Management's Discussion & Analysis

November 7, 2024

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 September 30, 2024, and management's discussion & analysis (MD&A) and consolidated financial statements for the fiscal year ended December 31, 2023.

The financial statements underlying this MD&A, including 2023 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 November 7, 2024, 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 2024 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. We manage 4.80 million square feet (sf) in commercial real estate assets and 455 residential rental units. We have been a public company since 1968 (TSX: MRD).

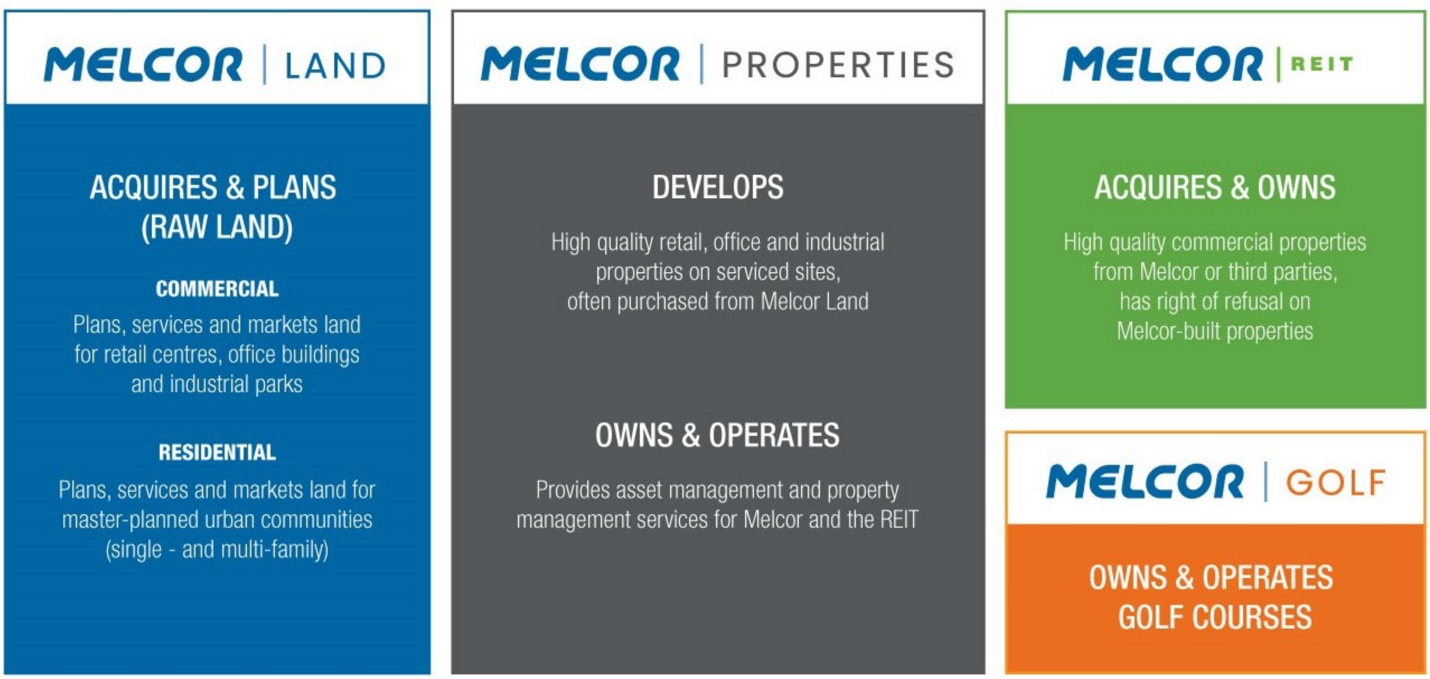
We are committed to building communities that enrich quality of life - communities where people live, work, shop and play.

Melcor operates five integrated divisions (including the REIT) 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**: operates a portfolio of commercial and residential properties and development of commercial properties.
3 **REIT**: has an established and diversified portfolio of 37 income-producing office (as at September 30, 2024), retail and industrial properties representing 3.12 million sf in gross leasable area.
4 **Golf**: owning and operating championship golf courses associated with our residential communities.
5 **Corporate**: orchestrates strategic planning, financial governance, risk mitigation guiding the organization though dynamic market shifts towards sustained and adaptive success.

We use the term "**Income Properties**" to describe our Properties and REIT divisions which includes the portfolio of commercial and residential properties owned and managed by Melcor.

Melcor has $2.07 billion in assets. The following diagram illustrates how each of our operating divisions complements one another to create and enhance value from our real estate asset.



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

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

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

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

Melcor REIT Transaction

On September 12, 2024, Melcor and the REIT announced that they entered into an arrangement agreement ("Arrangement Agreement") under which Melcor has committed to acquire its unowned equity interest (approximately 44.6%) in Melcor REIT Limited Partnership ("REIT LP") for $4.95 per unit in cash consideration, or $64.17 million in cash. Melcor's unowned equity interest in REIT LP comprises all REIT LP's outstanding Class A LP Units (approximately 13.0 million units). The REIT will use the proceeds from the REIT LP sale to repurchase and cancel all of the REIT's participating trust units. This transaction is subject to unitholder approval.

Melcor has also committed to repay out in cash, all $46.00 million (plus any accrued and unpaid interest) of the REIT's 5.10% convertible unsecured subordinated debentures having a maturity date of December 31, 2024. The transaction described is expected to be funded by available room on our credit facility.

Pursuant to the Arrangement Agreement, the REIT had a 30-day go-shop period that extended from September 12, 2024 to October 15, 2024 (the "Go-Shop Period"), during which it was permitted to solicit third-party interest in submitting a proposal which is superior to the proposal made by Melcor. Melcor had the right to match a superior proposal during and after the Go-Shop Period. The Go-Shop Period expired at 11:59 p.m. MT on October 15, 2024 with no superior proposal having been received.

Completion of the Transaction is subject to various closing conditions, including the approval of at least (i) two-thirds (66 2/3%) of the votes cast by the REIT Unitholders and holders of special voting units of the REIT (the "Special Voting Units") present in person or represented by proxy at the special meeting to be called to approve the Transaction (the "Special Meeting"), voting as a single class (each holder of Trust Units and Special Voting Units being entitled to one vote per Trust Unit or Special Voting Unit, as applicable) and (ii) the majority of the holders of Trust Units present in person or represented by proxy at the Special Meeting, excluding the votes of Melcor, and any other unitholders whose votes are required to be excluded for the purposes of "minority approval" under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101").

Melcor, REIT LP and the REIT entered into a separate Backstop Loan Agreement pursuant to which Melcor has agreed to make an unsecured loan to the REIT LP, as borrower, in the principal amount up to the aggregate principal amount of the debentures outstanding on redemption in full, excluding any accrued and unpaid interest thereon. The Backstop Loan Agreement was subject to consent of the REIT's senior lenders, which was received on November 6, 2024. Amounts advanced pursuant to the Backstop Loan Agreement, if any, will mature three years from the date of advance with a fixed interest rate of 12%, paid semi-annually and is prepayable, in whole or in part, at anytime prior to maturity with no penalty and will be postponed and subordinate to amounts advanced by the REIT's senior lenders. This loan will eliminate upon consolidation.

Further details regarding the Transaction is contained in a REIT management information circular which was filed on SEDAR+ under the REIT's profile at www.sedarplus.ca and is on the the REIT website at https://melcorreit.ca/special-meeting/.

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	**sf**	square feet
G&A	general and administrative expense	**SLR**	straight-line rent
GBV	gross book value	**WABR**	weighted average base rent
GLA	gross leasable area		

Third 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.

($000s except as noted)	Three months ended September 30			Nine months ended September 30		
	2024	2023	Change %	**2024**	2023	Change %
Revenue	**59,508**	88,781	(33.0)	**178,963**	190,105	(5.9)
Gross margin[1]	**48.1 %**	45.8 %	5.0	**48.8 %**	48.8 %	–
Net income (loss)	**(34,984)**	28,883	(221.1)	**1,144**	52,669	(97.8)
Net margin[1]	**(58.8)%**	32.5 %	(280.9)	**0.6 %**	27.7 %	(97.8)
FFO[2]	**16,507**	22,416	(26.4)	**50,370**	46,893	7.4
Per Share Data ($)						
Basic earnings (loss)	**(1.15)**	0.94	(222.3)	**0.04**	1.70	(97.6)
Diluted earnings (loss)	**(1.15)**	0.94	(222.3)	**0.04**	1.69	(97.6)
FFO[3]	**0.54**	0.73	(26.0)	**1.64**	1.51	8.6
Dividends	**0.11**	0.16	(31.3)	**0.22**	0.48	(54.2)

As at ($000s except share and per share amounts)	**30-Sept-2024**	31-Dec-2023	Change %
Total assets	**2,072,614**	2,097,473	(1.2)
Shareholders' equity	**1,202,220**	1,209,578	(0.6)
Total shares outstanding	**30,393,450**	30,662,453	(0.9)
Per Share Data ($)			
Book value [(3)]	**39.56**	39.45	0.3

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.

The land development market has been experiencing steady growth sustained by continued demand for residential, commercial and industrial properties. Population growth, fueled by both natural increase and migration, remains a driving force behind the demand for housing and infrastructure. Urbanization further amplifies this demand, particularly in major cities like Edmonton and Calgary, where residential, commercial, and industrial spaces are in high demand. Despite challenges including fluctuating material costs and regulatory hurdles, the overall sentiment is optimistic. Opportunities continue to exist for investment and expansion in our various sectors of the market allowing our Land, Properties and Golf divisions to continue to generate stable results.

In 2024, results have yielded a gross margin of 48.8% flat over 2023 (2023: 48.8%). Net income is impacted by non-cash fair value adjustments such as fair value adjustments on investment properties and fair value adjustment related to REIT units which can swing significantly quarter after quarter and was down $63.87 million in the period and down $51.53 million year-to-date. Management believes that FFO is a more accurate representation of true operating performance which was down 26.4% in the period to $16.51 million (Q3-2023: $22.42 million) and up 7.4% to $50.37 million year-to-date (2023: $46.89 million).

Our Land division continued to produce strong results throughout the third quarter in our Canadian market. Revenues were down 57.3% to $27.33 million in the period and down 18.6% to $85.63 million year-to-date as a direct result of the reduction in our US sales. In 2023, we had $17.87 million in US sales in the quarter, and $34.31 million in US sales year-to-date. To date in 2024, we have no US sales leading to the reduction in total revenue from our Land division. Revenue from our Canadian markets was down 40.8% or $18.83 million to $27.33 million in the quarter (Q3-2023: $46.16 million) and up 20.7% or $14.70 million to $85.63 million year-to-date (2023: $70.93 million).

Our Income Properties (Properties and REIT divisions) contributed 48.0% of revenue before intersegment eliminations in 2024 compared to 43.0% in 2023. Our leasing team has been actively pursuing and securing new leases across all asset classes, with 160,887 sf of new leasing completed to date in 2024. Occupancy levels have increased over year-end to 86.5% (December 31, 2023: 86.2%). Overall revenue from our Income Properties was steady at $29.00 million (2023: $28.32 million) in the quarter. Revenue and NOI generated from our Income Properties can be impacted by disposition of assets and the completion of new commercial builds in our Properties division. Lower revenue from our REIT division was offset by additional revenue generated from newly developed properties in our Properties division.

We continue to strategically assess our assets within our Income Properties segment, with an aim to focus on our core Alberta market. In 2023 we sold two properties including one office property in our REIT division (Melcor REIT) located in Kelowna, BC for $19.50 million, and one retail property in our Properties division located in Lethbridge, AB for gross proceeds of $3.50 million. On May 10, 2024, we closed on the sale of a 29,000 sf office property in our REIT division located in Kelowna, BC for gross proceeds of $7.80 million, resulting in net proceeds of $7.48 million. This property was pledged as collateral on a different loan and as such the bank required $5.08 million from the net proceeds be held as additional security in short term investments. Net cash of $2.40 million was used to reduce borrowings on the REIT's credit facility.

As of September 30, 2024, we have classified two properties as held for sale (under IFRS Accounting Standards), including one retail property located in Grande Prairie, AB and one industrial property located in Lethbridge, AB with a combined 332,000 sf. These assets were listed for sale due to their geographic location and is consistent with our strategic decision to focus on our core Alberta markets and on debt repayment. Net cash from the sale of these assets is expected to be used to pay down the revolving credit facility and reduce our overall debt. These properties are all held in Melcor REIT. October 1, 2024, subsequent to quarter end, we closed on the sale of the Lethbridge asset classified as held for sale for net proceeds of $4.34 million with a closing date of. The asset listed for sale in Grand Prairie is currently under contract, but conditions have not been removed.

The REIT had one additional office property located in Regina, SK listed for sale at quarter end that did not qualify as held for sale under IFRS Accounting Standards. On October 23, 2024 we entered into a unconditional agreement to dispose of this asset, for gross proceeds of $5.00 million, less transaction costs. This sale is expected to close on November 22, 2024. On October 10, 2024 we also entered into a unconditional agreement to dispose of an investment property held in our Properties division, for gross proceeds of $0.97 million (at JV%) less transaction costs. This sale is expected to close on December 20, 2024.

In the past 12 months we have reduced our general debt by 7.8% (Q3-2023: $696.16 million) and since year end general debt is down 4.2% (December 31, 2023: $670.17 million). Our debt to equity ratio on September 30, 2024 was 0.72, down from 0.77 in Q3-2023, and 0.73 at the start of the year. We remain focused on maintaining a strong balance sheet and being prudent with spend in the current inflationary market.

FINANCIAL HIGHLIGHTS

Revenue was down 33.0% to $59.51 million in Q3-2024 (Q3-2023: $88.78 million) and down 5.9% to $178.96 million year-to-date (2023: $190.11 million), with gross profit down 29.6% to $28.61 million in Q3-2024 (Q3-2023: $40.64 million) and down 5.9% to $87.31 million year-to-date (2023: $92.74 million). This decrease is attributed to the timing of US sales. In 2023, US Land sales accounted for $34.31 million of the divisions revenue year-to-date and $16.87 million in gross-profit. Excluding the impact of US land sales, both the land division and overall consolidated revenue is up compared to 2023.

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. Lot sales, which have a significant impact on quarterly results, are uneven by nature and it is difficult to predict when they will close.

Overall, FFO decreased by 26.4% to $16.51 million in the quarter (Q3-2023: $22.42 million), and is up 7.4% to $50.37 million year-to-date (2023: $46.89 million). FFO was affected by the timing of US sales which led to a decrease in gross profit, down 29.6% or $12.03 million in the quarter, and down 5.9% or $5.44 million year-to-date. FFO was also impacted by an increase in general and administration expenses which is up $1.97 million in the quarter and $3.32 million year-to-date. These decreases were offset by a reduction on income taxes paid of $6.10 million in the quarter and $3.58 million year-to-date. Distributions to REIT unitholders also impacts both net income and FFO and in the quarter had a positive impact of $1.56 million and to date in 2024 had a positive impact of $4.15 million. Note that distributions on Class B units are eliminated on consolidation and do not impact overall financial results of Melcor.

In the third quarter we recorded a net loss of $34.98 million (Q3-2023: net income of $28.88 million) and to date in 2024 have net income of $1.14 million (2023: net income of $52.67 million). Net income is significantly impacted by swings in non-cash fair value adjustments on investment properties, REIT units, the revaluation of interest rate swaps and the conversion feature on our convertible debenture. Non- cash fair value items impacting net income include:

- *Change in the REIT's unit price:* this change has a counter-intuitive impact on net income as an increase in unit value decreases net income. In Q3-2024 the fair value adjustment on REIT units was a loss of $27.09 million compared to a gain of $0.26 million in Q3-2023 contributing a swing of $27.35 million negatively affecting our net income in the quarter. To date in 2024, we have recorded losses of $9.72 million (2023: gains of $8.04 million) as the REIT unit price has increased, contributing a swing $17.76 million negatively affecting our net income position.
- *Fair value adjustments on investment properties*: to date in 2024, we have recorded fair value losses on investment properties of $17.64 million in the quarter (Q3-2023: fair value gain of $5.74 million) and $25.61 million year-to-date (2023: fair value loss $1.53 million).

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.

DIVISIONAL OPERATING HIGHLIGHTS

Our **Land** division revenue was down 57.3% or $36.70 million in the period to $27.33 million (Q3-2023: $64.03 million), and down 18.6% or $19.61 million to $85.63 million year-to-date (2023: $105.24 million). The reduction in our revenue is attributed to our US region, which to date in 2024 has not recognized any revenue or sales. Our Canadian markets had an increase in revenue of $14.70 million or 20.7% year-to-date. Year-to-date we have sold 521 lots (2023 - 455), and 27.55 acres sold (2023: 22.75 acres) of multi-family, commercial and industrial land sales in our Canadian market. Edmonton contributed our largest sales volume with 291 single-family lot sales and 24.12 acres sold year-to-date, and our Calgary region more than doubled its single-family home sales over 2023 with 150 lot sales year-to-date (2023: 63) and 1.10 acres sold (2023: 3.15 acres) year-to-date.

Our **Properties** division currently has 103,268 sf under active development or awaiting lease-up on four projects (Chestermere Station, Woodbend Market, Winterburn Point, and Greenwich). Construction and leasing activity resulted in a $1.02 million fair value gain in the period and a $1.89 million fair value gain year-to-date. Additionally, our Properties division has completed construction on two retail buildings year-to-date, contributing an additional 48,742 sf to our portfolio of income-generating properties located within our Woodbend Retail development and our Winterburn Point development.

Our **Income Properties** (Properties and REIT) accounted for 48.7% of revenue, after intersegment eliminations compared to 31.9% in Q3-2023. Occupancy increased over year-end to 86.5% (December 31, 2023: 86.2%) and was down over last year (Q3-2023: 87.8%). The REIT has faced ongoing challenges, primarily on its office assets. To date in 2024 we have recorded fair value losses of $17.44 million on these assets, and have seen occupancy decrease compressing both rental revenue and NOI.

Our **Golf** division, was stable over 2023 with 115,595 rounds played to date (2023: 116,568), and year-to-date revenues of $10.70 million (2023: $10.36 million). Subsequent to the period, our Edmonton courses closed for the season in October 2024, with our Black Mountain course located in Kelowna, BC closing on November 3, 2024.

SHAREHOLDER HIGHLIGHTS

We continue to focus on returning value to our shareholders:

Melcor Developments:

- We have repurchased 269,003 shares for cancellation pursuant to the NCIB at a cost of $3.18 million to date in 2024.
- We have paid quarterly dividends of $0.11 per share on March 29, 2024, June 28, 2024, and September 27, 2024. The dividends were eligible dividends for Canadian tax purposes.
- On November 7, 2024, we declared a quarterly dividend of $0.11 per share, payable on December 31, 2024, to shareholders of record on December 13, 2024. The dividend is an eligible dividend for Canadian tax purposes.

Melcor REIT:

- The REIT paid a monthly distribution in the amount of $0.04 per unit in January 2024. There were no distributions made during the quarter or since January 2024. The distribution suspension happened concurrent with the commencement of the strategic review process.

Transaction Highlights:

On September 12, 2024, Melcor and the REIT announced that they entered into an arrangement agreement (the "Arrangement Agreement") with Melcor REIT GP Inc. (the "GP") pursuant to which, among other steps, Melcor will acquire its unowned equity interest (approximately 44.6%) in Melcor REIT Limited Partnership ("REIT LP") for $4.95 per unit in cash consideration ("REIT LP Sale").

A summary of the transaction with REIT are as follows:

- Under this agreement, Melcor will acquire the remaining 44.6% equity interest in Melcor REIT Limited Partnership (REIT LP) for $4.95 per unit in cash. This acquisition step is called the "REIT LP Sale." The REIT will use proceeds from the REIT LP Sale to redeem and cancel all of its participating trust units, with each unit exchanged for a cash payment of $4.95, minus any pre-arrangement distributions or withholdings. Together, these steps are referred to as the "Transaction."
- The Arrangement Agreement included a "Go-Shop Period" that expired on October 15, 2024, with no superior offers received during this period.
- The Transaction was the result of detailed, arm’s length negotiations between Melcor, the REIT, and their advisors. An Independent Committee of trustees, free from conflicts of interest, represented the REIT’s interests during the negotiations.
- Melcor, REIT LP, and the REIT also entered a Backstop Loan Agreement, through which Melcor will provide an unsecured loan to REIT LP, covering the principal amount of debentures due on redemption. The REIT's senior lenders approved this loan on November 6, 2024. Loan terms include a three-year maturity from the advance date, a fixed interest rate of 12% paid semi-annually, and a provision allowing prepayment at any time before maturity without penalty. As the REIT is consolidated into Melcor, this loan will be eliminated on consolidation.

REVENUE & MARGINS

Consolidated revenue was down 33.0% to $59.51 million in the quarter (Q3-2023: $88.78 million), and down 5.9% to $178.96 million year-to-date (2023: $190.11 million). The decrease in revenue is result of lower revenue in our Land division due to no sales in our US Land region in 2024. In 2023, US sales contributed $17.87 million to revenues in the quarter and $34.31 million to revenues year-to-date.

Land accounted for 46.3% (2023: 51.9%) of total revenue, before intersegment eliminations. Land revenue was down 57.3% to $27.33 million in the quarter and down 18.6% to $85.63 million year-to-date. Earnings in our Land division were down 63.1% to $9.34 million over Q3-2023, and down 23.8% to $31.21 million year-to-date. Revenues can vary quarter over quarter due to the timing of lot sales and plan registrations. In Q3-2024 multi-family and commercial sales were up $9.21 million and $1.41 million respectively over Q3-2023. Revenue from single-family lot sales decreased $23.51 million. Excluding US sales, revenue from single-family lot sales increased $10.81 million year-to-date. Margins in our Land division decreased to 41.4% (Q3-2023: 42.9%). Land division margins can vary significantly depending on the product type being sold, as well as the region of our lot sales. Land revenue is highly dependent on the demand for new homes in the regions where we hold land, the timing of raw, commercial and multi-family land sales, and the timing of registration on single-family lots.

Our Income Properties (Properties and REIT divisions) accounted for 48.0% of year-to-date revenue, before intersegment eliminations compared with 43.0% in 2023, with revenues stable in the period and year-to-date at $29.00 million and $88.75 million respectively (Q3-2023: $28.32 million; 2023: $87.07 million). Our Income Properties maintained a steady gross margin of 57.6% (Q3-2023: 57.8%). Gross profit generated from this segment was up slightly to $51.08 million compared to $50.30 million in 2023. The increase in revenue and margin is a direct result of our continuous growth of our portfolio through our property development component of our Properties division.

Consolidated gross margin increased to 48.1% in Q3-2024 (Q3-2023: 45.8%) and was steady at 48.8% year-to-date (2023: 48.8%). This variance in the period is due to an increase in proportionate gross profit contributed from the Income Properties segment compared to 2023. Our Income Properties divisions tend to generate higher margins than our Land division.

Net income is impacted by non-cash fair value adjustments on investment properties, REIT units and the conversion feature on our convertible debenture, which can result in wide swings from period to period. These adjustments are primarily driven by market forces outside of Melcor's control. Management believes that FFO (discussion follows) is a more accurate reflection of our true operating performance.

Revenue and net income can also fluctuate significantly from quarter to quarter due to the timing of plan registrations, the cyclical nature of real estate and construction markets, and the mix of lot sales and product types. The growth of our income-generating divisions offsets this cyclicality and has been a key diversification strategy over the past decade.

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 September 30			Nine months ended September 30		
	2024	2023	Change %	2024	2023	Change %
Net income (loss) for the period	**(34,984)**	28,883	(221.1)	**1,144**	52,669	(97.8)
Amortization of tenant incentives	**2,239**	2,105	6.4	**6,419**	6,374	0.7
Fair value adjustment on investment properties	**17,643**	(5,736)	(407.6)	**25,614**	1,528	1576.3
Depreciation on property and equipment	**494**	491	0.6	**1,059**	1,062	(0.3)
Stock based compensation expense	**333**	293	13.7	**914**	771	18.5
Non-cash finance costs	**4,010**	(1,924)	(308.4)	**3,883**	(1,509)	(357.3)
Gain on sale of asset	**(3)**	(41)	(92.7)	**(56)**	(48)	16.7
Deferred income taxes	**(318)**	160	(298.8)	**2,189**	(1,250)	(275.1)
Fair value adjustment on REIT units	**27,093**	(1,815)	(1592.7)	**9,204**	(12,704)	(172.4)
FFO[1]	**16,507**	22,416	(26.4)	**50,370**	46,893	7.4
FFO per share[2]	**$0.54**	$0.73	(26.0)	**$1.64**	$1.51	8.6

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 was down 26.4% or $5.91 million in the quarter compared to Q3-2023, and up 7.4% or $3.48 million year-to-date. FFO is significantly impacted by gross profit, which was down 29.6% or $12.03 million in the quarter, and down 5.9% or $5.44 million year-to-date due to the reduction in US sales over the comparative period. Additionally, FFO was impacted by the increase in general and administration expenses of $1.97 million in the quarter and $3.32 million year-to-date offset by a reduction income taxes paid of $6.10 million in the quarter and $3.58 million year-to-date. The change in REIT's unit price has a counter-intuitive impact on net income, as an increase in unit price decreases net income. For the purposes of FFO, the fair value impact is excluded, while the REIT distributions remain in the calculation. The reduction in REIT distributions provided a positive impact to FFO of $1.56 million in the period and $4.15 million year-to-date.

As real estate development is long term in nature, comparison of any three-month period may not be as meaningful as full year results.

Divisional Results

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

1. **Land**, which acquires raw land for future commercial and residential community development;
2. **Properties**, which manages the construction of high-quality income properties, oversees the leasing of both commercial properties completed internally and those externally purchased maintaining a diverse portfolio of assets, including those held by REIT;
3. **REIT**, which owned and holds 37 income-producing properties (as at September 30, 2024); and
4. **Golf**, which owns and operates championship golf courses associated with Melcor residential communities.
5. **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		REIT		Golf	
	Three months September 30		Three months September 30		Three months September 30		Three months September 30	
($000s except as noted)	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Revenue	**27,327**	64,028	**11,542**	10,033	**17,454**	18,285	**5,261**	4,948
Portion of total revenue %	**44 %**	66 %	**19 %**	10 %	**28 %**	19 %	**9 %**	5 %
Cost of sales	**(16,573)**	(37,096)	**(4,739)**	(4,606)	**(7,372)**	(7,371)	**(2,818)**	(2,746)
Gross profit	**10,754**	26,932	**6,803**	5,427	**10,082**	10,914	**2,443**	2,202
Gross margin %[1]	**39 %**	42 %	**59 %**	54 %	**58 %**	60 %	**46 %**	45 %
Portion of total margin[1]	**36 %**	59 %	**23 %**	12 %	**34 %**	24 %	**8 %**	5 %
General and administrative expense	**(2,081)**	(2,004)	**(1,422)**	(1,167)	**(1,589)**	(779)	**(846)**	(837)
Fair value adjustment on investment properties	**—**	—	**(5,395)**	674	**(12,873)**	1,051	**–**	–
Gain on sale of assets	**—**	—	**–**	–	**–**	–	**3**	41
Interest income	**665**	408	**36**	38	**18**	16	**5**	–
Segment earnings (loss)	**9,338**	25,336	**22**	4,972	**(4,362)**	11,202	**1,605**	1,406

	Land		Properties		REIT		Golf	
	Nine months September 30		Nine months September 30		Nine months September 30		Nine months September 30	
($000s except as noted)	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Revenue	**85,627**	105,239	**34,537**	31,671	**54,217**	55,398	**10,700**	10,357
Portion of total revenue %	**46 %**	52 %	**19 %**	16 %	**29 %**	27 %	**6 %**	5 %
Cost of sales	**(50,202)**	(60,068)	**(14,514)**	(13,532)	**(23,157)**	(23,233)	**(5,566)**	(5,422)
Gross profit	**35,425**	45,171	**20,023**	18,139	**31,060**	32,165	**5,134**	4,935
Gross margin %[1]	**41 %**	43 %	**58 %**	57 %	**57 %**	58 %	**48 %**	48 %
Portion of total margin[1]	**39 %**	45 %	**22 %**	18 %	**34 %**	32 %	**6 %**	5 %
General and administrative expense	**(6,003)**	(5,641)	**(4,036)**	(3,780)	**(3,623)**	(2,294)	**(2,295)**	(2,166)
Fair value adjustment on investment properties	**—**	—	**(4,745)**	1,527	**(22,887)**	(8,365)	**–**	–
Gain on sale of assets	**—**	—	**–**	–	**–**	–	**56**	48
Interest income	**1,783**	1,447	**98**	90	**44**	46	**11**	5
Segment earnings	**31,205**	40,977	**11,340**	15,976	**4,594**	21,552	**2,906**	2,822

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.

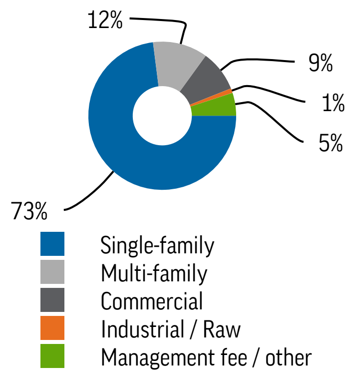
Master-planned mixed-use residential communities comprise the majority of Land's portfolio. We create efficient and sustainable urban communities by establishing an overall vision for each community and the amenities that will make it a desirable place to live. Residential lots and multi-family parcels 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.

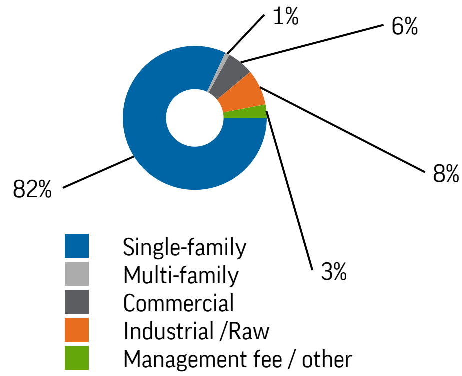
Sales Activity

REVENUE BY TYPE

Nine months ended September 30, 2024



Nine months ended September 30, 2023



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 September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Canada Sales data: (including joint ventures at 100%)[1]				
Single-family sales (number of lots)	**196**	260	**521**	455
Gross average revenue per single-family lot ($)	**189,903**	151,843	**184,162**	161,536
Multi-family sales (acres)	**4.25**	–	**16.45**	3.73
Gross average revenue per multi-family acre ($)	**730,000**	–	**991,216**	950,000
Commercial sales (acres)	**–**	12.07	**9.65**	12.07
Gross average revenue per commercial land acre ($)	**–**	1,267,937	**1,395,959**	1,267,937
Industrial sales (acres)	**–**	5.5	**1.45**	6.95
Gross average revenue per industrial land acre ($)	**–**	498,818	**470,000**	490,719
Other land sales - raw, other (acres)	**–**	–	**–**	4.52
Gross average revenue per other land acre ($)	**–**	–	**–**	168,850
US Sales data:				
Single family sales (number of lots)	**–**	121	**–**	205
Gross average revenue per single-family lot ($)	**–**	147,748	**–**	164,334
Divisional results: (including joint ventures at Melcor's interest)[1]				
Revenue ($000s)	**27,327**	64,028	**85,627**	105,239
Earnings ($000s)	**9,338**	25,336	**31,205**	40,977

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.

Despite overall revenues in our Land division decreasing over 2023, management is pleased with our year-to-date results as revenues within our Canadian market have increased over 2023.

As a result of our US region which has not closed on any sales in 2024, overall revenues for the year was down 18.6% to $85.63 million, (2023: $105.24 million) and divisional earnings were $31.21 million year-to-date, down 23.8% over 2023. Included in our 2023 results were $34.31 million in revenues year-to-date generated from the sale of 205 single family lots in our US region.

When focusing on our Canadian market only, revenue was up 20.7% or $14.70 million to $85.63 million year-to-date (2023: $70.93 million). Year-to-date single-family homes sales increased to 521 lots from 455 lots in 2023, due largely to increased lot sales in our Calgary and Red Deer regions in 2024 compared to 2023. Multi-family, commercial and other land sales were stable with 27.55 acres sold in 2024 compared to 27.27 acres in 2023.

The gross margin for the Land division is strongly impacted by the mix of both product type and location of inventory sold. Gross margin saw a slight decrease in the period to 39.4% and 41.4% year-to-date (Q3-2023: 42.1%; 2023: 42.9%).

In 2024, over 70% of our single-family lot sales are in joint ventures where Melcor's interest ranges from 7% to 67%, depending on the joint venture. Sales data, including number of lots shown, is at 100% whereas our division results, including revenue and earnings, are shown at Melcor's interest. This can lead to disproportionate changes in the number of lots sold in comparison to changes in revenue and earnings reporting for the division. Revenue can also be significantly impacted by acres sold, which may vary period to period.

In the quarter, we sold 196 single-family lots (Q3-2023: 260), and we have sold 521 single-family lots (2023: 455) to date in our Canadian markets. Our Edmonton region had the largest volume of single-family lot sales in Q3-2024 at 140 lots bringing the total to 291 lots year-to-date (Q3-2023: 209; 2023: 343). Our Calgary region sold 36 single-family lots in the quarter and has sold 150 single-family lots year-to-date, more than double its 2023 results (Q3-2023: 12; 2023: 63). Red Deer also continued its strong performance with 9 single-family lot sales in the quarter and 60 single-family lot sales year-to-date (Q3-2023: 18; 2023: 25). The timing of plan registrations can have a significant impact on when revenue is recorded and often occurs in the later half of the calendar year as construction is completed in our communities.

No lots were sold in our US markets in the current period and year-to-date. In Q3-2023 we sold 121 single-family lots in the period and 205 single-family lots year-to-date in our US region. Our US region currently only has one active land development project, Harmony located in Denver, CO, which can lead to more inconsistent results.

In 2024 we sold 11.10 acres of commercial and industrial land year-to-date. Included in these results are 10.00 acres within our Edmonton region including 8.55 acres of commercial development within Mattson development (Edmonton, AB) and 1.45 acres within our Telford Lake Industrial development and 1.10 acres in our Calgary region within our Greenbriar development.

We also sold 4.25 acres of multi-family land in the quarter for a total to 16.45 acres year-to-date. Included in these sales were 9.87 acres across two communities in Edmonton, 4.25 acres in Spruce Grove and 2.33 acres in one community in our Lethbridge region.

The average sale price on single-family lots increased 25.1% in the quarter and 14.0% year-to-date compared to 2023. 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.

We continue to develop new phases in communities where demand is evident. We remain committed to managing our risk in uncertain markets by ensuring that market demand is in place prior to proceeding with development, and by ensuring that our product mix is aligned with current market preferences. To date in 2024, we have registered nine new phases across six communities (2023: ten phases in eight communities).

Regional Sales Analysis

A summary of our lot and acre sales by region is as follows:

	Three months ended September 30, 2024			Three months ended September 30, 2023		
(including joint ventures at 100%)	**Single- family (Lots)**	**Multi-family (Acres)**	**Other (Acres)**	Single- family (Lots)	Multi-family (Acres)	Other (Acres)
Edmonton Region	**140**	**4.25**	**–**	209	–	14.42
Red Deer	**9**	**–**	**–**	18	–	–
Calgary Region	**36**	**–**	**–**	12	–	3.15
Lethbridge	**7**	**–**	**–**	6	–	–
Kelowna	**4**	**–**	**–**	15	–	–
United States	**–**	**–**	**–**	121	–	–
	196	**4.25**	**–**	381	–	17.57

	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
(including joint ventures at 100%)	**Single- family (Lots)**	**Multi-family (Acres)**	**Other (Acres)**	Single- family (Lots)	Multi-family (Acres)	Other (Acres)
Edmonton Region	**291**	**14.12**	**10.00**	343	3.73	15.87
Red Deer	**60**	**–**	**–**	25	–	–
Calgary Region	**150**	**–**	**1.10**	63	–	3.15
Lethbridge	**13**	**2.33**	**–**	6	–	–
Kelowna	**7**	**–**	**–**	18	–	–
United States	**–**	**–**	**–**	205	–	–
	521	**16.45**	**11.10**	660	3.73	19.02

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

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

	Nine months ended September 30, 2024				Nine months ended September 30, 2023			
	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	**606**	**49.83**	**113.48**	**1**	714	58.19	116.33	235
New developments	**331**	**4.80**	**8.55**	**–**	495	3.73	19.14	–
Internal sales	**–**	**–**	**–**	**–**	–	–	(8.92)	–
Sales	**(521)**	**(16.45)**	**(11.10)**	**–**	(455)	(3.73)	(10.10)	(205)
	416	**38.18**	**110.93**	**1**	754	58.19	116.45	30

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

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.

Year-to-date in 2024 no raw land has been purchased or sold.

In 2023, we purchased 80.00 acres purchased of raw land in Acheson, AB for $2.40 million and 40.00 acres of land in Leduc, AB for $2.40 million. In 2023, we sold 4.52 acres of raw land to government bodies for $0.76 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 includes the management and leasing of our existing income properties along with the development of new income properties supporting our strategic objective of asset diversification, income growth and value creation.

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, including the properties owned by the REIT. Currently our Properties division manages 4.80 million sf of income-producing commercial GLA and 455 residential units.

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

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

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

Operating results

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

(as at, at JV%, except as noted)	30-Sept-2024	31-Dec-2023
Commercial properties GLA under management (sf, total)	**4,802,329**	4,771,105
Properties owned and managed (sf)	**1,211,138**	1,169,055
Properties managed (sf)	**3,591,191**	3,602,050
Residential units managed	**455**	466
Occupancy - CAD	**90.1 %**	84.1 %
Occupancy - US	**76.8 %**	80.5 %
Weighted Average Base Rent (per sf) - CAD	**$27.77**	$28.84
Weighted Average Base Rent (per sf) - US	**$22.03**	$22.16
Fair value adjustment on investment properties ($000)	**(6,636)**	(18,768)
Commercial properties under development (sf, total)		
Number of properties completed	**2**	2
Properties completed (sf)	**48,742**	22,140
Number of properties under active construction	**4**	5
Properties under active construction (sf)	**103,268**	103,925
Fair value recognized on properties under development ($000s)	**1,891**	4,984

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

($000s and at JV%, except as noted)	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Revenue (total)	**11,542**	10,033	**34,537**	31,671
Canadian properties	**6,583**	5,357	**19,425**	16,922
US properties	**3,223**	3,147	**9,797**	10,004
Management fees	**1,471**	1,269	**4,518**	4,009
Parking lots and other assets	**266**	260	**798**	736
Net operating income (NOI)[1]	**7,323**	6,302	**21,558**	19,683
Funds from operations[1]	**6,019**	4,950	**18,073**	16,328
Funds from operations per share[2]	**$0.20**	$0.15	**$0.59**	$0.51

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.

The Properties division has provided the asset and property management function for the REIT since its formation in 2013.

Canadian properties

In 2023 we merged our "Investment Property" and "Property Development" divisions into our Properties division. The coming together of these two divisions is intended to create synergies in business processes related to development, leasing and property management. Included in both the current period and comparative figures are the consolidated "Investment Property" and "Property Development" divisions.

Our Canadian property portfolio continues to grow via completions from internal development. We completed one building in the quarter (16,942 sf) at our Winterburn Point development and one building (31,800 sf) at our Woodbend development earlier in the year. In 2023, one property was completed in the third quarter and year-to-date (17,300 sf) in our Woodbend Retail development. In addition to the properties completed, we have four buildings totaling 103,268 sf in active development at the end of Q3-2024 (Q3-2023: four buildings totaling 56,925 sf in active development).

New properties completed in the current and comparative years (since January 1, 2023) have added $1.22 million to NOI in the quarter and $3.07 million year-to-date in 2024 (Q3-2023 - $0.59 million; 2023: $1.59 million) as detailed in same asset NOI table below. With 103,268 sf of GLA under active development, we expect our Canadian property portfolio to continue to grow.

Occupancy of our Canadian properties owned by Melcor was up to 90.1% at September 30, 2024 (December 31, 2023: 84.1%). Committed occupancy is 91.2% (December 31, 2023: 89.0%). Weighted average base rent was down $1.07 per sf to $27.77 per sf (December 31, 2023: $28.84 per sf).

Fair value adjustments on properties under active development are recognized throughout the development process until the property is recognized at fair market value. From new development we generated $1.02 million in fair value gains in Q3-2024 and, $1.89 million in fair value gains year-to-date. In 2023 we generated $0.89 million in fair value gains in Q3-2024 and $2.25 million in fair value gains year-to-date.

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

($000s and at JV%, except as noted)	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Northern Alberta	**938**	850	**2,215**	1,568
Southern Alberta	**84**	40	**(324)**	683
	1,022	890	**1,891**	2,251

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 Canadian properties same asset net operating income (NOI) to gross profit:

($000s and at JV%, except as noted)	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Same-asset NOI[1]	**3,618**	3,545	**10,448**	10,385
Third party disposals	**—**	(19)	**—**	48
Properties recently completed construction	**1,217**	592	**3,073**	1,589
NOI[1]	**4,835**	4,118	**13,521**	12,022
Amortization of tenant incentives	**(300)**	(237)	**(952)**	(1,019)
Straight-line rent adjustment	**74**	(177)	**392**	349
Gross profit	**4,609**	3,704	**12,961**	11,352

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

Gross profit was up 24.4% or $0.91 million over Q3-2023 and up 14.2% or $1.61 million year-to-date. NOI increased by 17.4% or $0.72 million over Q3-2023 and 12% or $1.50 million year-to-date.

Gross profit and NOI are impacted by property sales and commercial development. Same asset NOI is adjusted for these factors for a more direct period-over-period comparison. On a same-asset basis, NOI was up 2.1% in the quarter compared to Q3-2023 and was up 0.6% year-to-date.

US properties

Revenue on US properties was up 2.4% to $3.22 million compared to Q3-2023 and is down 2.1% to $9.80 million year-to-date. Contributing factors include a reduction in WABR by 0.6% to $22.03 since year-end (December 31, 2023: $22.16) and a reduction in occupancy to 76.8% since year-end (December 31, 2023: 80.5%) and since Q3-2023 (81.3%). Additionally, we have sold 11 units at our Edge at Greyhawk in the period which has contributed to the declining revenues and NOI over the comparative period.

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

($000s and at JV%, except as noted)	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Same-asset NOI[1]	**796**	719	**2,733**	2,827
Third party disposals	**—**	—	**—**	(13)
NOI[1]	**796**	719	**2,733**	2,814
Foreign currency translation	**291**	250	**984**	979
Amortization of tenant incentives	**(302)**	(415)	**(1,036)**	(860)
Straight-line rent adjustment	**8**	(46)	**61**	(14)
Gross profit	**793**	508	**2,742**	2,919

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

Operating expenses can fluctuate period over period due to timing of property specific needs including but not limited to maintenance projects required for the on-going operation of the property. Due to these factors, our US properties gross profit was up 56.1% in the period to $0.79 million and down 6.1% to $2.74 million over 2023. NOI increased 10.7% to $0.80 million in the period and was down 2.9% to $2.73 million year-to-date. Same-asset NOI saw a similar increase of 10.7% or $0.08 million in the quarter to $0.80 million and a reduction of 3.3% or $0.09 million to $2.73 million year-to-date.

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 earned on development during Q3-2024 were $0.11 million and $0.24 million year-to-date (Q3-2023: $0.02 million; 2023: $0.09 million)

Management fees earned under the asset management and property management agreements with the REIT and under other joint venture agreements where Melcor acts as the asset manager. These amounts are eliminated on consolidation. Management fees earned on asset and property management during Q3-2024 were $1.36 million and $4.28 million year-to-date (Q3-2023: $1.25 million; 2023: $3.92 million)

Revenue from parking stalls and other assets was up 2.3% in the quarter to $0.27 million and up 8.4% to $0.80 million year-to-date as a result of the re-population of downtown offices post-pandemic. These revenues are ancillary to our business and tend to fluctuate from period to period.

FFO

FFO was up 21.6% to $6.02 million in Q3-2024 (Q3-2023: $4.95 million) and up 10.7% to $18.07 million (2023: $16.33 million) year-to-date. Segment earnings were down 99.6% to $0.02 million and up 29.0% to $11.34 million. Segment earnings can be impacted by swings fair value adjustment on investment properties, down $6.07 million in the period and down $6.27 million year-to-date, and amortization of tenant incentives of up $0.05 million in the period and down $0.11 million year-to-date.

Fair Value of Investment Portfolio

The fair value of our income properties portfolio increased by $8.76 million over December 31, 2023. The components leading to the change in fair value include:

- recognition of completed commercial property under development, increasing portfolio value by $15.83 million.
- fair value losses reduced our portfolio value by $4.62 million and was comprised of $6.64 million loss on specific property valuations, and $2.02 million intersegment fair value adjustments reducing the overall fair value loss.
- the sale of 11 residential units at Edge at Grayhawk reducing the portfolio value by $4.78 million.
- property improvements and direct leasing costs of $0.27 million, increasing fair value.
- foreign currency translation gain of $2.07 million, and changes to tenant improvements and straight-line rent.

Investment properties are reported in accordance with IFRS Accounting Standards and reflect, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment properties under market conditions, independent of ownership of the assets.

Melcor engages qualified, independent external valuation professionals to assess its investment properties at the lesser of a two-year period or a material change defined as a value change greater than 5% of the properties estimated market value. These professionals evaluate each property individually, basing valuations on current property contract rates and expenditures, adjusted to reflect current market conditions. The properties are valued on an individual stand alone basis, and factor in the best use and market rates of comparable assets to produce a stabilized value.

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

($000s)	**September 30, 2024**			December 31, 2023		
	Investment Properties	**Properties Under Development**	**Total**	Investment Properties	Properties Under Development	Total
Alberta - all assets	**(6,311)**	**1,891**	**(4,420)**	(5,020)	4,984	(36)
US - residential	**950**	**–**	**950**	916	–	916
US - commercial	**(1,275)**	**–**	**(1,275)**	(14,664)	–	(14,664)
	(6,636)	**1,891**	**(4,745)**	(18,768)	4,984	(13,784)

Investment properties were valued by Melcor's internal valuation team as at September 30, 2024. Our qualified external valuation professionals valued 12 of the 27 legal phases with a fair value of $162.09 million year-to-date. This resulted in fair value loss of $6.64 million year-to-date recorded as fair value adjustments on investment properties in the statements of income and comprehensive income. In 2023 our qualified external valuation professionals valued 18 of the 27 legal phases with a fair value of $132.24 million which resulted in a fair value loss of $18.77 million for the year.

In 2023 our US residential properties saw significant changes in value. These losses are primarily due to an increase in capitalization rates on office properties in our Arizona and Colorado region. The increase in capitalization rate is correlated to increased interest rates and higher market risk across the industry. Losses on our Alberta assets are also attributed to an increase in capitalization rates on several properties correlated to increased interest rates and market risk. Refer to note 14 to the consolidated financial statements for additional information on the calculation of fair value adjustments.

REIT

The REIT has an established and diversified portfolio in western Canada. We own 37 income-producing office, retail and industrial properties representing 3.12 million square feet (sf) in gross leasable area (GLA). These high-quality properties feature stable occupancy and a diversified mix of tenants.

As at November 7, 2024 we have a controlling 55.4% interest in the REIT through ownership of all Class B LP Units (December 31, 2023 - 55.4%). As we have concluded that Melcor retains control of the REIT, we consolidate 100% of the REIT's revenues, expenses, assets and liabilities. Note 12 to the Condensed Interim Consolidated Financial Statements provides a breakout of the assets and liabilities of the REIT as supplemental information to assist readers in understanding Melcor's financial position.

Operating results

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

(as at, at JV%, except as noted)	**30-Sept-2024**	31-Dec-2023
Commercial properties GLA under management (sf, total)	**3,121,673**	3,150,646
Fair value of portfolio[1]	**660,617**	691,782
Occupancy	**87.3 %**	87.6 %
Weighted average base rent (per sq. ft.)	**$17.07**	$17.06

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

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

($000s except as noted)	**Three months ended September 30**		**Nine months ended September 30**	
	2024	2023	**2024**	2023
Rental revenue	**17,454**	18,285	**54,217**	55,398
NOI[1]	**11,598**	11,894	**34,741**	35,105
Same-asset NOI[1] *(see calculation following)*	**10,366**	10,587	**31,032**	31,303
Fair value adjustment on investment properties	**(12,873)**	1,051	**(22,887)**	(8,365)
Funds from operations[1]	**9,717**	11,119	**30,579**	32,936
Funds from operations per share[2]	**$0.32**	$0.36	**$1.00**	$1.05

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.

Rental revenues were down 4.5% in the period and 2.1% year-to-date. Lower recovery revenue, and swings in SLR adjustments (non-cash) were the contributing factors of this reduction in the period and year-to-date, with a reduction in base rent also being a factor in the period variance. SLR adjustment is significantly impacted by timing and commencement of new leases and can fluctuate period over period.

Recoveries are amounts recovered from tenants for direct operating expenses and include a nominal administrative charge. We typically expect recovery revenue to correlate with changes in recoverable operating expenses. In the quarter, recovery revenue was down 1.5% and year-to-date was down 2.4%. Direct operating expenses were flat in the period and down 0.3% year-to-date over 2023. Our recovery ratio can vary quarter over quarter due to variability of expenditures within our portfolio, and the timing of expenses incurred. Prior year recovery adjustments can also impact our recovery ratio and are generally recognized in the first quarter. Overall occupancy has also declined to 87.3% over year-end (87.6%) and Q3-2023 (88.9%) also contributing to lower amounts recovered from tenants.

Other revenue includes parking, storage, lease amendment and termination fees as well as other miscellaneous revenue that is ancillary to our business and fluctuates from period to period.

Amortization of tenant incentives can fluctuate based on the timing of lease rollovers and leasing incentives. SLR adjustments relate to new leases which have escalating rent rates and/or rent-free periods. SLR fluctuates due to the timing of signed leases and the rent-steps under individual leases.

To date, we have signed 399,340 sf of new and renewed leasing (including holdovers). In 2024, we have 427,668 sf of our portfolio maturing, including month-to-month tenants.

As at September 30, 2024, we have retained 86.8% (315,740 sf) of expiring leases and have received commitment on an additional 11,202 sf of future renewals representing a committed occupancy of 87.6%. As of Q3-2024, we completed 83,600 sf in new leases, which includes our short-term seasonal tenants. Excluding our seasonal tenants, we have completed 60,044 sf in new leases. Richter Street, a 29,000 sf office asset was removed from both total GLA and closing occupancy upon sale that occurred May 10, 2024.

Property taxes and utilities were down 2.9% in the quarter and 4.2% year-to-date. These reductions are due to a combination of asset dispositions in our recent periods and the efforts of our operations team mitigating the increases seen in the market. On a same-asset basis, property taxes and utilities were down 3.7% in the quarter and down 4.0% year-to-date . Although we have seen utility costs, including heating and power costs increase over the last 12 months related to government policies and regulations, due to the efforts of our operations team we have been able to mitigate these rising costs by implementing energy efficient practices and investing in capital projects across our portfolio as seen by the reduction in our utilities compared to 2023. Additionally, due to property tax assessment reviews completed during the year, we were able to reduce property taxes on specific properties, contributing to the overall decrease compared to 2023. Utility costs are also impacted by weather conditions which can vary significantly period over period.

Operating expenses also include maintenance projects, which can vary significantly period over period depending on property needs and weather conditions. Overall, we have seen increases in costs as a result of inflationary pressures. In Q3-2024, operating expenses were up 3.2% in the period and up 4.1% year-to-date. On a same-asset basis, operating expenses were up 3.8% in the period and 5.0% year-to-date.

The following is a reconciliation of same-asset NOI to net rental income:

($000s except as noted)	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Same-asset NOI[1]	**10,366**	10,587	**31,032**	31,303
Disposals	**1,232**	1,307	**3,709**	3,802
NOI before adjustments	**11,598**	11,894	**34,741**	35,105
Amortization of tenant incentives	**(1,206)**	(968)	**(3,098)**	(3,019)
Straight-line rent adjustment	**(310)**	(12)	**(583)**	79
Net rental income	**10,082**	**10,914**	**31,060**	**32,165**

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

NOI and same-asset NOI are non-standard metrics used in the real estate industry to measure the performance of investment properties. The IFRS Accounting Standards measure most directly comparable to NOI and same-asset NOI is net income. Refer to the Non-GAAP and Non-Standard Measures section for reconciliation of NOI to net income.

Same-asset NOI in the current and comparative periods exclude Kelowna Business Center, located in Kelowna, BC (sold Q1-2023), and Richter Street (sold Q2-2024), and assets classified as held for sale (under IFRS Accounting Standards) which includes a retail property located in Grande Prairie, AB and an industrial property located in Lethbridge, AB. NOI was down 2.5% in the period and down 1.0% year-to-date over 2023, with same-asset NOI was down 2.1% in the period and 0.9% year-to-date over 2023.

Funds from operations

FFO is a non-GAAP financial measure used in the real estate industry to measure the operating performance of investment properties. Refer to the Non-GAAP and Non-Standard Measures section for further information. FFO was down 12.6% to $9.72 million in the period (Q3-2023: $11.12 million), and down 7.2% to $30.58 million (2023: $32.94 million). The reduction in FFO is a direct result of a lower gross profit and higher general and administrative costs in the period and year-to-date.

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.

Our earlier start to the season, was offset by unfavourable weather conditions in the beginning of the season. Overall, we saw a decrease of rounds played in the year of 0.8% to 115,595 over 2023 at 116,568. Although our rounds of golf were down slightly, revenues were up 6.3% to $5.26 million (Q3-2023: $4.95 million), and up 3.3% to $10.70 million year-to-date (2023: $10.36 million). The increase in revenue can be attributed to an increase in revenues from season passes, rental fees, food and beverage and sales from our pro-shop.

All courses have closed subsequent to the quarter.

	Ownership Interest	2024			2023		
		Season opened	**Seasoned closed**	**Rounds of Golf**	Season opened	Seasoned closed	Rounds of Golf
Managed by Melcor:							
Lewis Estates (Edmonton)	60%	**April 10**	**October 18**	**28,125**	April 19	October 21	30,145
The Links (Spruce Grove)	100%	**April 11**	**October 18**	**28,334**	April 20	October 21	28,588
Black Mountain (Kelowna)	100%	**March 22**	**November 3**	**34,993**	April 4	October 27	33,284
Managed by a Third Party:							
Jagare Ridge (Edmonton)	50%	**April 22**	**October 14**	**24,143**	April 25	October 15	24,551

General & Administrative Expense

G&A expenses were up $1.97 million or 33.2% in the quarter to $7.90 million (Q3-2023 $5.93 million) and up $3.32 million or 19.4% to $20.47 million year-to-date (2023: $17.15 million).

Our Q3-2024 and year-to-date G&A was impacted by higher G&A in our REIT division, up 104.0% or $0.81 million in the quarter, and up 57.9% or $1.33 million year-to-date. This increase is associated with the establishment of the Independent Committee and commencement of the strategic review process in February 2024 which have resulted in additional legal and financial advisory costs and additional fees paid to the Independent Committee members. Additionally, our valuation program requires the revaluation of each legal phase every two years or as market conditions dictate. In 2024 due to the cyclical nature of these valuations and the timing of financing renewals we have had an increase in the amount of valuations compared to 2023. Excluding these items, our remaining G&A expense categories remain on budget, and fairly stable over the prior year. G&A as a percent of total revenues were up to 11.4% compared to 9.0% in 2023.

On September 12, 2024, Melcor and the REIT entered into an Arrangement Agreement under which Melcor will acquire its unowned equity interest in the REIT. Costs associated with this process include additional professional fees related to legal and advisory costs as well as higher public company costs within both Melcor and REIT.

Management continues to prudently monitor and manage controllable expenses.

Income Tax Expense

The statutory tax rate is 23.0% for the three and nine months ended September 30, 2024 (2023: 23.0%). Items that impacted the effective tax rate include permanent differences related to revaluation adjustments on investment properties, distributions to REIT unitholders and the non-taxable portion of REIT income.

Liquidity & Capital Resources

The following table represents selected information as at September 30, 2024, compared with December 31, 2023.

As at ($000s except as noted)	**30-Sept-2024**	31-Dec-2023
Cash & cash equivalents	**39,513**	34,690
Restricted cash	**1,755**	1,719
Accounts receivable	**11,157**	10,631
Agreements receivable	**99,489**	126,070
Revolving credit facilities	**65,796**	109,836
Accounts payable and accrued liabilities	**52,918**	48,257
Total assets	**2,072,614**	2,097,473
Total liabilities	**870,394**	887,895
Debt to equity ratio[1]	**0.72**	0.73

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;
- Make distributions to unitholders of the REIT;
- 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, convertible debentures, and the issuance of common shares or trust units. 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, paying distributions on REIT units when declared by the board of trustees and paying dividends when declared by our board of directors and.

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, trust units, preferred shares or convertible debentures; 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 MDL & REIT operating line availability) was $117.67 million as at September 30, 2024 (December 31, 2023: $111.94 million). Our total general debt outstanding was $642.08 million as at September 30, 2024 (December 31, 2023: $670.17 million).

A summary of our debt is as follows:

As at ($000s)	**30-Sept-2024**	31-Dec-2023
Melcor - revolving credit facilities	**36,836**	71,976
REIT - revolving credit facility	**28,960**	37,860
Project specific financing	**11,941**	7,724
Debt on investment properties and golf course assets	**518,426**	507,463
REIT - convertible debentures	**45,920**	45,151
General debt	**642,083**	670,174

We are subject to financial covenants on our revolving credit facility. The covenants include a maximum debt to total capital ratio of 125%, a minimum debt service coverage ratio of 3.00, and a minimum net book value of shareholder's equity of $300.00 million. As at September 30, 2024 and throughout the period, we were in compliance with our financial covenants.

We are also subject to financial covenants on the REIT's revolving credit facility. The covenants include a maximum debt to total capital ratio of 60% (excluding convertible debenture), a minimum debt service coverage ratio of 1.25, and a minimum adjusted unitholders' equity of $140.00 million. As at September 30, 2024 and throughout the period, we were in compliance with our financial covenants.

On September 6, 2024, Melcor entered into an amended credit agreement with a syndicate of major chartered banks. Under the terms of our amended credit agreement, the loan limits that pertain solely to Melcor has increased by $50.00 million to $170.00 million. The facility matures on July 31, 2026.

As part of the Arrangement Agreement with Melcor REIT, Melcor has committed to acquire its unowned equity interest in Melcor REIT for $4.95 per unit or $64.17 million in cash consideration, subject to unitholder approval. Melcor has also committed to repay out in cash, all $46.00 million (plus any accrued and unpaid interest) of the REIT's 5.10% convertible unsecured subordinated debentures having a maturity date of December 31, 2024. The transaction described is expected to be funded by available room on our credit facility.

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**		**Nine months ended**	
	30-Sept-2024	**30-Sept-2023**	**30-Sept-2024**	**30-Sept-2023**
Cash flow from operating activities	**29,414**	35,118	**56,650**	40,980
Cash flow (used in) from investing activities	**(5,504)**	(6,450)	**(6,940)**	7,376
Cash flow used in financing activities	**(23,272)**	(12,683)	**(43,849)**	(66,593)

Operating Activities:

Cash from operating activities was down $5.70 million to $29.41 million in Q3-2024 and up $15.67 million to $56.65 million year-to-date (Q3-2023: $35.12 million; 2023: $40.98 million). Cash flow from operating activities is significantly impacted by the timing of development and sales activity and swings in working capital.

Agreements receivable can fluctuate period over period depending on the timing of payments received. The change in our collections on agreements receivable had a positive impact to cash flows of $18.24 million in Q3-2024 (Q3-2023: negative impact of $1.94 million) and a positive impact of $26.58 million year-to-date (2023: positive impact of $13.13 million).

Development activities in the quarter contributed net cash outflows of $16.76 million (Q3-2023: cash inflows of $1.25 million), and $18.53 million of net cash outflows year-to-date (2023: cash outflows $12.90 million). Payment of tenant incentives and direct leasing costs were down in the quarter at $2.15 million (Q3-2023: $2.30 million) and down to $6.09 million year-to-date (2023: $7.96 million).

There have been no land purchases in 2024. In 2023 we invested $2.40 million for the purchase of 80 acres of land in Acheson, AB and an additional $2.40 million in the purchase of 40.00 acres of raw land in Leduc, AB.

Investing Activities:

Cash from investing activities resulted in net cash outflows of $5.50 million in Q3-2024 (Q3-2023: cash outflow of $6.45 million) and cash outflows of $6.94 million year-to-date (2023: cash generated of $7.38 million).

We continue to invest in improving our asset base though enhancing projects. Additions to Melcor's properties include active construction on the new developments and the enhancement to income-generating properties held in the Properties and REIT division. In Q3-2024 we invested $6.88 million in properties under development (Q3-2023: $4.17 million) and $12.02 million year-to-date (2023: $14.70 million). In Q3-2024 we invested $1.13 million (Q3-2023: $1.95 million) in our income-generating properties, and $2.21 million year-to-date (2023: $2.77 million).

Net proceeds from disposal of investment properties includes the sale of residential units at our Edge complex located in Phoenix, AZ. In the quarter we sold five units for net proceeds of $2.06 million (USD$1.50 million) and to date in 2024 we have sold eleven units for net proceeds of $4.78 million (USD$3.50 million). In Q2-2024 we sold our Richter Street property located in Kelowna, BC for net proceeds of $7.48 million. Net cash of $2.41 was used to reduce borrowings on our credit facility with the remaining proceeds of $5.08 million being held in a short term investments and being used as additional security on a different mortgage.

In 2023 we sold two commercial properties including one property in Lethbridge, AB, for net proceeds of $3.27 million and one propety in Kelowna, BC for net proceeds of $19.03 million. Additionally, we sold seven residential units in the US year-to-date, generating net proceeds of $3.13 million (USD$2.32 million).

Financing Activities:

Cash used in financing activities was $23.27 million in Q3-2024, up from $12.68 million in Q3-2023. Year-to-date, cash used in financing was $43.85 million, down from $66.59 million in 2023.

During the quarter, we made net repayments on our credit facility of $36.58 million (Q3-2023: $0.31 million) and year-to-date net repayments of $44.04 million (2023: cash withdrawals of $1.46 million). We have successfully secured financing on two properties in the year, contributing to cash inflows of $23.79 million in the period, and $35.22 million year-to-date.

Repayment on our general debt was $6.08 million in the quarter down from $9.24 million in Q3-2023, and $21.79 million year-to-date down from $70.51 million in 2023.

We paid dividends of $0.11 per share in Q3-2024 for a total of $3.35 million, and $10.06 million year-to-date. In Q3-2023 we paid $0.16 per share for a total of $4.90 million, and $14.85 million year-to-date.

Share Data

Melcor has been a public company since 1968 and trades under the symbol “MRD” on the Toronto Stock Exchange. As at September 30, 2024 there were 30,393,450 common shares issued and outstanding, 100,500 options, and 302,052 restricted share units. Each stock option and restricted share unit is convertible to one common share upon exercise or 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 September 30, 2024 in comparison to the December 31, 2023 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 7, 2024 Melcor commenced a Normal Course Issuer (NCIB) which allows us to purchase up to 1,525,527 shares for cancellation, representing approximately 5% of the issued and outstanding shares up to a maximum daily limit of 1,552 shares unless acquired under a block purchase exception. The price that Melcor pays for shares repurchased under the plan is the market price at the time of acquisition. The NCIB expires on June 6, 2025.

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 nine months ended September 30, 2024, 269,003 shares were purchased for cancellation by Melcor pursuant to the NCIB at a cost of $3.18 million (December 31, 2023: 712,160 shares purchased at a cost of $8.10 million). Share capital was reduced by $0.59 million (December 31, 2023: $1.56 million) and retained earnings was reduced by $2.59 million (December 31, 2023: $6.54 million). Retained earnings was also reduced by $0.05 million (December 31, 2023 - $nil) for the tax on net share buyback.

Melcor REIT does not currently have an active NCIB in place.

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.

	2024			2023				2022
($000s)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenue	59,508	69,707	49,748	125,134	88,781	65,247	36,077	76,261
Net income (loss)	(34,984)	23,340	12,788	10,311	28,883	21,633	2,153	37,202
FFO[1]	16,507	20,115	13,748	37,562	22,416	17,432	7,045	22,297
Per Share ($)								
Basic earnings (loss)	(1.15)	0.76	0.42	0.34	0.94	0.69	0.07	1.15
Diluted earnings (loss)	(1.15)	0.76	0.42	0.34	0.94	0.69	0.07	1.15
FFO basic[2]	0.54	0.65	0.45	1.21	0.73	0.56	0.23	0.70
Book value[2]	39.56	40.81	40.01	39.45	39.50	38.32	37.63	37.71

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 September 30, 2024, 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 September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Segment Earnings	**22**	4,972	**11,340**	15,976
Fair value adjustment on investment properties	**5,395**	(674)	**4,745**	(1,527)
General and administrative expenses	**1,422**	1,167	**4,036**	3,780
Interest income	**(36)**	(38)	**(98)**	(90)
Amortization of tenant incentives	**602**	652	**1,988**	1,879
Straight-line rent adjustment	**(82)**	223	**(453)**	(335)
Divisional NOI	**7,323**	6,302	**21,558**	19,683

REIT

($000s)	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Segment Earnings (loss)	**(4,362)**	11,202	**4,594**	21,552
Fair value adjustment on investment properties	**12,873**	(1,051)	**22,887**	8,365
General and administrative expenses	**1,589**	779	**3,623**	2,294
Interest income	**(18)**	(16)	**(44)**	(46)
Amortization of tenant incentives	**1,206**	968	**3,098**	3,019
Straight-line rent adjustment	**310**	12	**583**	(79)
Divisional NOI	**11,598**	11,894	**34,741**	35,105

Further discussion over NOI can be found in the Properties and REIT 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 and REIT 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, interest expense and other effects of redeemable units classified as liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) adjustment for amortization of deferred financing fees, which is included in non-cash financing costs and (vii) fair value adjustment on derivative instrument, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties. Further discussion over FFO, including a reconciliation from net income, can be found in the Funds from Operations section of the MD&A and in the tables below:

Consolidated

($000s)	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Net income (loss) for the period	**(34,984)**	28,883	**1,144**	52,669
Amortization of tenant incentives	**2,239**	2,105	**6,419**	6,374
Fair value adjustment on investment properties	**17,643**	(5,736)	**25,614**	1,528
Depreciation on property and equipment	**494**	491	**1,059**	1,062
Stock based compensation expense	**333**	293	**914**	771
Non-cash finance costs	**4,010**	(1,924)	**3,883**	(1,509)
Gain on sale of asset	**(3)**	(41)	**(56)**	(48)
Deferred income taxes	**(318)**	160	**2,189**	(1,250)
Fair value adjustment on REIT units	**27,093**	(1,815)	**9,204**	(12,704)
FFO	**16,507**	22,416	**50,370**	46,893

Properties

($000s)	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Segment Earnings	**22**	4,972	**11,340**	15,976
Fair value adjustment on investment properties	**5,395**	(674)	**4,745**	(1,527)
Amortization of tenant incentives	**602**	652	**1,988**	1,879
Divisional FFO	**6,019**	4,950	**18,073**	16,328

REIT

($000s)	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Segment Earnings	**(4,362)**	11,202	**4,594**	21,552
Fair value adjustment on investment properties	**12,873**	(1,051)	**22,887**	8,365
Amortization of tenant incentives	**1,206**	968	**3,098**	3,019
Divisional FFO	**9,717**	11,119	**30,579**	32,936

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.