Black Mountain (Kelowna)	100%	**March 25**	**18,555**	March 26	17,776
Managed by a Third Party:					
Jagare Ridge (Edmonton)	50%	**May 1**	**8,083**	April 24	9,946

General & Administrative Expense

($000s except as noted)	Three months ended June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Employee salary and benefits				
Salaries, wages and retirement allowance	**3,007**	3,076	**5,915**	6,383
Employee benefits	**311**	304	**793**	784
Stock based compensation	**507**	356	**775**	672
	3,825	3,736	**7,483**	7,839
Corporate asset depreciation	**48**	57	**99**	117
Marketing and promotions	**380**	333	**666**	657
Professional fees	**524**	732	**1,278**	2,515
Public company costs	**120**	126	**341**	474
Other	**1,815**	1,771	**2,967**	2,803
Total	**6,712**	6,755	**12,834**	14,405
G&A expenses as a % of revenue	*10.8 %*	*6.7 %*	*12.0 %*	*9.5 %*

G&A expenses were down 0.6% or $0.04 million to $6.71 million in the quarter (Q2-2025: $6.76 million) and were down 10.9% or $1.57 million to $12.83 million year-to-date (2025: $14.41 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 year-to-date expenses of $1.18 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 2.9% to $12.83 million year-to-date (2025: $13.21 million). Our remaining G&A expense categories remain on budget, and stable over comparative period. G&A as a percent of total revenues was 12.0% year-to-date compared to 9.5% to date in 2025.

Management continues to prudently monitor and manage controllable expenses.

Income Tax Expense

The statutory tax rate is 23.0% for the three and six months ended June 30, 2026 (2025: 23.0%). For the six months ended June 30, 2026, 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 future 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 June 30, 2026, compared with December 31, 2025.

As at ($000s except as noted)	**June 30, 2026**	December 31, 2025
Cash & cash equivalents	**69,277**	74,884
Accounts receivable	**7,925**	13,909
Agreements receivable	**157,588**	198,903
Revolving credit facilities	**52,399**	79,375
Accounts payable and accrued liabilities	**46,008**	52,269
Total assets	**1,983,538**	2,051,135
Total liabilities	**686,851**	783,062
Debt to equity ratio[1]	**0.53**	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 $201.02 million as at June 30, 2026 (December 31, 2025: $221.88 million). Our total general debt outstanding was $490.24 million as at June 30, 2026 (December 31, 2025: $548.74 million).

A summary of our debt is as follows:

As at ($000s)	**June 30, 2026**	December 31, 2025
Revolving credit facilities	**52,399**	79,375
Project specific financing	**1,927**	13,380
Debt on investment properties	**435,909**	455,989
General debt	**490,235**	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 June 30, 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 June 30**		**Six months ended June 30**	
	2026	2025	**2026**	2025
Cash flow from operating activities	**34,349**	47,103	**19,714**	78,318
Cash flow from (used in) investing activities	**(2,069)**	1,590	**41,195**	47,042
Cash flow used in financing activities	**(17,892)**	(22,486)	**(73,235)**	(94,024)

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 from operating activities resulted in cash inflows of $34.35 million in Q2-2026 down $12.75 million from cash inflows of $47.10 million in Q2-2025, and cash inflows of $19.71 million year-to-date, down from cash inflows of $78.32 million in 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 down 40.5% or $14.52 million to $21.36 million in the period (Q2-2025: $35.88 million) and was down 32.9% or $14.59 million to $29.75 million year-to-date (2025: $44.34 million).

Agreements receivable can fluctuate period-over-period depending on the timing of payments received. In 2026, collections on agreements receivable contributed positively to cash flows of $31.38 million for the quarter and $41.32 million year-to-date, compared with $8.69 million and $41.76 million, respectively, in 2025.

Development activities in Q2-2026 contributed net cash outflows of $12.12 million up $10.62 million from $1.50 million in Q2-2025, with $21.27 million in development costs year-to-date (2025: $5.79 million). We also incurred $1.28 million in tenant incentives and direct leasing costs in Q2-2026, and $1.72 million year-to-date, down $0.03 million from $1.31 million in Q2-2025 and down $0.40 million from $2.13 million year-to-date in 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 outflows of $2.07 million in Q2-2026 and cash inflows of $41.20 million year-to-date. This compares to cash inflows of $1.59 million in Q2-2025 and cash inflows of $47.04 million in 2025 year-to-date.

To date in 2026, we have 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 the first half of 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 to date. Proceeds were used to repay the outstanding principal balance on the mortgage of $29.71 million with remaining proceeds used to pay down our credit facility.

We have also sold three residential units at our Edge complex located in Scottsdale, AZ for net proceeds of $1.27 million (US$0.86 million) to date in 2026. This compares to five residential units sold at our Edge complex for net proceeds of $2.03 million (US$1.43 million) to date in 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 $2.01 million in properties under development, compared to $5.60 million in Q2-2025. Additionally, we invested $0.46 million in 2026 to our income-generating properties, up from $0.50 million in 2025.

Financing Activities:
Cash used in financing activities was $17.89 million in Q2-2026 and $73.24 million year-to-date, compared to $22.49 million in Q2-2025 and $94.02 million year-to-date in 2025.

In Q2-2026 we had net repayments on our revolving credit facility of $7.17 million, and $18.44 million in net repayments were made to date in 2026. This compares to net draws of $57.94 million in Q2-2025 and net draws of $24.38 million to date in 2025, a swing of $65.11 million and $42.83 million respectively.

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 up $10.42 million to $57.97 million year-to-date (2025: $47.55 million). Included in repayment of general debt was mortgage repayments of $36.98 million related to recent property disposals and new mortgage financing and $7.65 million in scheduled mortgage payments. This compares to the repayment of general debt of $39.08 million related to recent property disposals and new mortgage financing and $8.47 million in scheduled mortgage payments in 2025.

Dividends paid accounted for a cash outflow of $4.50 million in the quarter and $19.52 million year-to-date, compared to a cash outflow of $3.32 million and $6.66 million in 2025, respectively. Included in our year-to-date dividend payments are two regular dividends of $0.15 per share and a special dividend of $0.35 per share paid in Q1-2026. Subsequent to quarter end, on August 13, 2026, we declared a quarterly dividend of $0.15 per share which will be paid on September 29, 2026.

Share Data

Melcor has been a public company since 1968 and trades under the symbol "MRD" on the Toronto Stock Exchange. As at June 30, 2026 there were 29,968,752 common shares issued and outstanding and 318,326 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 June 30, 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 allowed 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 paid for shares repurchased under the plan is the market price at the time of acquisition. The NCIB expired on June 9, 2026.

On June 10, 2026 Melcor commenced a new Normal Course Issuer (NCIB) which allows us to purchase up to 1,499,317 shares for cancellation, representing approximately 5% of the issued and outstanding shares up to a maximum daily limit of 2,030 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 expired on June 9, 2027.

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 six months ended June 30, 2026, 137,304 shares were purchased for cancellation by Melcor pursuant to the NCIB's at a cost of $2.40 million (December 31, 2025: 344,980 shares purchased at a cost of $4.78 million). Share capital was reduced by $0.34 million (December 31, 2025: $0.98 million) and retained earnings was reduced by $2.05 million (December 31, 2025: $3.80 million). Retained earnings was also reduced by $0.05 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	
($000s)	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue	61,992	45,365	187,122	72,543	100,139	50,743	170,538	59,508
Net income (loss)	21,935	23,173	31,652	14,093	7,258	5,016	32,384	(34,984)
FFO[1]	21,717	8,515	49,183	23,403	36,125	13,426	43,436	16,507
Per Share ($)								
Basic earnings (loss)	0.73	0.77	1.05	0.46	0.24	0.17	1.07	(1.15)
Diluted earnings (loss)	0.73	0.76	1.05	0.46	0.24	0.16	1.05	(1.15)
FFO basic[2]	0.72	0.28	1.64	0.77	1.19	0.44	1.44	0.54
Book value[2]	43.27	42.57	42.13	41.38	40.90	41.07	40.92	39.56

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 June 30, 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 June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Segment earnings	**17,552**	10,289	**33,349**	27,603
Fair value adjustment on investment properties	**(4,874)**	3,081	**(5,900)**	(1,017)
General and administrative expenses	**1,504**	1,615	**3,052**	3,479
Interest income	**(39)**	(235)	**(93)**	(302)
Amortization of tenant incentives	**1,421**	1,759	**2,977**	3,606
Straight-line rent adjustment	**(30)**	14	**159**	305
Gain on sale of assets and derecognition of liabilities	**–**	–	**(2,043)**	–
Divisional NOI	**15,534**	16,523	**31,501**	33,674

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 June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Net income for the period	**21,935**	7,258	**45,108**	12,274
Amortization of tenant incentives	**1,421**	1,759	**2,977**	3,606
Fair value adjustment on investment properties	**(4,874)**	3,081	**(5,900)**	(1,017)
Depreciation on property and equipment	**283**	420	**558**	537
Stock based compensation expense	**507**	356	**775**	672
Non-cash finance costs	**462**	(575)	**382**	911
Gain on sale of assets and derecognition of liabilities	**(56)**	(115)	**(2,099)**	(116)
Deferred income taxes	**1,715**	22,776	**(12,208)**	23,925
Fair value adjustment on REIT Units	**–**	907	**–**	3,240
Transaction costs on REIT Units acquisition	**–**	258	**–**	5,878
Accrued finance charges	**324**	–	**639**	–
FFO	**21,717**	36,125	**30,232**	49,910

Properties

($000s)	Three months ended June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Segment earnings	**17,552**	10,289	**33,349**	27,603
Fair value adjustment on investment properties	**(4,874)**	3,081	**(5,900)**	(1,017)
Amortization of tenant incentives	**1,421**	1,759	**2,977**	3,606
Gain on sale of assets and derecognition of liabilities	**–**	–	**(2,043)**	–
Divisional FFO	**14,099**	15,129	**28,383**	30,192

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.