

Management's Responsibility for Financial Reporting

The consolidated financial statements, management's discussion and analysis (MD&A) and all financial information contained in the annual report are the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, have incorporated estimates based on the best judgment of management.

To discharge its responsibility for financial reporting, management is responsible for implementing and maintaining adequate internal controls to provide reasonable assurance that the Company's assets are safeguarded, that transactions are properly authorized and that reliable financial information is relevant, accurate and available on a timely basis.

The consolidated financial statements have been examined by PricewaterhouseCoopers LLP, the Company's external auditors. The external auditors are responsible for examining the consolidated financial statements and expressing their opinion on the fairness of the financial statements in accordance with International Financial Reporting Standards. The auditor's report outlines the scope of their audit examination and states their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee is comprised of three financially literate and independent directors. This committee meets regularly with management and the external auditors to review significant accounting, financial reporting and internal control matters. PricewaterhouseCoopers LLP have unrestricted access to the Audit Committee with and without the presence of management. The Audit Committee reviews the financial statements, the auditor's report, and MD&A and submits its report to the Board of Directors for formal approval. The Audit Committee is also responsible for reviewing and recommending the annual appointment of external auditors and approving the external audit plan. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in the Annual Report based on the review and recommendation of the Audit Committee.



Timothy C. Melton
Chief Executive Officer, Executive Chairman



Naomi Stefura, CA
Chief Operating Officer, Chief Financial Officer

Edmonton, Alberta
March 13, 2025



Independent auditor's report

To the Shareholders of Melcor Developments Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Melcor Developments Ltd. and its subsidiaries (together, the Company) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of income for the years ended December 31, 2024 and 2023;
- the consolidated statements of comprehensive income for the years ended December 31, 2024 and 2023;
- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of changes in equity for the years ended December 31, 2024 and 2023;
- the consolidated statements of cash flows for the years ended December 31, 2024 and 2023; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties and properties under development</p> <p><i>Refer to note 3 – Material accounting policies, note 5 – Critical accounting estimates, note 11 – Investment properties and note 30 – Fair value measurement to the consolidated financial statements.</i></p> <p>The Company measures its investment properties and properties under development at fair value and as at December 31, 2024, these assets were valued at \$1,044 million. The fair values of investment properties which are determined by management using the direct income capitalization method or discounted future cash flows method, amounted to \$961 million and the fair values of properties under development using the direct income capitalization method or discounted future cash flows method less costs to complete amounted to \$71 million. Under the direct income capitalization method, fair values are determined by dividing the stabilized net operating income of the property by a property specific capitalization rate. In applying the discounted future cash flows method, the forecasted future cash flows of each property are projected over ten years, a terminal value is applied and the cash flows are discounted using an appropriate discount rate.</p> <p>Investment properties and properties under development were valued by the Company's internal valuation team as at December 31, 2024, of which 59 legal phases included in investment properties and properties under development with a</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Tested the design and operating effectiveness of internal controls related to the valuation of investment properties and properties under development, including management's review of certain assumptions used in the direct income capitalization method (less costs to complete, where applicable) and discounted future cash flows method.• For a sample of investment properties and properties under development, tested how management determined the fair values based on the valuation methods of direct income capitalization (less costs to complete, where applicable) or discounted future cash flows, which included the following:<ul style="list-style-type: none">– Evaluated the appropriateness of the valuation methods used by management for valuations of properties.– Tested the underlying data used in the methods.– Evaluated whether stabilized net operating income, and forecasted future cash flows, including assumptions related to future rental income and estimated direct operating costs, were reasonable by considering the approved budget, and the current and historical results of the properties, as applicable.



Key audit matter	How our audit addressed the key audit matter
<p>fair value of \$736 million were also valued with the assistance of qualified independent external valuation professionals. At least once every two years, the valuations are performed by qualified external valuation professionals.</p> <p>The assumptions in the valuation methods include stabilized net operating income, capitalization rates, discount rates, terminal capitalization rates, costs to complete and forecasted future cash flows, which involve assumptions of future rental income, including estimated market rental rates, vacancy rates and estimated direct operating costs. In determining the fair value of investment properties and properties under development, judgment is required by management.</p> <p>We considered this a key audit matter due to judgment made by management when determining the fair values of the investment properties and properties under development and a high degree of complexity in assessing audit evidence related to certain assumptions made by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of real estate valuations.</p>	<ul style="list-style-type: none">- Evaluated the reasonableness of the capitalization rates for valuations of properties by considering available third party published economic data relevant to the properties.- Evaluated whether costs to complete were reasonable by considering the stage of completion of the properties under development.- Professionals with specialized skill and knowledge in the field of real estate valuations further assisted us in assessing the appropriateness of the methods and evaluating the reasonableness of the discount rates, capitalization rates, terminal capitalization rates, estimated market rental rates and vacancy rates.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partner on the audit resulting in this independent auditor's report is Steven Hollinger.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Edmonton, Alberta
March 13, 2025

MELCOR DEVELOPMENTS LTD.

Consolidated Financial Statements

December 31, 2024

Consolidated Statements of Income

For the years ended December 31 (\$000s)	2024	2023
Revenue (note 22)	349,501	315,239
Cost of sales (note 22)	(192,115)	(172,887)
Gross profit	157,386	142,352
General and administrative expense (note 22)	(30,012)	(22,948)
Fair value adjustment on investment properties (note 11 and 30)	(28,439)	(24,456)
Adjustments related to REIT units (note 27)	(14,777)	11,871
Gain on sale of assets	58	51
Operating earnings	84,216	106,870
Interest income	2,836	3,210
Foreign exchange gain	409	97
Finance costs (note 21)	(32,529)	(34,400)
Net finance costs	(29,284)	(31,093)
Income before income taxes	54,932	75,777
Income tax expense (note 23)	(21,404)	(12,797)
Net income for the year fully attributable to Melcor's shareholders	33,528	62,980
Earnings per share attributable to Melcor's shareholders (note 18):		
Basic earnings per share	1.10	2.04
Diluted earnings per share	1.09	2.03

See accompanying notes to the consolidated financial statements.

On behalf of Melcor's Board of Directors



Timothy C. Melton
CEO, Executive Chairman



Bruce Pennock
Audit Committee Chair

Consolidated Statements of Comprehensive Income

For the years ended December 31 (\$000s)	2024	2023
Net income for the year fully attributable to Melcor's shareholders	33,528	62,980
Other comprehensive income		
Items that may be reclassified subsequently to net income:		
Currency translation differences (note 19)	16,379	(4,938)
Comprehensive income fully attributable to Melcor's shareholders	49,907	58,042

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Financial Position

(\$000s)	2024	2023
ASSETS		
Cash and cash equivalents	54,338	34,690
Restricted cash (note 3d)	1,329	1,719
Accounts receivable	17,853	10,631
Income taxes recoverable	4,886	2,998
Agreements receivable (note 8)	157,412	126,070
Land inventory (note 9)	708,047	728,002
Investment properties (note 11 and 30)	1,044,374	1,084,906
Property and equipment (note 13)	11,288	11,679
Other assets (note 10)	58,643	58,766
Assets held for sale (note 12 and 30)	48,000	33,774
Derivative financial instrument (note 30)	2,383	4,238
	2,108,553	2,097,473
LIABILITIES		
Accounts payable and accrued liabilities (note 14)	52,119	48,257
Income taxes payable	7,367	1,246
Provision for land development costs (note 15)	59,829	50,130
General debt (note 16)	611,339	670,174
Deferred income tax liabilities (note 23)	67,212	64,291
REIT units (note 27 and 30)	68,057	53,797
	865,923	887,895
SHAREHOLDERS' EQUITY		
Equity attributable to Melcor's shareholders		
Share capital (note 17a)	69,866	69,493
Contributed surplus	4,826	5,036
Accumulated other comprehensive income (AOCI) (note 19)	41,039	24,660
Retained earnings	1,126,899	1,110,389
	1,242,630	1,209,578
	2,108,553	2,097,473

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

(\$000s)	Equity attributable to Melcor's shareholders				Total equity
	Share capital	Contributed surplus	AOCI	Retained earnings	
Balance at January 1, 2024	69,493	5,036	24,660	1,110,389	1,209,578
Net income for the year	—	—	—	33,528	33,528
Cumulative translation adjustment (note 19)	—	—	16,379	—	16,379
Transactions with equity holders					
Dividends	—	—	—	(13,400)	(13,400)
Share repurchase (note 17a)	(780)	—	—	(3,548)	(4,328)
Share repurchase tax (note 17a)	—	—	—	(70)	(70)
Employee share based compensation					
Value of services recognized	—	1,238	—	—	1,238
Share issuance	1,153	(1,448)	—	—	(295)
Balance at December 31, 2024	69,866	4,826	41,039	1,126,899	1,242,630

(\$000s)	Equity attributable to Melcor's shareholders				Total equity
	Share capital	Contributed surplus	AOCI	Retained earnings	
Balance at January 1, 2023	70,218	4,810	29,598	1,073,710	1,178,336
Net income for the year	—	—	—	62,980	62,980
Cumulative translation adjustment (note 19)	—	—	(4,938)	—	(4,938)
Transactions with equity holders					
Dividends	—	—	—	(19,759)	(19,759)
Share repurchase (note 17a)	(1,556)	—	—	(6,542)	(8,098)
Employee share based compensation					
Value of services recognized	—	1,057	—	—	1,057
Share issuance	831	(831)	—	—	—
Balance at December 31, 2023	69,493	5,036	24,660	1,110,389	1,209,578

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 (\$000s)	2024	2023
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net income for the year	33,528	62,980
Non cash items:		
Amortization of tenant incentives (note 10)	8,217	8,416
Depreciation of property and equipment (note 13)	1,247	1,260
Stock based compensation expense (note 17f and 22)	1,238	1,057
Non cash financing costs (note 21)	3,974	4,766
Straight-line rent adjustment	99	(183)
Fair value adjustment on investment properties (note 11 and 30)	28,439	24,456
Fair value adjustment on REIT units (note 27 and 30)	14,259	(18,093)
Gain on sale of assets	(58)	(51)
Deferred income taxes (note 23)	2,962	(336)
Cash provided by operating activities before changes in non-cash working capital	93,905	84,272
Agreements receivable	(31,342)	(28,838)
Development activities (note 3u)	40,500	12,076
Payment of tenant incentives and direct leasing costs	(9,287)	(13,311)
Change in restricted cash (note 3d)	791	—
Purchase of land inventory (note 9)	—	(4,800)
Operating assets and liabilities (note 3u)	4,059	(591)
	98,626	48,808
INVESTING ACTIVITIES		
Additions to investment properties (note 11)	(16,188)	(21,562)
Net proceeds from disposal of investment properties (note 11)	7,034	7,822
Net proceeds from disposal of assets held for sale (note 12)	16,660	18,025
Change in restricted cash (note 3d)	(250)	1,000
Purchase of short-term investments	(5,075)	—
Redemption of short-term investments	1,302	—
Purchase of property and equipment (note 13)	(931)	(718)
Proceeds from disposal of assets	133	68
	2,685	4,635
FINANCING ACTIVITIES		
Redemption of debentures (note 16e)	(46,000)	—
Revolving credit facilities	(24,414)	(18,637)
Proceeds from general debt	37,395	24,443
Repayment of general debt	(31,043)	(76,915)
Dividends paid	(13,400)	(19,759)
Common shares repurchased (note 17a)	(4,328)	(8,098)
Share capital issued	(295)	—
	(82,085)	(98,966)
FOREIGN EXCHANGE GAIN (LOSS) ON CASH HELD IN A FOREIGN CURRENCY	422	(252)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	19,648	(45,775)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	34,690	80,465
CASH AND CASH EQUIVALENTS, END OF THE YEAR	54,338	34,690

See accompanying notes to the consolidated financial statements.

1. DESCRIPTION OF THE BUSINESS

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

Melcor Developments Ltd. ("Melcor" or "we") is incorporated in Canada. The registered office is located at Suite 900, 10310 Jasper Avenue Edmonton, AB T5J 1Y8. We operate in Canada and the United States ("US"). Our shares are traded on the Toronto Stock Exchange under the symbol "MRD". As at December 31, 2024 Melton Holdings Ltd. holds approximately 51.7% of the outstanding shares and pursuant to IAS 24, Related Party Disclosures, is the ultimate controlling shareholder of Melcor.

As at March 13, 2025, Melcor, through an affiliate, holds an approximate 55.4% effective interest in Melcor REIT ("REIT" or "the REIT") through ownership of all Class B LP Units of the Partnership and is the ultimate controlling party. Melcor continues to manage, administer and operate the REIT and its properties under an asset management agreement and property management agreement. Trust units of the REIT are traded on the Toronto Stock Exchange under the symbol "MR.UN".

On September 12, 2024, Melcor and the REIT announced that they entered into an arrangement agreement with Melcor REIT GP Inc. (the "Arrangement Agreement") 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. Melcor's unowned equity interest in REIT LP comprises all REIT LP's outstanding Class A LP Units (approximately 13.0 million units). On November 25, 2024, Melcor and the REIT announced that they entered into an amended and restated arrangement agreement with Melcor REIT GP Inc. (the "Amended Arrangement Agreement") which increased the cash consideration to \$5.50 per unit. The REIT will use the proceeds from the REIT LP sale to redeem and cancel all of the REIT's participating trust units. Completion of the transaction is subject to various closing conditions, including court approval and the approval of: (i) at least two-thirds of the votes cast by the holders of participating trust units and special voting units of the REIT, and (ii) the majority of the votes cast by holders of participating trust units and special voting units of the REIT, excluding the votes of Melcor and any other unitholders excluded for the purposes of "minority approval" under Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions.

There are contingent fees payable on successful completion of the transaction estimated at \$3,500.

2. BASIS OF PRESENTATION

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Our consolidated financial statements have been prepared in accordance with IFRS Accounting Standards. These consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2025.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these consolidated financial statements are described below.

a. Basis of measurement

We prepare our financial statements in conformity with IFRS Accounting Standards which requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions change. We believe that the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in notes 6 and 5, respectively.

b. Basis of consolidation

These consolidated financial statements include:

- I. The accounts of Melcor Developments Ltd. and its wholly-owned subsidiaries:
 - i Melcor Developments Arizona Inc.
 - ii Melcor Lakeside Inc.
 - iii Stanley Investments Inc.
 - iv Melcor Homes Ltd.
- II. The accounts of Melcor REIT Limited Partnership (the "Partnership") (55.4% owned by Melcor Developments Ltd as at December 31, 2024). The remaining 44.6% publicly held interest in the REIT is presented as a liability in our consolidated financial statements. Refer to notes 7 and 27 for details related to our interest in the REIT.

- III. Investments in 30 joint arrangements (2023 – 30) with interests ranging from 7% to 67%. These arrangements are undivided interests in the assets, liabilities, revenue and expenses and we record our proportionate share in accordance with the agreements. Refer to note 24 for details on joint arrangements.

All intercompany transactions and balances are eliminated on consolidation.

c. Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term deposits with maturity dates of less than three months from the date they were acquired.

d. Restricted cash

Restricted cash can only be used for specific purposes. As at December 31, 2024 our restricted cash represents amounts held in escrow related to land projects in the US and deposits held in trust related to the sale of investment properties classified as asset held for sale at year-end.

e. Land inventory

Land inventory is recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less costs to complete the development and selling costs. Cost includes all costs incurred to purchase development land, capitalized carrying costs related to holding the land under development, and development costs to build infrastructure. The estimated unexpended portion of costs to complete building the infrastructure, which are classified as “provision for land development costs” (refer to note 3j), are recorded as a liability upon the approval of the development plan with the municipality.

The cost of land and carrying costs are allocated to each phase of development based on a prorated acreage of the total land parcel at the time a plan is registered with a municipality. The cost of sale of a lot is allocated on the basis of the estimated total cost of the project prorated by the anticipated selling price of the lot over the anticipated selling price of the entire project at the date of plan registration.

Where we acquire land subject to deferred payments greater than one year, it is initially recognized at the fair value of the future estimated contractual obligations.

f. Investment properties

Investment properties include commercial, industrial, and residential properties, and a manufactured home community held for the long term to earn rental income or for capital appreciation, or both. It also includes properties under development for future use as investment properties.

Acquired investment properties are measured initially at cost, including related transaction costs associated with the acquisition when the acquisition is accounted for as an asset purchase. Costs capitalized to properties under development include direct development and construction costs, borrowing costs, and property taxes.

After initial recognition, investment properties are recorded at fair value, determined based on the valuation methods of direct income capitalization or discounted future cash flows.

Melcor Developments Ltd. has an internal valuation team consisting of individuals who are knowledgeable and have experience in the fair value techniques applied in valuing investment property. At least once every two years, the valuations are performed by qualified external valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. Changes in fair value are recognized in the consolidated statements of income and comprehensive income in the period in which they arise.

Fair value measurement of an investment property under development is only applied if the fair value is considered to be reliably measurable. In rare circumstances, investment property under development is carried at cost until its fair value becomes reliably measurable. It may sometimes be difficult to determine reliably the fair value of an investment property under development. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers the following factors, among others:

- the provisions of the construction contract;
- the stage of completion;
- whether the project or property is standard (typical for the market) or non-standard;
- the level of reliability of cash inflows after completion;
- the development risk specific to the property;

- past experience with similar construction; and
- status of construction permits.

Subsequent expenditures are capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to Melcor and the cost of the item can be measured reliably. All repairs and maintenance costs are expensed when incurred.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. All direct leasing costs are external expenditures and no amounts for internal allocations are capitalized with respect to the negotiation or arranging of tenant leases.

g. Property and equipment

Property and equipment is initially measured at cost, which includes expenditures that are directly attributable to the acquisition of the asset. Subsequent to its initial recognition, property and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

The major categories of property and equipment are depreciated using the declining balance method of depreciation as follows:

Buildings	4%
Golf course greens and tees	6%
Golf course equipment	20-30%
Corporate assets	20-50%

Property and equipment is tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. The recoverable amount is the higher of an asset's fair value less costs to sell and the discounted expected future cash flows of the relevant asset or group of assets calculated on a value-in-use basis. An impairment loss is recognized for the amount by which the asset or group of assets' carrying amount exceeds its recoverable amount.

We evaluate impairment losses for potential reversals when events or circumstances warrant such consideration.

h. Other assets

Other assets include prepaid expenses, short-term investments, inventory, deposits, straight-line rent adjustments and tenant incentives incurred in respect of new or renewed leases. Tenant incentives are amortized on a straight-line basis over the lease term and are recorded as a reduction of revenue.

i. Borrowing costs

General and specific borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets. Borrowing costs are capitalized while acquisition or construction is actively underway and ceases once the asset is substantially complete, or suspended if the development of the asset is suspended. The amount of borrowing cost capitalized is determined by applying a weighted average cost of borrowings to qualifying assets. Qualifying assets include our land under development and investment properties under development assets. All other borrowing costs are recognized as finance costs in the consolidated statement of income in the period in which they are incurred.

j. Provision for land development costs

We recognize a provision for land development related to the construction, installation and servicing of municipal improvements related to subdivisions under development once we have determined that lots can be sold as this is the point in time when an obligation arises. The provision is recognized as a liability with an equal amount capitalized to land inventory. Provisions for land development are measured at management's best estimate of the expenditure required to complete the approved development plan at the end of the reporting period. Adjustments are made to the liability with a corresponding adjustment to cost of sales as actual costs are incurred. Provisions are discounted, where material, by discounting the expected future cash flows at a rate that reflects risk specific to the provision and the time value of money.

k. Provision for decommissioning obligations

Decommissioning obligations are measured at the present value of the expected cost to settle the obligation. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows as well as any changes in the discount rate. Increases or decreases in the provision are recognized as an expense or income. Actual costs incurred upon settlement of the decommissioning obligation are recorded against the provision.

l. Recognition of revenue

Revenue is generated from contracts with customers and other revenues. Contracts with customers include the sale of developed land, golf course operations and service revenue from investment properties. Other revenues include rental revenue from investment property leases and management fees from joint venture operations.

Revenue from contracts related to the sale of developed land is recognized at a point in time, which is when a minimum of 15% of the sale price has been received, the sale is unconditional and possession has been granted. All contracts related to the sale of developed land have one performance obligation, the delivery of a fully developed lot to the customer. Common areas within a development community that are subsequently transferred to municipal or government organizations or home-owner associations are not considered an extension of a customer and therefore; this does not represent a separate performance obligation.

Revenue from golf course operations (green fees, food and beverage) is recognized at a point in time and the performance obligation is satisfied in the accounting period in which the services are provided. Membership revenue from golf courses is recognized over time on a monthly basis in the period in which the performance obligations are completed.

Service revenues are amounts outlined separately in the lease agreement for distinct services provided including utilities, maintenance and security recoveries from tenants which are recognized on a monthly basis in the period in which the corresponding costs are incurred and performance obligations are completed.

Rental revenues include both lease and service revenue components. Lease revenues from investment properties include base rents, recoveries of operating expenses including property taxes, parking revenue, incidental income and sign and storage lease revenue. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from the operating leases is recognized on a straight line basis over the term of the lease; a straight line rent receivable which is included in other assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. When incentives are provided to our tenants, the cost of these incentives is recognized over the lease term, on a straight line basis as a reduction to rental revenue.

Investment property leases are accounted for as operating leases given that we have retained substantially all of the risks and benefits of the ownership of our investment properties.

Management fee revenue is comprised of fees paid by our joint arrangement partners based on development and/or sales activities, which fluctuates period to period depending on the stage of various projects.

m. Income taxes

Current income tax is the expected amount of tax payable to the taxation authorities, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized using the liability method based on the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax assets are the result of recognizing the benefit associated with deductible temporary differences, unused tax credits, and tax loss carryforwards. The carrying amount of the deferred tax liabilities and assets is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting period date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

We presume that investment property measured at fair value will be recovered entirely through sale. Measurement of the related deferred taxes reflects the tax consequences of recovering the carrying amount through sale.

The REIT qualifies as a mutual fund trust within the meaning of the Income Tax Act (Canada) ("Tax Act") and as a real estate investment trust eligible for the 'REIT Exception', as defined in the rules applicable to Specified Investment Flow-Through ("SIFT") trusts and partnerships in the Tax Act. We expect to allocate all of the REIT's taxable income and to continue to qualify

for the REIT Exception. As the REIT is a flow-through entity, we record current and deferred taxes on our 55.4% interest in the REIT.

n. Stock based compensation

We use the Black-Scholes option pricing model to fair value options granted to our employees, and the intrinsic method to fair value restricted share units ("RSUs"). The estimated fair value of awards on the date of grant is recognized as compensation expense on a graded vesting basis over the period in which the employee services are rendered. We estimate the number of expected forfeitures at the grant date and make adjustments for actual forfeitures as they occur. Stock based awards that give the holder the right to purchase shares are accounted for as equity-settled plans.

o. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing our net income for the period by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants, and similar instruments is computed using the treasury stock method. Our potentially dilutive common shares comprise stock options and RSU's granted to employees.

p. Foreign currency

The consolidated financial statements are presented in Canadian dollars, which is the functional currency for our Canadian operations and our presentation currency.

Assets and liabilities of our US operations, for which the functional currency is the US dollar, are translated into our presentation currency at the exchange rates in effect at the reporting period end date and revenues and expenses are translated at average exchange rates for the period. Gains or losses on translation of foreign operations are recognized as other comprehensive income or loss.

Gains or losses on the settlement of debt or on foreign exchange cash balances are recognized in income in the period realized.

q. Financial instruments

At initial recognition, we classify our financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Financial assets

Financial assets that are held for collection of contractual cash flows represent solely payments of principal and interest are measured at amortized cost. This includes cash and cash equivalents, restricted cash, accounts receivable, short-term investments, and agreements receivable. Financial assets are initially recognized at fair value plus transaction costs, adjusted for an expected credit loss. Subsequently, receivables are measured at amortized cost using the effective interest rate method adjusted for expected credit losses.

For financial assets, Melcor applies the simplified expected credit loss approach, which requires expected lifetime losses to be recognized from initial recognition of the accounts receivables and agreements receivables.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or Melcor transfers substantially all risks and rewards of ownership. From time to time Melcor may agree with tenants to modify the terms of lease agreements, including changes to the consideration under the lease. When the changes result in a reduction in amounts receivable relating to past lease periods, Melcor applies IFRS 9, in determining whether to partially or fully derecognize those receivables.

Financial liabilities

Financial liabilities are initially recognized at fair value, net of any transaction costs incurred. Financial liabilities include accounts payable and accrued liabilities, and general debt. REIT Units are classified as fair value through profit or loss ("FVTPL") and are designated as FVTPL to offset the accounting mismatch of REIT investment properties carried at fair value.

We record our financial liabilities at fair value on initial recognition. Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method and financial liabilities designated as FVTPL are remeasured at fair value with changes in their fair value recorded through income.

Modifications of financial liabilities carried at amortized cost that do not result in derecognition give rise to a modification gain or loss equal to the change in discounted contractual cash flows using the original effective interest rate. This modification gain or loss is recognized in the consolidated statements of net income and comprehensive income.

Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- i. the amount determined in accordance with the expected credit loss model under IFRS 9, Financial Instruments, and
- ii. the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15, Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, of the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted as contributions and recognized as part of the cost of the investment.

r. Non-controlling interest in Melcor REIT

We hold an effective 55.4% interest in the REIT through ownership of all Class B LP Units. A non-controlling interest, REIT units, has been recognized on the statement of financial position to reflect the 44.6% interest held by the public through ownership of all trust units. The trust units are redeemable at the option of the holder and, therefore, are considered a puttable instrument in accordance with International Accounting Standard (“IAS”) 32, Financial Instruments – Presentation (“IAS 32”). Certain conditions under IAS 32 allow the REIT to present the trust units as equity; however, on consolidation we do not meet these conditions and therefore must present the non-controlling interest as a financial liability.

As a financial liability designated as fair value through profit or loss (“FVTPL”) we recorded the REIT units at fair value on initial recognition. Subsequent to initial recognition we remeasure the liability each period at fair value based upon the trust unit’s closing trading price. Fair value gains and losses are recorded through income in the period they are incurred.

Distributions on trust units are recognized in the period in which they are approved and are recorded as an expense in income. For presentation purposes we aggregate the distribution expense with the fair value adjustment on the trust units under the caption ‘adjustments related to REIT units’.

s. Financial derivatives

Our financial derivatives include interest rate swaps and the conversion feature on the REIT convertible debenture. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value. The host instrument financial liability is recognized initially at the fair value of a similar liability that does not have conversion feature. The conversion feature is separated from the host instrument and recognized at fair value. The fair value of the host instrument is recorded net of any related transaction costs. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Derivative instruments are recorded in the consolidated statement of financial position at their fair value. Changes in fair value of derivative instruments that are not designated as hedges for accounting purposes are recognized in the income statement.

Melcor has not designated any derivatives as hedges for accounting purposes.

t. Operating segments

Our operating segments are strategic business units that offer different products and services, and are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The accounting policies of the segments are the same as those described in the summary of material accounting policies.

u. Statement of cash flows

Development activities is defined as the net change of land inventory and the provision for land development costs and excludes the purchase of raw land. Purchase of raw land is the cost of land net of vendor financing received (see note 9 – land inventory).

Operating assets and liabilities is defined as the net change of accounts receivable, deposits, prepaids and inventory, income taxes payable, accounts payable and accrued liabilities and deferred finance costs capitalized during the year. Excluded from operating assets and liabilities are investment property additions that are unpaid and included in accounts payable and accrued liabilities at year end.

4. ACCOUNTING STANDARD CHANGES

NEW AND AMENDED STANDARDS NOT YET ADOPTED

IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures were amended to clarify the date of recognition and derecognition of some financial assets and liabilities. The amendment provides guidance on new disclosure for certain instruments with contractual terms that can change cash flows such as instruments with features linked to the achievement of environment, social and governance (ESG) targets and disclosures for equity instruments designated at fair value through comprehensive income. The amended standard is required to be applied for annual periods beginning on or after January 1, 2026. The impact of this standard on our financial statements is not yet determined.

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

5. CRITICAL ACCOUNTING ESTIMATES

We make estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent liabilities and the reported amount of income for the period. Actual results could differ from estimates previously reported. The estimates and assumptions that are critical to the determination of the amounts reported in the financial statements relate to the following:

a. Valuation of agreements receivable

We review our agreements receivable on a regular basis to estimate the risk of default on outstanding balances. Factors such as the related builder's reputation and financial status, the geographic location of the lot, and length of time the agreement receivable has been outstanding are all considered when estimating any impairment on agreements receivable. Refer to note 29a for further information related to credit risk associated with agreements receivable.

b. Valuation of investment properties

The fair value of investment property is dependent on stabilized net operating income or forecasted future cash flows and property specific capitalization or discount rates. The stabilized net operating income or forecasted future cash flows involve assumptions of future rental income, including estimated market rental rates and vacancy rates, estimated direct operating costs and estimated capital expenditures. Capitalization and discount rates take into account the location, size and quality of the property, as well as market data at the valuation date.

Refer to note 30 for further information about methods and assumptions used in determining fair value of investment properties.

c. Determination of the provision for land development costs

We estimate the future costs of completing the development of land by preparing internal budgets of costs and reviewing these estimates regularly to determine if adjustments to increase or decrease the provision for land development costs are required. This estimate impacts the measurement of cost of sales reported given that land inventory is sold prior to all costs being committed or known as the nature of land development considers a long-term time frame to complete all municipal requirements.

d. Income taxes

Significant estimates are required in determining our provision for income taxes. We recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provision.

6. SIGNIFICANT JUDGMENTS

In the process of applying our accounting policies, we make various judgments, apart from those involving estimations, that can significantly impact the amounts recognized in the financial statements. These include:

a. Capitalization of borrowing costs

IAS 23, Borrowing Costs, requires the capitalization of borrowing costs to qualifying assets. IAS 23 also requires the determination of whether the borrowings are specific to a project or general in calculating the capitalized borrowing costs. Judgment is involved in identifying directly attributable borrowing costs to be included in the carrying value of qualifying assets and in determining if funds borrowed are for general purposes or specifically for the construction of qualifying assets. We consider our centrally managed treasury function with assessment of the circumstances surrounding individual borrowings in making this judgment. Capitalization to land inventory occurs when the land is classified to land under development and ceases when the land is considered developed and ready for sale. Borrowing costs are capitalized to investment properties when under active development. We have determined that all of our borrowings are general, except project specific financing (note 16c), as the decision on how to deploy operating and acquisition funds is a centrally managed corporate decision.

b. Transfer of land to investment property

We typically acquire raw land with the intent of developing it in our land division. When development plans are formulated, we may decide that specific land holdings will be developed into investment properties. Once appropriate evidence of a change in use is established, typically on inception of an operating lease for the investment property, the land is transferred to investment properties. At that time, the land is recognized at fair value in accordance with our accounting policy for investment properties, and any gain or loss is reflected in earnings in the period the transfer occurs.

c. Classification of tenant incentives

Payments are often made to tenants of our commercial properties when new leases are signed. When the payments add future value to the space independent of the lease in place, such costs are capitalized to the investment property. If the costs incurred are specific to the lessee, and do not have stand-alone value, these costs are treated as tenant incentives and amortized on a straight-line basis to revenue over the lease term in accordance with IFRS 16, Leases.

d. Investment properties

Our accounting policies related to investment properties are described in note 3f. In applying this policy, judgment is required in determining whether certain costs are additions to the carrying amount of an investment property and, for properties under development, identifying the point at which substantial completion of the property occurs.

In determining the fair value of our investment property, judgment is required in assessing the 'highest and best use' as required under IFRS 13, Fair value measurement. We have determined that the current use of our investment properties is its 'highest and best use'.

e. Compliance with REIT exemption under ITA

Under current tax legislation, a real estate investment trust is not liable for Canadian income taxes provided that its taxable income is fully allocated to unitholders during the year. In order for the Trust to continue to be taxed as a mutual fund trust, we need to maintain its REIT status. The Trust qualifies as a REIT under the specified investment flow-through ("SIFT") rules in the Canadian Income Tax Act. The Trust's current and continuing qualification as a REIT depends on the Trust's ability to meet the various requirements imposed under the SIFT rules, which relate to matters such as its organizational structure and the nature of its assets and revenues. We apply judgment in determining whether it continues to qualify as a REIT under the SIFT rules. Should the Trust cease to qualify, it would be subject to income tax on its earnings.

7. INTEREST IN MELCOR REIT

As at December 31, 2024 we hold a 55.4% (2023 - 55.4%) ownership interest in the REIT through ownership of all 16,125,147 Class B LP Units of the Partnership.

The publicly held interest in the REIT is presented as a liability in our consolidated financial statements. Refer to note 27 for summary financial information of the REIT at December 31, 2024. As of March 13, 2025 we hold a 55.4% ownership interest in the REIT.

8. AGREEMENTS RECEIVABLE

Agreements receivable are due in 2025, except for \$2,315 due in 2026 (2023 - balance due 2024, except \$8,104 due in 2025). Subsequent to the interest adjustment date, which provides an interest relief period to qualifying registered builders, these receivables earn interest at prime plus two percent (7.45% at December 31, 2024) and are collateralized by the specific real estate sold.

At December 31, 2024, promotional programs of \$556 (2023 - \$1,076) were offered to promote home sales activities in our communities and encourage agreements receivable collections. This amount was determined based on management's best estimate and is subject to measurement uncertainty introduced by the impact of the uncertain economic environment. As a result, revisions to this estimate may be required in future periods. Refer to note 29a for further discussion surrounding credit risk.

9. LAND INVENTORY

As at December 31	2024	2023
Raw land held	355,283	377,946
Land under development	196,614	201,879
Developed land	156,150	148,177
	708,047	728,002

A breakdown of our land purchases are as follows:

	2024	2023
Land purchases - acres	—	120.00
Land cost	—	4,800
Net cash to close	—	4,800

No land was purchased in 2024. In the prior year, we purchased 40.00 acres of land in Leduc, Alberta at a cost of \$2,400 for cash and another 80.00 acres of land in Acheson, Alberta at a cost of \$2,400 for cash.

The weighted average interest rate used for capitalization of borrowing costs to land under development is 4.91% for the year ended December 31, 2024 (2023 – 5.37%). Borrowing costs capitalized to land inventory during the year were \$4,162 (2023 - \$4,319).

Land inventory expensed to cost of sales during the year was \$137,898 (2023 - \$119,190).

Land is recorded at the lower of cost and net realizable value. The net realizable value exceeds the carrying cost of all land inventories at December 31, 2024 and 2023, such that no provision for impairment is required.

10. OTHER ASSETS

	2024	2023
Tenant incentives	31,981	33,745
Deposits and prepaids	5,075	7,070
Short-term investments	3,773	—
Straight-line rent adjustments	17,264	17,399
Inventory	550	552
	58,643	58,766

During the year we provided tenant incentives of \$5,738 (2023 - \$9,602) and recorded \$8,217 (2023 - \$8,416) of amortization expense. In accordance with IFRS 16 - Leases, amortization of tenant incentives are recorded on a straight-line basis over the term of the lease against rental revenue.

During the year ended December 31, 2024 we reclassified \$531 (2023 - \$1,360) in tenant incentives and \$438 (2023 - \$271) in straight-line rent adjustments to asset held for sale (note 12). In addition, tenant incentives of \$1,360 (2023 - \$nil) and \$277 (2023 - \$nil) of straight-line rent adjustments were reclassified to other assets from asset held for sale (note 12).

Included in other assets are short-term investments held in Guaranteed Investment Certificates (GICs) of \$3,773 (2023 - \$nil). These GICs mature monthly from January 1, 2025 to May 1, 2025 and earn interest ranging from 5.00% to 5.11%.

11. INVESTMENT PROPERTIES

Investment properties consists of the following:

<i>As at December 31</i>	2024	2023
Investment properties	973,743	1,001,585
Properties under development	70,631	83,321
Total	1,044,374	1,084,906

Included in investment properties is undeveloped land in the amount of \$12,950 (2023 - \$12,950).

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

	2024		
	Total Investment Properties	Held for sale (note 12)	Total
Balance - beginning of year	1,084,906	32,143	1,117,049
Additions			
Direct leasing costs	1,930	—	1,930
Property improvements	2,401	—	2,401
Development costs	13,667	—	13,667
Capitalized borrowing costs	120	—	120
Fair value adjustment on investment properties	(25,302)	(3,137)	(28,439)
Assets held for sale reclassified to investment properties	31,338	(31,338)	
Investment properties reclassified to assets held for sale	(65,876)	65,876	—
Disposals	(7,034)	(16,858)	(23,892)
Other adjustments	—	706	706
Foreign currency translation (included in OCI)	8,224	—	8,224
Balance - end of year	1,044,374	47,392	1,091,766

	2023		
	Total Investment Properties	Held for sale (note 12)	Total
Balance - beginning of year	1,124,783	19,089	1,143,872
Additions			
Transfer from land inventory	3,104	—	3,104
Direct leasing costs	1,989	—	1,989
Property improvements	5,967	—	5,967
Development costs	14,904	—	14,904
Capitalized borrowing costs	691	—	691
Fair value adjustment on investment properties	(23,131)	(1,325)	(24,456)
Investment properties transferred to assets held for sale	(33,468)	33,468	—
Disposals	(7,822)	(19,089)	(26,911)
Other adjustments	287	—	287
Foreign currency translation (included in OCI)	(2,398)		(2,398)
Balance - end of year	1,084,906	32,143	1,117,049

Disposals during the year:

- We disposed of fourteen residential units in Arizona for net sale price of \$6,136 (US\$4,465) net of transaction costs.
- On December 20, 2024 we also disposed of an investment property in Edmonton, Alberta for net sale price of \$898 (net of transaction costs) and including tenant incentives of \$114 and straight-line rent of \$42.

During 2024, we also disposed of three investment properties classified as assets held for sale. Refer to note 12 for details on investment properties classified as held for sale and sold during the current year.

Disposals in the comparative year:

- We disposed of ten residential units in Arizona for net sale price of \$4,551 (US\$3,363) net of transaction costs.
- We also disposed of an investment property in Lethbridge, Alberta for net sale price of \$3,271 (net of transaction costs) and including tenant incentives of \$94 and straight-line rent of \$17.

During 2023, we also disposed of one investment properties classified as assets held for sale. Refer to note 12 for details on investment property classified as held for sale and sold during the comparative year.

In accordance with our policy, as detailed in note 3f, we record our investment properties at fair value. Fair value adjustments on investment properties are primarily driven by changes in capitalization rates and stabilized NOI, while development activity on properties under development and leasing activity drive fair value adjustments on properties under development. Supplemental information on fair value measurement, including valuation techniques and significant assumptions, is included in note 30.

Presented separately from investment properties is \$31,981 (2023 - \$33,745) in tenant incentives and \$17,264 (2023 - \$17,399) in straight-line rent adjustments (included in note 10). The fair value of investment properties has been reduced by these amounts.

During the year, we transferred four investment properties with a value of \$65,876 from investment properties to assets held for sale (December 31, 2023 - \$33,468). During the third quarter, we ceased marketing the three properties that were transferred to assets held for sale in 2023 and reclassified these properties with a value of \$31,338 to investment properties and reclassified \$1,360 in tenant incentives and \$277 in straight-line rent adjustments to other assets.

The weighted average interest rate used for capitalization of borrowing costs to investment properties under development is 6.20% for the year ended December 31, 2024 (2023 – 7.70%).

Our investment properties are leased to tenants primarily under long term operating leases. Rentals are receivable from tenants monthly. Minimum lease payments under non-cancellable operating leases of investment properties are receivable as follows:

	2024
Within one year	69,981
Later than one year but not later than 2 years	63,599
Later than 2 years but not later than 3 years	57,053
later than 3 years but not later than 4 years	47,302
Later than 4 years but not later than 5 years	38,002
Later than 5 years	153,384
Total	429,321

12. ASSETS HELD FOR SALE

As at December 31, 2024, we classified one retail property as asset held for sale with a fair value of \$48,000 (including investment property of \$47,392, tenant incentives of \$237 and straight-line rent adjustments of \$371). As at December 31, 2024 management has committed to a plan to sell this property with a contract in place. Deposits held in trust related to this contract of \$250 were classified as restricted cash at year-end. Subsequent to year-end, the property was sold to a third party for a purchase price of \$48,000 less transaction costs (note 31). Proceeds from the sale were used to repay the outstanding principal balance on the mortgage of \$29,712 with remaining proceeds being used to pay down our credit facilities.

Disposals during the year:

- On May 10, 2024 we disposed of an investment property classified as assets held for sale, for net proceeds of \$7,480, resulting from a purchase price of \$7,800 less transaction costs of \$320. The price was settled in cash, excluding working capital adjustments. This property had a fair value of \$7,800 (including investment property of \$7,730, tenant incentive of \$51 and straight line rent of \$19). The sold property was pledged as collateral on a different mortgage and as such the bank required \$5,075 from the net proceeds be held as additional security in short-term investments (note 10). GICs included in short-term investments mature monthly and the proceeds are used to repay the mortgage. Net cash of \$2,405 was used to reduce borrowings on our REIT credit facility.
- On October 1, 2024 we disposed of an investment property classified as assets held for sale, for net proceeds of \$4,344, resulting from a purchase price of \$4,495 less transaction costs of \$151. This property had a fair value of \$4,495 (including investment property of \$4,430, tenant incentive of \$48 and straight line rent of \$17). The price was settled in cash, excluding mortgage payout and working capital adjustments. Proceeds from the sale were used to repay the outstanding balance of \$1,116 on the mortgage with the remaining cash being used to reduce our borrowings on our REIT credit facility.
- On November 22, 2024 we disposed of an investment property classified as assets held for sale, for net proceeds of \$4,836, resulting from a purchase price of \$5,000 less transaction costs of \$164. This property had a fair value of \$5,000 (including investment property of \$4,698, tenant incentive of \$277 and straight line rent of \$25). The price was settled in cash, excluding mortgage payout and working capital adjustments. Proceeds from the sale were used to repay the outstanding balance of \$1,901 on the mortgage with the remaining cash being used to reduce our borrowings on our REIT credit facility.

Disposals during the comparative year:

- On February 1, 2023, we disposed of an investment property classified as assets held for sale at December 31, 2022 for net proceeds of \$19,025 (including a \$1,000 deposit held as restricted cash at December 31, 2022), resulting from a purchase price of \$19,500 less transaction costs of \$475. This property had a fair value of \$19,500 (including investment property of \$19,089, tenant incentive of \$316 and straight line rent of \$95). The price was settled in cash, excluding working capital adjustments. Proceeds from the sale were used to repay the outstanding principal balance on the mortgage of \$8,727 with the remaining cash being used to reduce borrowings on our credit facility.

13. PROPERTY AND EQUIPMENT

	Golf course assets				Corporate	Total
	Land	Buildings	Equipment	Greens and tees		
January 1, 2024						
Cost	1,293	8,186	10,373	6,713	7,785	34,350
Accumulated depreciation	—	(3,988)	(8,041)	(4,263)	(6,379)	(22,671)
Opening net book value	1,293	4,198	2,332	2,450	1,406	11,679
Additions	—	8	836	4	83	931
Disposals	—	—	(75)	—	—	(75)
Depreciation	—	(165)	(662)	(149)	(271)	(1,247)
Net Book Value - December 31, 2024	1,293	4,041	2,431	2,305	1,218	11,288

	Golf course assets				Corporate	Total
	Land	Buildings	Equipment	Greens and tees		
January 1, 2023						
Cost	1,293	8,175	9,795	6,708	7,678	33,649
Accumulated depreciation	—	(3,816)	(7,422)	(4,105)	(6,068)	(21,411)
Opening net book value	1,293	4,359	2,373	2,603	1,610	12,238
Additions	—	11	595	5	107	718
Disposals	—	—	(17)	—	—	(17)
Depreciation	—	(172)	(619)	(158)	(311)	(1,260)
Net Book Value - December 31, 2023	1,293	4,198	2,332	2,450	1,406	11,679

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Trade accounts payable	19,257	18,679
Distribution payable	—	519
Other payables	30,916	27,219
Provision for decommissioning obligation	1,946	1,840
	52,119	48,257

As described in note 3r distributions on trust units are recognized in the period in which they are approved and are recorded as an expense. No distributions were payable as at December 31, 2024. In 2023, distribution payable pertains to the December 2023 monthly distribution which was paid on January 15, 2024.

Decommissioning obligation relates to one of our commercial properties held by the REIT. The total decommissioning obligation is estimated based on the future obligation and timing of these expenditures to be incurred. We estimate the net present value of the obligation based on an undiscounted total future provision of \$2,014 (December 31, 2023 - \$2,014). At December 31, 2024, a discount rate of 4.00% (December 31, 2023 - 4.00%) and an inflation rate of 2.00% (December 31, 2023 - 2.00%) were used to calculate the net present value of the obligation. Due to uncertainty surrounding the nature and timing of this obligation, amounts are subject to change.

15. PROVISION FOR LAND DEVELOPMENT

	2024	2023
Balance - beginning of year	50,130	58,260
New development projects	153,234	101,795
Changes to estimates	(4,234)	1,582
Costs incurred	(139,301)	(111,507)
Balance - end of year	59,829	50,130

16. GENERAL DEBT

General debt consists of the following:

		2024	2023
Melcor - revolving credit facilities	a	60,568	71,976
REIT - revolving credit facility	b	24,854	37,860
Project specific financing	c	14,119	7,724
Debt on investment properties and golf course assets	d	511,798	507,463
REIT - convertible debentures	e	—	45,151
General debt		611,339	670,174

a. Melcor - revolving credit facilities

We have available credit facilities with approved loan limits of \$266,430 (2023 - \$212,150), the portion of these loan limits that pertain solely to Melcor is \$170,000 (2023 - \$120,000) with the remaining balance pertaining to specific joint arrangements.

The amount of the total credit facilities currently used is \$60,568 (2023 - \$71,976), which includes \$30,000 drawn by way of Term CORRA Loan (2023 - \$12,750 drawn on the Banker's Acceptance). We have pledged agreements receivable, specific lot inventory, undeveloped land inventory and a general security agreement as collateral for our credit facilities. The carrying value of assets pledged as collateral is \$414,333 (2023 - \$400,656).

The facilities mature on July 31, 2026 and are renewable one year in advance of expiry.

Depending on the form under which the credit facilities are accessed, rates of interest will vary between prime plus 0.75% to prime plus 1.75% or CORRA rate plus a 2.00% stamping fee resulting in interest rates ranging from 6.20% to 7.20% at December 31, 2024 (2023 - 7.95% to 8.45%). The agreements also bear a standby fee of 0.50% for the unused portions of the facilities. The weighted average effective interest rate on borrowings, based on year end balances, is 6.61% (December 31, 2023 - 8.39%).

As at December 31, 2024, our facilities have transitioned to CORRA.

b. REIT - revolving credit facility

On May 27, 2024, we entered into an amended and restated credit agreement with our lenders. Under the terms of our revolving credit facility agreement, the REIT maintains an available credit limit based on the lesser of the present value of discounted cash flows or 75% of the appraised value of specific investment properties to a maximum of \$50,000 (December 31, 2023 - \$50,000) for general corporate purposes and acquisitions, including a \$5,000 (December 31, 2023 - \$5,000) swing line sub-facility. Depending on the form under which the credit facility is accessed, rates of interest will vary between prime plus 1.25% or CORRA plus 2.25% (December 31, 2023 - prime plus 1.25% or banker's acceptance plus 2.25% stamping fee). The agreement also provides the REIT with \$5,000 (December 31, 2023 - \$5,000) in available letters of credit which bear interest at 2.25% (December 31, 2023 - 2.25%). Interest payments are due and payable based upon the form of the facility drawn upon, and principal is due and payable upon maturity. The agreement also bears a standby fee of 0.45% for the unused portion of the revolving facility. The lenders hold demand debentures, a first priority general security and a general assignment of leases and rents over specific investment properties as security for the facility. The facility matures on June 1, 2026.

As at December 31, 2024, the carrying value of pledged properties was \$66,400 (December 31, 2023 - \$76,700).

As at December 31, 2024, we have access to \$38,572 in available credit based on our borrowing base calculation (December 31, 2023 - \$41,323). As at December 31, 2024 we had \$24,854 (December 31, 2023 - \$37,860) drawn from the facility (net of unamortized transaction fees), which includes \$25,000 drawn on the CORRA facility (December 31, 2023 - \$nil); and posted no letters of credit (December 31, 2023 - \$nil). The weighted average effective interest rate on borrowings as at December 31, 2024 was 5.84% (December 31, 2023 - 7.91%).

As at December 31, 2024, this facility has transitioned to CORRA.

c. Project specific financing

	2024	2023
Project specific debt on investment properties under development, with interest rates ranging from 5.85% to 5.95% (2023 - 7.70%)	14,119	7,724

The weighted average interest rate on the above debts, based on year end balances, is 5.91% (2023 - 7.70%). Specific investment properties under development with a December 31, 2024 carrying value of \$30,181 (2023 - \$12,200), have been pledged as collateral on project specific debt on investment properties under development. Project specific financing is due on demand.

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

	2024	2023
Balance - beginning of year	7,724	22,597
Cash movements		
Loan repayments	—	(16,826)
New project financing	6,395	1,953
Balance - end of year	14,119	7,724

d. Debt on investment properties and golf course assets

Debt on investment properties and golf course assets	2024	2023
Mortgages amortized over 25 years at a fixed interest rate (via floating for fixed interest rate swaps) at interest rates of 2.62% to 8.01% (2023 - 2.62% - 8.80%)	127,006	132,247
Mortgages amortized over 15-25 years at fixed interest rates of 2.62% to 7.11% (2023 - 2.62% - 7.66%)	385,787	376,761
	512,793	509,008
Fair value adjustment on interest rate swaps	1,489	1,130
Unamortized deferred financing fees	(2,484)	(2,675)
	511,798	507,463
Interest rate ranges	(2.62% - 8.01%)	(2.62% - 8.80%)

As at December 31, 2024 \$47,269 (2023 - \$44,828) of debt was payable in US dollars (2024 - US \$32,963 and 2023 - US \$33,894). The debts mature from 2025 to 2028.

Specific investment properties with a carrying value of \$874,177 (2023 - \$881,155) and assignment of applicable rents and insurance proceeds have been pledged as collateral for the above debt. The weighted average effective interest rate for the above debts, based on year end balances, is 4.28% (2023 - 4.11%).

We had nine debt agreements with a carrying value of \$127,006 which reference CDOR/Banker's Acceptance. As at December 31, 2024, all loans have transitioned to CORRA.

The minimum contractual principal payments due within each of the next five years and thereafter are as follows:

2025	139,363
2026	81,572
2027	32,755
2028	66,014
2029	87,558
Thereafter	105,531
	512,793

The change in debt on investment properties and golf course assets during the year is as follows:

	2024	2023
Balance - beginning of year	507,463	539,110
Cash movements		
Principal repayments:		
Scheduled amortization on mortgages	(17,563)	(18,012)
Mortgage repayments	(13,480)	(36,360)
New mortgages	31,000	22,490
Non-cash movements		
Deferred financing fees capitalized	(563)	(546)
Amortization of deferred financing fees	722	772
Change in fair value of interest rate swaps	359	1,130
Foreign currency translation included in OCI	3,860	(1,121)
Balance - end of year	511,798	507,463

e. REIT - convertible debentures

The principal amount outstanding and the carrying value for the REIT's convertible debentures are as follows:

<i>(\$000s) except amounts stated in units</i>					December 31, 2024	December 31, 2023	
Convertible Debentures	Date Issued	Maturity Date	Conversion rate in units*	Interest Rate	Outstanding Principal	Carrying Value	Carrying Value
2019 Debentures	Oct 29, 2019	Dec 31, 2024	112.3596	5.10 %	—	—	44,997

*The conversion rate is the number of trust units per one thousand principal amount of convertible debentures.

The fair value of the host instruments component was calculated using a market interest rate for an equivalent non-convertible, non-extendible bond. The conversion feature components are separated and recognized at fair value and presented as a liability.

A reconciliation of the convertible debentures is as follows:

<i>(\$000s)</i>	Host Instruments	Conversion Features	Total
Balance at December 31, 2022	44,056	412	44,468
Fair value adjustment on conversion feature (note 30)	—	(258)	(258)
Amortization of discount and transaction costs	465	—	465
Accretion on convertible debentures	476	—	476
Balance at December 31, 2023	44,997	154	45,151
Fair value adjustment on conversion feature (note 30)	—	(154)	(154)
Amortization of discount and transaction costs	497	—	497
Accretion on convertible debentures	506	—	506
2019 Debenture repayment	(46,000)	—	(46,000)
Balance at December 31, 2024	—	—	—

During the year ended December 31, 2024, we recognized \$2,235 of interest expense related to the convertible debentures which is included in finance costs (note 21) (2023 - \$2,347).

The 2019 Debentures were redeemed on December 12, 2024 in accordance with their terms resulting in a repayment of \$46,000 (2023 - \$nil).

17. SHARE CAPITAL

a. Common Shares

	Number of Shares Issued (# of shares)	Amount (\$000s)
		2024
Common shares, beginning of the year	30,662,453	69,493
Issued on exercise or exchange of options and restricted share units*	61,876	1,153
Shares purchased for cancellation	(356,703)	(780)
Common shares, end of the year	30,367,626	69,866
		2023
		Amount (\$000s)
Common shares, beginning of the year	31,248,628	70,218
Issued on exercise or exchange of options and restricted share units*	125,985	831
Shares purchased for cancellation	(712,160)	(1,556)
Common shares, end of the year	30,662,453	69,493

*Represents shares issued and amounts transferred from the share-based payments reserve to share capital upon cashless exercise of options and restricted share units.

Authorized:

- Unlimited common shares
- Unlimited common shares, non-voting
- Unlimited first preferred shares
- Unlimited first preferred shares, non-voting

On June 7, 2023, Melcor commenced a Normal Course Issuer (NCIB) which allowed us to purchase up to 1,562,431 shares for cancellation, representing approximately 5% of the issued and outstanding shares up to a maximum daily limit of 1,617 shares unless acquired under a block purchase exception. The price that Melcor pays for shares repurchased under the plan is the market price at the time of acquisition. The NCIB expired on June 6, 2024.

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.

During the year, there were 356,703 (2023 - 712,160) common shares purchased for cancellation by Melcor pursuant to the above NCIBs at a cost of \$4,328 (2023 - \$8,098). In 2024, we recognized \$70 (2023 - \$nil) in tax on share buyback.

b. Stock-Based Compensation Plans

On February 23, 2007 Melcor's Board of Directors approved a stock-based compensation plan (the "2007 Plan"). Under the 2007 Plan, Melcor may grant options to full-time, salaried employees and designated contractors after one year of service. The 2007 Plan requires that the option price shall not be less than the weighted average trading price for the 20 consecutive days during which shares traded on the TSX immediately prior to the granting of the stock option. At the discretion of the board, the options vest over a period of three years and expire no longer than seven (7) years from the date of issuance. The 2007 Plan was approved by Melcor's shareholders at the Shareholders Annual Meeting in April 2007. Melcor has 1,638,752 shares reserved for issuance under the 2007 Plan (2023 - 1,739,252).

On May 10, 2018 Melcor's Board of Directors approved an amendment to the 2007 Plan that will allow participants to purchase common shares of Melcor and benefit from their appreciation through a cashless exercise option feature. The cashless exercise right allows for surrender of all or part of the option to Melcor in consideration of a payment of the in-the-money amount. Upon this exercise Melcor shall satisfy the payment of the in-the-money amount by delivering to the participant the net number of shares.

On May 10, 2018 shareholders of Melcor approved the grant of Restricted Share Units (RSUs). Each RSU will give the participant the right to receive, upon the vesting date, the payout amount with respect to the RSUs which have vested. Payout shall be

satisfied by issuing or transferring to the participant one common share for each RSU vested. Except as otherwise provided by the RSU plan, the number of RSUs subject to each grant, how the payout amount is satisfied and other terms and conditions relating to each such RSU shall be determined by Melcor's Board of Directors. When dividends are paid by Melcor, each holder of an RSU shall be entitled to additional RSUs (each a "Dividend Restricted Share Unit") equal to (a) the product of the aggregate number of RSUs held by the participant on record for such dividend multiplied by the per common share amount of such dividend divided by (b) the fair market value of a common share calculated as of the date on which the dividend is paid. Restricted share units granted shall vest and become available for redemption between 34 and 36 months from the grant date, the vesting date shall be set forth in the grant agreement. Melcor's Board of Directors may establish additional performance criteria which may be a condition precedent to the vesting of any RSU, performance criteria will be set forth in the grant agreement.

The introduction of the RSU plan and the amendment to the 2007 Plan increased the total number of common shares cumulatively reserved for issuance under either plan, when combined with common shares reserved for issuance to a maximum of 3,300,000.

c. Stock Options Outstanding and Available for Granting Under the 2007 Plan

The below table summarizes the stock options available for granting under the 2007 Plan:

2007 Plan	2024	2023
Stock options available, beginning of the year	1,638,752	1,516,252
Stock options surrendered/withheld	86,008	—
Stock options expired / canceled	—	122,500
Stock options available, end of the year	1,724,760	1,638,752

The below tables summarize the stock options outstanding under the 2007 Plan:

	2024	
	Number of Options	Weighted Average Exercise Price (\$)
Stock options outstanding, beginning of the year	100,500	12.42
Stock options exercised	(100,500)	12.42
Stock options outstanding, end of the year	—	—

	2023	
	Number of Options	Average Exercise Price (\$)
Stock options outstanding, beginning of the year	223,000	12.74
Stock options expired / canceled	(122,500)	13.01
Stock options outstanding, end of the year	100,500	12.42

During 2024 there were 100,500 options exercised (2023 - \$nil). The 2024 weighted average exercise price of options exercised was \$12.42 (2023 - \$nil).

d. Units Outstanding and Available for Granting Under the RSU Plan

The below table summarizes the units available for granting under the RSU Plan:

	2024	2023
Units available, beginning of the year	937,892	1,055,375
Units granted to employees	(107,900)	(117,700)
Units issued under dividend reinvestment plan	(10,758)	(16,759)
Units expired / canceled	9,531	16,976
Units available, end of the year	828,765	937,892

The below tables summarizes the units outstanding under the RSU Plan:

2024

	Number of Units	Weighted Average Fair Value (\$)
Units outstanding, beginning of the year	305,304	11.90
Units granted to employees	107,900	12.88
Units exercised	(79,253)	14.35
Units issued under dividend reinvestment	10,758	11.90
Units expired / canceled	(9,531)	11.58
Units outstanding, end of the year	335,178	11.65

2023

	Number of Units	Weighted Average Fair Value (\$)
Units outstanding, beginning of the year	313,806	10.09
Units granted to employees	117,700	11.24
Units exercised	(125,985)	7.49
Units issued under dividend reinvestment	16,759	10.74
Units expired / canceled	(16,976)	10.40
Units outstanding, end of the year	305,304	11.90

e. Restricted Share Units Outstanding and Redeemable

2024

Restricted share unit expiry date	Outstanding Restricted Share Units	Grant Price per Unit (\$)	Restricted Share Units Vested
December 31, 2025	108,819	10.85	—
December 31, 2026	118,459	11.24	—
December 31, 2027	107,900	12.88	—
	335,178		

f. Stock Based Compensation Expense

The following assumptions were used in the Black-Scholes option pricing model for options granted. Expected volatility was based on historical volatility.

i) 2007 Option Plan

There were no stock options granted during the year.

ii) RSU Plan

The weighted average fair value of RSUs granted during the year was \$12.88 (2023 - \$11.24) per RSU. Current year compensation expense related to the RSU plan resulted in a \$1,238 (2023 - \$1,057) charge to stock based compensation expense and corresponding credit to contributed surplus.

18. PER SHARE AMOUNTS

(# of shares)	2024	2023
Basic weighted average common shares outstanding during the year	30,486,390	30,938,445
Dilutive effect of options and restricted share units	192,005	162,718
Diluted weighted average common shares	30,678,395	31,101,163

For the year ended December 31, 2024, there were no stock options excluded from the calculation of diluted earnings per share (2023 - 100,500) as their impact would be anti-dilutive.

Diluted earnings per share was calculated based on the following:

	2024	2023
Profit attributable to shareholders	33,528	62,980
Profit for computation of diluted earnings per share	33,528	62,980

19. ACCUMULATED OTHER COMPREHENSIVE INCOME

	2024	2023
Balance, beginning of the year	24,660	29,598
Other comprehensive loss, net of tax of \$nil	16,379	(4,938)
Balance, end of the year	41,039	24,660

The other comprehensive income represents the net unrealized foreign currency translation gain on our net investment in our foreign operations.

20. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, we issue letters of credit as collateral for the completion of obligations pursuant to development agreements signed with municipalities. As at December 31, 2024 we had \$39,461 (December 31, 2023 - \$33,374) in letters of credit outstanding and recorded a net liability of \$59,829 (December 31, 2023 - \$50,130) in provision for land development costs in respect of these development agreements.

Normally, obligations collateralized by the letters of credit diminish as the developments proceed, through a series of staged reductions over a period of years (average of three to four years) and are ultimately extinguished when the municipality has issued final completion certificates.

We enter into joint arrangements and, in doing so, may take on risk beyond our proportionate interest in the joint arrangement. These situations generally arise where preferred financing terms can be arranged on the condition that the strength of our company's covenant will backstop that of the other joint arrangement participant(s) who also provide similar guarantees. We will have to perform on our guarantee only if a joint arrangement participant was in default of their guarantee. At December 31, 2024 we had guaranteed \$4,770 (December 31, 2023 - \$5,252) in credit facilities in excess of the amount recognized as a liability. We also guaranteed \$11,562 (December 31, 2023 - \$12,513) in excess of our share of letters of credit posted with the municipalities.

The loan guarantees include those which are ongoing, as they relate to the relevant lines of credit, and those which have staged reductions as they relate to the financing of specific assets or projects such as infrastructure loans, short-term land loans or mortgages. To mitigate the possibility of financial loss, we are diligent in our selection of joint arrangement participants. As well, we have remedies available within the joint arrangement agreement, to address the application of the guarantees. In certain instances there are reciprocal guarantees amongst joint arrangement participants.

We also enter into lease agreements with tenants which specify tenant incentive payments upon completion of the related tenant improvements. Incentive payments of approximately \$1,306 (2023 - \$1,364) may be required from lease agreements entered during the year.

We are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of Melcor.

21. FINANCE COSTS

	2024	2023
Interest on Melcor - revolving credit facilities	4,991	7,543
Interest on REIT - revolving credit facility	2,788	2,541
Interest on REIT - convertible debentures	2,235	2,347
Interest on general debt	20,980	20,063
Financing costs and bank charges	1,759	1,972
Gain on settlement of interest rate swap	(51)	(73)
Defeasance costs	135	251
Non cash financing costs	3,974	4,766
	36,811	39,410
Less: capitalized interest	(4,282)	(5,010)
	32,529	34,400

Finance costs paid during the year was \$33,960 (2023 - \$35,240). Non cash financing costs include debentures accretion expense, debentures amortized fees and fair value adjustment on derivatives.

22. REVENUE AND EXPENSE BY NATURE

a. Revenue:

The components of revenue are as follows:

Revenue from contracts with customers

	2024	2023
Sale of land	219,924	191,307
Operating cost recoveries	20,512	20,162
Golf course revenue	11,851	10,636
Total	252,287	222,105

Other Revenue

	2024	2023
Lease revenue	70,659	68,035
Variable lease revenue	20,806	20,141
Management fees	5,749	4,958
Total	97,214	93,134

Total revenue	349,501	315,239
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The timing of recognition for revenue from contracts with customers is as follows:

	Land	Properties	REIT	Golf	Total
2024					
Timing of Revenue Recognition					
At a point in time	219,924	—	—	10,267	230,191
Over time	—	7,187	13,325	1,584	22,096
Revenue from contracts with customers	219,924	7,187	13,325	11,851	252,287

2023	Land	Properties	REIT	Golf	Total
Timing of Revenue Recognition					
At a point in time	191,307	—	—	9,377	200,684
Over time	—	6,898	13,264	1,259	21,421
Revenue from contracts with customers	191,307	6,898	13,264	10,636	222,105

b. Cost of sales:

The components of cost of sales are as follows:

	2024	2023
Cost of land sold	137,898	119,190
Investment property direct operating expenses	47,839	47,283
Direct golf course expenses	5,402	5,465
Golf course asset depreciation	976	949
Total	192,115	172,887

c. General and administrative expenses:

The components of general and administrative expenses are as follows:

	2024	2023
Employee salary and benefits		
Salaries and wages	12,666	11,262
Employee benefits	1,144	1,088
Stock based compensation	1,239	1,057
Corporate asset depreciation	277	311
Marketing	1,291	965
Professional fees	6,906	2,068
Public company costs	1,107	802
Other	5,382	5,395
Total	30,012	22,948

Included in employee salary and benefits is the compensation of key management including chief executive officer, chief financial officer and the next three most highly compensated executive officers. Compensation awarded to key management includes:

	2024	2023
Salaries, wages and retirement allowance	3,538	3,276
Employee benefits	56	56
Stock based compensation	649	556
Total	4,243	3,888

23. INCOME TAX

Components of tax expense:

	2024	2023
Current tax expense		
Current year	18,018	13,129
Adjustment to prior years	424	4
	18,442	13,133
Deferred tax expense		
Origination and reversal of temporary differences	2,962	(336)
	2,962	(336)
Total tax expense	21,404	12,797

Reconciliation of effective tax rate:

	2024	2023
Income before taxes	54,932	75,777
Statutory rate	23 %	23 %
	12,634	17,429
Non-deductible (non-taxable) portion of capital losses (gain) and fair value adjustments	3,599	(1,431)
Non-deductible (non-taxable) portion of REIT loss (income)	1,252	(185)
Impact of different tax rates in subsidiaries	6	127
Non-deductible expenses	633	1,018
Non-deductible (non-taxable) fair value adjustments on REIT units	3,280	(4,161)
Total tax expense	21,404	12,797

Movement in deferred tax balances during the year:

	December 31, 2024			
	Opening	Recognized in profit or loss	Foreign currency translation (included in OCI)	Closing
Investment property and capital assets	57,863	1,536	(40)	59,359
Reserves for tax purposes	10,295	1,760	(1)	12,054
Capitalized interest	(3,668)	(216)	—	(3,884)
Provision for decommissioning obligation	(238)	—	—	(238)
Convertible debenture	118	(118)	—	—
Tax losses carried forward	(79)	—	—	(79)
Deferred tax liability	64,291	2,962	(41)	67,212

	December 31, 2023			
	Opening	Recognized in profit or loss	Foreign currency translation (included in OCI)	Closing
Investment property and capital assets	59,964	(2,078)	(23)	57,863
Reserves for tax purposes	7,711	2,584	—	10,295
Capitalized interest	(2,864)	(804)	—	(3,668)
Provision for decommissioning obligation	(229)	(9)	—	(238)
Convertible debenture	146	(28)	—	118
Tax loss carry-forwards	(78)	(1)	—	(79)
Deferred tax liability	64,650	(336)	(23)	64,291

No deferred tax liability has been recognized in respect of the net unrealized foreign currency exchange gain in accumulated other comprehensive income. Income tax paid during the year was \$14,523 (2023 - \$12,620).

At December 31, 2024, there was a deferred tax liability of \$1,842 (2023 - \$1,264) for temporary differences of \$16,017 (2023 - \$10,988) related to investments in subsidiaries, specifically loans advanced by Melcor to its US subsidiaries. However, this liability was not recognized because Melcor controls the repayment policy of its subsidiaries and therefore controls the timing of reversal of the related taxable temporary differences. Management is satisfied that the taxable temporary differences will not reverse in the foreseeable future.

24. JOINT ARRANGEMENTS

The table below discloses our proportionate share of the assets, liabilities, revenue, and earnings of 30 arrangements (2023 – 30) that are recorded in these financial statements as follows:

Joint Venture	Interest	Principal activity	Country of operations
Anders East Developments	33%	Active land development with investment property	Canada
Anders East Two Communities	50%	Active land development	Canada
Blackmud Communities	39%	Active land development	Canada
Capilano Investments	50%	Investment property	Canada
Chestermere Communities	50%	Active land development with investment property	Canada
Country Hills Communities	50%	Active land development	Canada
Highview Communities	60%	Active land development	Canada
HV Nine Joint Venture	7%	Active land development	Canada
Jagare Ridge Communities	50%	Active land development and golf	Canada
Jesperdale Communities	50%	Active land development	Canada
Kimcor Communities	50%	Non-active land development	Canada
Kingsview Commercial	50%	Investment Property	Canada
Kinwood Communities	50%	Non-active land development	Canada
Lakeside Communities	50%	Active land development	Canada
Larix Communities	50%	Non-active land development	Canada
Lewis Estates Communities	60%	Active land development with investment property and golf	Canada
Mattson North Communities	50%	Active land development	Canada
MMY Properties	33%	Investment property	Canada
Rosenthal Communities	50%	Active land development	Canada
Shoppes at Jagare Ridge	50%	Investment property	Canada
South Shepard Communities	50%	Active land development	Canada
Stonecreek Shopping Centre	30%	Investment property	Canada
Sunset Properties	64%	Active land development	Canada
Watergrove Developments	50%	Manufactured home community	Canada
Westmere Properties	50%	Investment property	Canada
Whitecap Communities	50%	Active land development	Canada
Windermere Communities	50%	Active land development	Canada
Windermere at Glenridding Communities	35%	Active land development	Canada
Winterburn Developments	50%	Active land development	Canada
Villeneuve Communities	67%	Active land development	Canada

The following summarizes financial information about our share of assets, liabilities, revenue and earnings of our interest in joint arrangements that are recorded in our accounts for the year ended December 31, 2024.

	2024	2023
Assets	458,312	455,174
Liabilities	146,311	159,580
Revenue	116,529	95,985
Net Earnings	34,639	30,986

Contingent liabilities arising for liabilities of other joint arrangement participants are disclosed in note 20.

25. SEGMENTED INFORMATION

In the following schedules, segment earnings has been calculated for each segment by deducting from revenues of the segment all direct costs and administrative expenses which can be specifically attributed to the segment, as this is the basis for measurement of segment performance. Common costs, which have not been allocated, include finance costs, foreign exchange gains, adjustments to REIT units and income tax expense.

The allocation of these costs on an arbitrary basis to the segments would not assist in the evaluation of the segments' contributions. Inter-segment transactions have similar terms and conditions to those with unrelated third parties.

Land

This division is responsible for purchasing and developing land to be sold as residential, industrial and commercial lots.

Properties

This division owns 24 leasable commercial, retail and residential properties (2023 – 24 properties) and other rental income producing assets such as parking lots and land leases. This division also develops high-quality retail, office and industrial revenue-producing properties on serviced commercial sites developed primarily from our Land division.

REIT

This division owns 35 leasable commercial and retail properties (2023 – 38 properties) and other rental income producing assets such as residential property, parking lots and land leases.

Golf

This division owns and manages three 18-hole golf course operations (one of which is 60% owned), and has a 50% ownership interest in one 18-hole golf course.

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

External Revenue:

(in Canadian dollars)	2024	2023
United States	24,667	54,260
Canada	324,834	260,979
Total	349,501	315,239

Total Assets:

As at December 31 (in Canadian dollars)	2024	2023
United States	255,292	240,210
Canada	1,853,261	1,857,263
Total	2,108,553	2,097,473

US Operations

Melcor has a wholly owned subsidiary with operations in the US, which includes a Land division and a Properties division. The subsidiary's related balances are included in the table above.

Our divisions reported the following results:

2024	Land	Properties	REIT	Golf	Corporate	Subtotal	Intersegment Elimination	Total
Revenue (note 22)	227,273	46,241	72,335	11,446	—	357,295	(7,794)	349,501
Cost of sales (note 22)	(137,898)	(18,946)	(31,062)	(6,546)	—	(194,452)	2,337	(192,115)
Gross profit	89,375	27,295	41,273	4,900	—	162,843	(5,457)	157,386
General and administrative expense (note 22)	(9,198)	(5,864)	(6,640)	(2,912)	(8,236)	(32,850)	2,838	(30,012)
Fair value adjustment on investment properties (note 11 and 30)	—	(5,543)	(25,515)	—	—	(31,058)	2,619	(28,439)
Gain on sale of assets	—	—	—	58	—	58	—	58
Interest income	2,486	130	83	16	419	3,134	(298)	2,836
<i>Segment earnings (loss)</i>	<i>82,663</i>	<i>16,018</i>	<i>9,201</i>	<i>2,062</i>	<i>(7,817)</i>	<i>102,127</i>	<i>(298)</i>	<i>101,829</i>
Foreign exchange gain						409	—	409
Finance costs (note 21)						(32,827)	298	(32,529)
Adjustments related to REIT units (note 27)						(14,777)	—	(14,777)
Income before income taxes						54,932	—	54,932
Income tax expense (note 23)						(21,404)	—	(21,404)
Net income for the year fully						33,528	—	33,528
2023	Land	Properties	REIT	Golf	Corporate	Subtotal	Intersegment Elimination	Total
Revenue (note 22)	201,753	43,163	73,900	11,088	—	329,904	(14,665)	315,239
Cost of sales (note 22)	(122,295)	(18,257)	(31,249)	(6,566)	—	(178,367)	5,480	(172,887)
Gross profit	79,458	24,906	42,651	4,522	—	151,537	(9,185)	142,352
General and administrative expense (note 22)	(7,721)	(5,051)	(3,112)	(2,717)	(7,410)	(26,011)	3,063	(22,948)
Fair value adjustment on investment properties (note 11 and 30)	—	(13,784)	(16,794)	—	—	(30,578)	6,122	(24,456)
Gain on sale of assets	—	—	—	51	—	51	—	51
Interest income	2,856	117	62	10	165	3,210	—	3,210
<i>Segment earnings (loss)</i>	<i>74,593</i>	<i>6,188</i>	<i>22,807</i>	<i>1,866</i>	<i>(7,245)</i>	<i>98,209</i>	<i>—</i>	<i>98,209</i>
Foreign exchange gain						97	—	97
Finance costs (note 21)						(34,400)	—	(34,400)
Adjustments related to REIT units (note 27)						11,871	—	11,871
Income before income taxes						75,777	—	75,777
Income tax expense (note 23)						(12,797)	—	(12,797)
Net income for the year fully						62,980	—	62,980

26. SUPPLEMENTAL BALANCE SHEET INFORMATION

Given the significant impact the consolidation of the REIT has on the consolidated statement of financial position, the assets and liabilities of the REIT have been presented separately from the rest of consolidated entity. This information is presented as supplementary information to assist readers in understanding the financial position of Melcor without the impact of consolidating the REIT.

The assets and liabilities of Melcor include Melcor and its wholly-owned subsidiaries, excluding the REIT, and its proportionate share in the assets and liabilities of its joint arrangements. Melcor's investment in REIT is presented at cost as shown in the tables below.

The assets and liabilities of the REIT are presented to conform to Melcor's financial statements presentation. Intercompany eliminations are balances between Melcor and the REIT that are eliminated on consolidation.

(\$000s)	Melcor	REIT	Intercompany Eliminations	2024
ASSETS				
Cash and cash equivalents	49,663	4,675	—	54,338
Restricted cash (note 3(d))	1,079	250	—	1,329
Accounts receivable	17,975	1,000	(1,122)	17,853
Income taxes recoverable	4,886	—	—	4,886
Agreements receivable (note 8)	157,412	—	—	157,412
Land inventory (note 9)	708,047	—	—	708,047
Investment properties (note 11 and 30)	471,822	576,894	(4,342)	1,044,374
Property and equipment (note 13)	11,053	—	235	11,288
Other assets (note 10)	25,665	30,481	2,497	58,643
Assets held for sale (note 12)	—	48,000	—	48,000
Derivative financial instrument (note 30)	807	1,576	—	2,383
Backstop loan	46,000	—	(46,000)	—
Melcor's investment in REIT	145,059	—	(145,059)	—
	1,639,468	662,876	(193,791)	2,108,553
LIABILITIES				
Accounts payable and accrued liabilities (note 14)	37,169	16,004	(1,054)	52,119
Income taxes payable	7,367	—	—	7,367
Provision for land development costs (note 15)	59,829	—	—	59,829
General debt (note 16)	283,279	328,060	—	611,339
Backstop loan	—	46,000	(46,000)	—
Deferred income tax liability (note 23)	67,212	—	—	67,212
Class B LP units	—	84,657	(84,657)	—
Class C LP units	—	19,982	(19,982)	—
REIT units (note 27 and 30)	—	—	68,057	68,057
	454,856	494,703	(83,636)	865,923

(\$000s)	Melcor	REIT	Intercompany Eliminations	2023
ASSETS				
Cash and cash equivalents	31,401	3,289	—	34,690
Restricted cash (note 3d)	1,719	—	—	1,719
Accounts receivable	10,283	2,133	(1,785)	10,631
Income taxes recoverable	2,998	—	—	2,998
Agreements receivable (note 8)	126,070	—	—	126,070
Land inventory (note 9)	728,002	—	—	728,002
Investment properties (note 11 and 30)	461,395	629,993	(6,482)	1,084,906
Property and equipment (note 13)	11,434	—	245	11,679
Other assets (note 10)	25,330	29,039	4,397	58,766
Derivative financial instrument (note 30)	1,468	2,770	—	4,238
Assets held for sale	—	33,774	—	33,774
Melcor's investment in REIT	128,970	—	(128,970)	—
	1,529,070	700,998	(132,595)	2,097,473
LIABILITIES				
Accounts payable and accrued liabilities (note 14)	33,793	16,252	(1,788)	48,257
Income taxes payable	1,246	—	—	1,246
Provision for land development costs (note 15)	50,130	—	—	50,130
General debt (note 16)	273,265	396,909	—	670,174
Deferred income tax liability (note 23)	64,291	—	—	64,291
Class B LP units	—	66,919	(66,919)	—
Class C LP units	—	21,630	(21,630)	—
REIT units (note 27 and 30)	—	—	53,797	53,797
	422,725	501,710	(36,540)	887,895

27. NON-CONTROLLING INTEREST IN MELCOR REIT

In accordance with our policy, as detailed in notes 3r and 30, we account for the 44.6% publicly held interest in the REIT as a financial liability measured at fair value through profit or loss ("FVTPL"). As at December 31, 2024 the REIT units had a fair value of \$68,057 (2023 - \$53,797). We recorded adjustments related to REIT units for the year of \$14,777 (2023 - \$11,871).

As illustrated in the table below, the adjustment is comprised of:

	2024	2023
Fair value adjustment on REIT units	(14,259)	18,093
Distributions to REIT unitholders - cash	(518)	(6,222)
Adjustments related to REIT units	(14,777)	11,871

The following tables summarize the financial information relating to Melcor's subsidiary, the REIT, that has material non-controlling interest (NCI), before intra-group eliminations (presented at 100%).

	2024	2023
Assets	662,876	700,998
Liabilities (excluding Class B LP units)	410,046	434,791
Net assets	252,830	266,207
Cost of NCI	103,934	103,934
Fair value of NCI	68,057	53,797

	2024	2023
Revenue	72,335	73,900
Net (loss) income and comprehensive (loss) income	(30,597)	16,313
Cash flows from operating activities	16,009	11,993
Cash flows from investing activities	9,916	14,563
Cash flows used in financing activities, before distributions to REIT unitholders	(24,021)	(20,349)
Cash flows used in financing activities - cash distributions to REIT unitholders	(518)	(6,222)
Net increase (decrease) in cash and cash equivalents	1,386	(15)

28. MANAGEMENT OF CAPITAL RESOURCES

We define capital as share capital, contributed surplus, accumulated other comprehensive income, retained earnings and general debt. Our objective when managing capital is to utilize debt to improve our performance, support the growth of our assets, and finance capital requirements arising from the cyclical nature of our business. Specifically, we plan to utilize shorter term debt for financing infrastructure, land inventory, receivables and development activities and to utilize longer term debt and equity for the purchase of property and land assets.

We manage the capital structure through adjusting the amount of long-term debt, credit facilities, the amount of dividends paid, and through normal course issuer bids.

There were no changes to the way we define capital, our objectives, and our policies and processes for managing capital from the prior fiscal period.

We are subject to financial covenants on our \$170,000 (2023 - \$120,000) Melcor revolving credit facility. The covenants include a maximum debt to equity ratio of 1.25, a minimum interest coverage ratio of 2.00, and a minimum net worth of \$600,000. As at December 31, 2024, and throughout the period, we were in compliance with our financial covenants.

In addition, we are subject to financial covenants on our \$50,000 REIT revolving credit facility. The covenants include a maximum debt to gross book value of 60% (excluding convertible debentures), a minimum debt service coverage ratio of 1.25, and a minimum adjusted unitholders' equity of \$140,000. As at December 31, 2024, and throughout the period, the REIT was in compliance with its financial covenants.

We also have financial covenants on certain mortgages for investment properties. Mortgages with carrying value \$199,745 (2023 - \$206,196) are subject to debt service coverage ratios ranging from 1.20 to 1.35 and a maximum debt to gross book value ratio of 60% - 70%. At December 31, 2024, and throughout the period, we were in compliance with our financial covenants on our mortgages. We prepare financial forecasts to monitor the changes in our debt and capital levels and our ability to meet our financial covenants.

29. RISK MANAGEMENT

We are exposed to the following risks as a result of holding financial instruments:

a. Credit Risk

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

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

We manage our credit risk in the Properties and REIT divisions through careful selection of tenants and look to obtain national tenants or tenants in businesses with a long standing history, or perform financial background checks including business plan

reviews for smaller tenants. We manage our concentration risk in the Properties division by renting to an expansive tenant base, with no dependency on rents from any one specific tenant.

Accounts receivables are significantly low risk due to their individual immaterial balances, the nature of the party they are due from (including joint venture participants under management by Melcor), and the overall lack of historical write offs. At this time, management has assessed and recorded the current expected credit loss at \$nil (2023 - \$481).

Agreements receivable are collateralized by specific real estate sold. Agreements receivable relate primarily to land sales in Alberta and, accordingly, collection risk is related to the economic conditions of that region. We manage credit risk by selling to certain qualified registered builders. Concentration risk is low as we sell to a large builder base, and no receivables are concentrated to one specific builder and Melcor maintains an approved builder list containing those builders which have a long standing track record, good volumes, positive perception in the industry, and strong history of repayment. At December 31, 2024, 98% of agreements receivable are due from approved builders (2023 – 93%).

	Current	0-6 months past due	Greater than 6 months past due	Total
As at December 31, 2024				
Expected loss rate	0.06 %	0.18 %	0.18 %	
Agreements receivable	156,005	1,358	145	157,508
Loss allowance	94	2	—	96
As at December 31, 2023				
Expected loss rate	0.06 %	0.18 %	0.18 %	
Agreements receivable	121,854	3,402	895	126,151
Loss allowance	73	6	2	81

Total loans included in agreements receivable that would have otherwise been past due at December 31, 2024, but whose terms have been renegotiated is \$4,430 (2023 - \$239). In order to address current market conditions, we have provided extensions on our standard terms to relieve liquidity pressure on builders. At December 31, 2024, we have identified \$1,503 (2023 - \$4,297) in agreements receivable which are in arrears. At this time, the impact to our risk for agreements receivable and expected credit loss rate for our agreements receivables is not considered material because we retain title.

b. Liquidity Risk

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

We believe that we have access to sufficient capital through internally generated cash flows, external sources and undrawn committed borrowing facilities to meet current spending forecasts. We expect to refinance mortgages with scheduled maturities in 2025. Included in 2025 mortgage payable amounts below are repayments related to the asset disposition described further in note 12 and 31. The sale of this asset closed on February 24, 2025.

We believe that due to cash preservation efforts in 2024, which included the REIT's distribution suspension earlier in the year, internally generated cash flows, supplemented by borrowings through our revolving credit facilities and mortgage financings, where required, will be sufficient to cover our normal operating, debt service and capital expenditure requirements. We regularly review our distribution policy, credit facility limits, maturing mortgages and refinance appropriately to manage our liquidity requirements.

The following table summarizes our contractual obligations and illustrates certain liquidity and capital resource requirements:

(\$000s)	Total	At December 31					
		2025	2026	2027	2028	2029	Thereafter
Revolving credit facility	85,422	—	85,422	—	—	—	—
Accounts payable and other liabilities	45,585	44,620	291	674	—	—	—
Project specific financing	14,119	14,119	—	—	—	—	—
Mortgages payable	512,793	139,363	81,572	32,755	66,014	87,558	105,531
Interest	76,268	24,360	16,752	11,614	9,415	6,703	7,424
Total	734,187	222,462	184,037	45,043	75,429	94,261	112,955

c. Market Risk

We are subject to interest rate cash flow risk as our revolving credit facilities and certain debt on investment properties and golf courses bear interest at rates that vary in accordance with borrowing rates in Canada. Debt on investment properties and golf courses issued at variable rates expose Melcor to cash flow interest rate risk. However, Melcor's policy is to fix the interest rate on its variable interest debt on investment properties and golf courses. To manage this, we enter into interest rate swaps in which Melcor agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed on notional principal amount. As at December 31, 2024, as in the previous year, after taking into account the effect of interest rate swaps, 100% of Melcor's debt on investment properties and golf courses are at a fixed rate of interest, mitigating cash flow interest rate risk but resulting in fair value interest rate risk as the value of the interest rate swaps changes in response to changes in the market interest rates. The interest rate swaps are not designated as hedges for accounting purposes.

For each 1% change in the rate of interest on loans subject to floating rates, the change in annual interest expense is approximately \$995 (2023 - \$2,498) based upon applicable year end debt balances. We are not subject to other significant market risks pertaining to our financial instruments.

30. FAIR VALUE MEASUREMENT

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

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

- the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, agreements receivable and accounts payable and accrued liabilities approximate their fair values based on the short term maturities of these financial instruments.
- fair value of convertible debenture is estimated based on the closing trading price of the REIT's debentures (Level 2).
- fair values of general debt are estimated by discounting the future cash flows associated with the instrument at market interest rates (Level 3).
- fair values of interest rate swaps are estimated by discounting the future cash flows associated with the instrument at market interest rates (Level 2).
- fair value of the conversion features on the REIT's convertible debentures are estimated based upon unobservable inputs, including volatility and credit spread (Level 3).
- fair value of REIT units are estimated based on the closing trading price of the REIT's trust units (Level 1).

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

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

(\$000s)	December 31, 2024					December 31, 2023	
	Fair Value hierarchy	Fair Value	Amortized Cost	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
Non-financial assets							
Investment properties	Level 3	1,044,374	—	1,044,374	1,044,374	1,084,906	1,084,906
Assets held for sale	Level 3	48,000	—	48,000	48,000	33,774	33,774
Financial liabilities							
General debt, excluding derivative financial liability	Level 3	—	609,850	609,850	587,159	623,893	571,015
REIT - Convertible debenture	Level 2	—	—	—	—	44,997	44,356
Derivative financial liabilities							
Interest rate swaps	Level 2	1,489	—	1,489	1,489	1,130	1,130
Conversion features on convertible debentures	Level 3	—	—	—	—	154	154
REIT units	Level 1	68,057	—	68,057	68,057	53,797	53,797
Derivative financial assets							
Interest rate swaps	Level 2	2,383	—	2,383	2,383	4,238	4,238

The table above analyzes assets and liabilities carried at fair value in the consolidated statement of financial position, by the levels in the fair value hierarchy. The fair value hierarchy categorizes fair value measurement into three levels based upon the inputs to the valuation technique, which are defined as follows:

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

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

Investment properties

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

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

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

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

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

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

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

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

Investment properties were valued by Melcor's internal valuation team as at December 31, 2024 of which 59 legal phases included in investment properties with a fair value of \$736,485 were valued by qualified independent external valuation professionals during the year which resulted in fair value losses of \$28,439 recorded as fair value adjustment on investment properties in the statements of income and comprehensive income (2023 - investment properties were valued by Melcor Development Ltd.'s internal valuation team of which 36 legal phases included in investment properties with a fair value of \$389,088 were valued by qualified independent external valuation professionals during the year which resulted in fair value losses of \$24,456). There was no undeveloped land valued by qualified independent external valuation professionals in 2024 (2023 - 4 legal phases with a fair value of \$12,950).

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

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

Weighted average stabilized net operating income for investment properties is \$1,504 (2023 - \$1,498). Other significant valuation metrics and unobservable inputs are set out in the following table. Fair values are most sensitive to changes in capitalization rates.

	Investment Properties			Properties under Development		
	Min	Max	Weighted Average	Min	Max	Weighted Average
December 31, 2024						
Capitalization rate	5.00%	10.50%	6.92%	6.00%	6.25%	6.11%
Terminal capitalization rate	5.75%	9.50%	6.96%	6.25%	6.50%	6.36%
Discount rate	6.75%	10.50%	7.85%	7.25%	7.25%	7.25%

	Investment Properties			Properties under Development		
	Min	Max	Weighted Average	Min	Max	Weighted Average
December 31, 2023						
Capitalization rate	5.00%	10.50%	7.00%	6.00%	6.25%	6.14%
Terminal capitalization rate	5.75%	9.25%	7.14%	6.25%	6.50%	6.39%
Discount rate	6.75%	10.25%	8.02%	7.25%	7.25%	7.25%

An increase in the capitalization rates by 50 basis points would decrease the carrying amount of investment properties by \$64,000 (2023 - \$64,000). A decrease in the capitalization rates by 50 basis points would increase the carrying amount of investment properties by \$74,000 (2023 - \$73,800).

General Debt, excluding derivative financial liabilities

The fair value of revolving credit facilities approximates the carrying value excluding unamortized financing costs. The facilities bear interest, at our option, at a rate per annum equal to either the bank's prime lending rate plus 0.75% to 1.75% or at the bank's then prevailing CORRA rate plus a stamping fee of 2.00% to 2.25%.

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

REIT units

REIT units are remeasured to fair value on a recurring basis and categorized as Level 1 in the fair value hierarchy. The units are fair valued based on the trading price of the REIT units at the period end date. At December 31, 2024 the fair value of the REIT units was \$68,057 (2023 - \$53,797). During the year a fair value loss of \$14,259 (2023 - loss of \$18,093) was recognized in the statement of income and comprehensive income, and was included in adjustments related to REIT units.

Derivative financial instruments

Our derivative financial liabilities are comprised of floating for fixed interest rate swaps on mortgages (level 2) and the conversion features on our convertible debentures (level 3).

The fair value of the interest rate swaps are calculated as the net present value of the future cash flows expected to arise on the variable and fixed portion, determined using applicable yield curves at the measurement date. As at December 31, 2024 the fair value of interest rate swap asset was \$2,383 asset and \$1,489 liability included in general debt (2023 - \$4,238 interest rate swap asset and \$1,130 liability).

At December 31, 2024, there was no balance outstanding for convertible debentures with conversion features. At December 31, 2023 we remeasured the conversion features to a fair value \$154 liability resulting in a fair value gain of \$258.

The significant unobservable inputs used in the fair value measurement of the conversion feature on the convertible debentures are as follows:

- Volatility - expected volatility as at December 31, 2023 was derived from the historical prices of the REIT's trust units. Volatility was 27.28%.
- Credit spread - the credit spread of the convertible debenture was imputed from the traded price of the convertible debenture as at December 31, 2023. The credit spread used was 8.83% .

31. SUBSEQUENT EVENTS

Dividend declared:

On March 13, 2025, our board of directors declared a quarterly dividend of \$0.11 per share payable on March 31, 2025 to shareholders of record on March 21, 2025.

Asset disposition:

On February 24, 2025 we disposed of an investment property classified as assets held for sale, for a purchase price of \$48,000 less transaction costs. Net proceeds from the sale were used to repay the outstanding principal balance on the mortgage of \$29,712 with remaining proceeds being used to pay down the credit facilities.