

# MELCOR DEVELOPMENTS LTD. 2025

*Annual Information Form*

March 13, 2025

## Date of Information

All information contained in this annual information form is as at December 31, 2024 unless otherwise stated.

## Other Information

Additional information about Melcor Developments Ltd. (Melcor), including our information circular, annual and quarterly reports, and all documents incorporated by reference in the Annual Information Form (AIF) are available on our website at Melcor.ca and on SEDAR+ at www.sedarplus.ca.

## Forward-looking Statements

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

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

This AIF and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent Melcor's intentions, plans, expectations, and beliefs and are based on our experience and our assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Future-looking statements may involve, but are not limited to, comments with respect to our strategic initiatives for 2025 and beyond, future development plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results of or outlook of our operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond our control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that our actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. We caution readers of this document not to place undue reliance on forward-looking statements. Assumptions about the performance of the Canadian and US economies and how this performance will affect Melcor's business are material factors we consider in determining our forward-looking statements. For additional information regarding material risks and assumptions, please see the discussion "Business Environment & Risks" in our annual MD&A for the year ended December 31, 2024, which is incorporated by reference.

Readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or oral, made by the company or on its behalf.

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# CORPORATE STRUCTURE

## Name, Address and Incorporation

Melton Real Estate Ltd. was amalgamated under the Companies Act of Alberta on August 1, 1967 and changed its name to Melcor Developments Ltd. on June 4, 1976. Melcor amalgamated with a wholly owned subsidiary on January 2, 1981, and again on December 31, 1992. In both instances it continued under the name Melcor Developments Ltd. On January 7, 1986, Melcor received a Certificate of Continuance pursuant to the Business Corporations Act of Alberta.

On April 13, 2006, the Certificate of Amalgamation was amended by dividing each authorized and unissued common share into ten common shares, so that after giving effect to the division, Melcor's authorized capital consisted of 100,000,000 common shares and 50,000,000 non-voting First Preferred shares.

On April 19, 2007, the shareholders approved an amendment to Melcor's Articles to change the authorized common voting shares from 100,000,000 to an unlimited number; the number of First Preferred shares authorized to be issued from 50,000,000 to an unlimited number; and to create a new class of common non-voting shares authorized to an unlimited number.

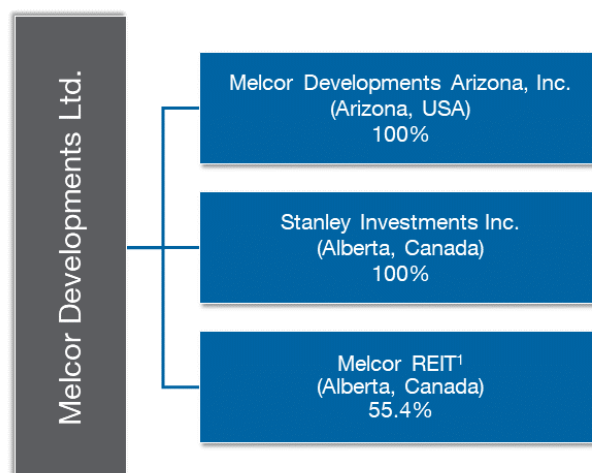
On May 1, 2013, Melcor formed the Melcor Real Estate Investment Trust (the "Melcor REIT") through an initial public offering of Melcor REIT Units. Units of the Melcor REIT trade on the TSX under the symbol "MR.UN". As part of this transaction Melcor sold interests in a portfolio of income-producing properties to the Melcor REIT. Melcor currently has a 55.4% effective interest in the Melcor REIT and continues to manage, administer and operate the Melcor REIT and its properties under an asset management agreement and property management agreement. Melcor reflects the public's 44.6% interest in the Melcor REIT as a financial liability on its financial statements. Furthermore, Melton Holdings Ltd. owns approximately 51.7% of the outstanding shares of Melcor and pursuant to IAS 24, Related Party Disclosures, is the ultimate controlling shareholder of Melcor.

Melcor's head office and registered office is located at:

**Melcor Developments Ltd.**  
900, 10310 Jasper Avenue  
Edmonton, Alberta T5J 1Y8

## Intercorporate Relationships

Our corporate structure as at March 13, 2025 is depicted in the diagram below. Certain subsidiaries have been excluded on the basis that the subsidiary does not have assets or revenues greater than 10% of Melcor's total consolidated assets or revenues. The combined assets or revenues of all omitted subsidiaries do not exceed 20% of Melcor's total consolidated assets or revenues.



1. Held through Melcor Holdings Limited Partnership, a wholly-owned subsidiary of Melcor Developments Ltd.

# GENERAL DEVELOPMENT OF THE BUSINESS

## Three-Year History

In 2023 we merged our "Investment Properties" and "Property Development" divisions into the "Properties" division. The coming together of these two divisions is intended to create synergies in business processes related to development, leasing and property management. Adjustments have been made to the historical periods to reflect this change.

The significant events affecting Melcor's business during the last three financial years and to the date of this AIF are summarized below:

## 2022

- Consolidated revenue for 2022 was \$241.75 million down 23% from the record revenue set in 2021. Gross margin was 49% due to higher contributions from our higher margin properties divisions. Net income was up 59% to \$89.35 million and FFO was down 25.2% to \$60.86 million. The significant factor in comparing our results to the prior year is the lack of US Land sales in 2022. In 2021, this region sold 280 lots and 155 acres (595 paper lots) for revenue of \$54.89 million and earnings of \$21.18 million. In the current year, no lots or acres were sold. Land sales in the US differ from Canadian as we often sell the lots in bulk agreements leading to dramatic swings in sales period over period. New home sales in our Canadian regions remain strong, resulting in 1,060 single-family lots being sold compared to 1,261 lots in 2021.
- Our Properties division completed 5 retail buildings, contributing \$13.63 million and 36,846 sf to our portfolio of income-generating properties, with an additional 61,850 sf under development.
- Our Properties division revenue was up 10% due to GLA growth related to properties developed in the year and improved occupancy. The division also sold 117 residential units for \$35.00 million (US\$26.15 million) net of transaction costs. The sales do not have a revenue effect, however the fair value of the properties is trued up to the sale price. As Melcor purchased these units in 2013, the asset value appreciated significantly. As the properties were unencumbered at the time of sale, they contributed \$35.00 million cash to proceeds from investing activities.
- Revenue in our Golf division was up 5% with slightly lower revenue from green fees due to weather conditions during the golf season offset by an increase in food and beverage revenues over 2021.
- The US contributed 7% of total revenue or \$15.83 million in the year, all from our Properties division. This compares to 2021 revenue of \$70.38 million (22% of total revenue). As noted above, the large swing in US revenue was due to timing of sales in our US Land.
- On March 16, 2022 we declared a 17% increase to our dividend to \$0.14 per share and on August 11, 2022, we further increased our dividend by 7% to \$0.15 per share. This equates to a 32% increase to dividends compared to 2021.

- We actively purchased shares under our normal course issuer bid throughout the year and purchased our maximum shares on December 22, 2022. We purchased a total of 1,641,627 shares at a weighted cost of \$11.88 per share. Purchases included six block purchases for a total of 1,439,844 shares.

## 2023

- Consolidated revenue for 2023 was \$315.24 million up 30% from 2022, due to increased sales from our Land division of \$65.98 million or 49% comparative to 2022.
- Gross margin was 45% down slightly from 49% in 2022. The reduction in gross margin is a direct result of a higher proportion of total revenues from our Land division of 62% (2022 - 52%), which has a lower margin than our properties divisions.
- Net income was down 30% to \$62.98 million. Net income is impacted by non-cash fair value gains on investment properties which saw a swing of \$46.01 million, REIT units and fair value adjustment on derivative financial instruments. Management believes that FFO is a more accurate representation of true operating performance.
- FFO was up 38.8% to \$84.46 million as a direct result of the increase revenues from our Land division.
- Our Properties division completed 22,140 sf (2 retail buildings) to our portfolio of income-generating properties within our Woodbend development.
- Revenue from our Properties division, was down 1% due to a reduction in GLA from property sales in 2023.
- We sold two commercial properties including the Kelowna Business Centre, a office building located in Kelowna, BC for gross proceeds of \$19.50 million and Stafford Common a retail building located in Lethbridge, AB for gross proceeds of \$3.50 million.
- We also sold 10 residential units located at the Edge at Grayhawk located in Phoenix, AZ for net proceeds of \$4.55 million (US\$3.58 million).
- Revenue in the Golf division was up 6% with slightly lower revenue from green fees offset by an increase in food and beverage revenues over 2022.
- The US contributed 17% of total revenue or \$54.26 million in the year, with \$40.75 million from our Land division and \$13.52 million from our Properties division. This compares to 2022 revenue of \$15.83 million (7% of total revenue; 100% from our Properties division).
- Dividends paid to shareholders increased to \$0.64 per share in 2023, up from \$0.58 per share in 2022.
- On June 7, 2023 Melcor commenced a Normal Course Issuer (NCIB). As at December 31, 2023, 712,160 shares were purchased for cancellation by Melcor pursuant to the NCIB at a cost of \$8.10 million (December 31, 2022 - 1,777,662 shares purchased at a cost of \$21.44 million under the prior NCIB).

## 2024: Operations

- Revenue was up 10.9% to \$349.50 million in 2024, compared to \$315.24 million in 2023. This increase in revenue can be attributed to our Land division which was up 12.6% over 2023 to \$227.27 million.
- Gross margin was 45.0% in 2024 compared to 45.2% in 2023. Net margin decreased to 9.6% from 20.0% in 2023.
- Net income was \$33.53 million, down from \$62.98 million in 2023.
- Fair value losses on our investment properties were \$28.44 million in 2024, compared to fair value losses of \$24.46 million recorded in 2023.
- In 2024, we recorded losses related to our REIT units of \$14.78 million in 2024, a swing of \$26.65 million over 2023 where we recorded a fair value gain of \$11.87 million. The impact of the REIT's share price in the market place has a counter effect on Melcor's statement of income. These adjustments are primarily driven by market forces outside of Melcor's control.
- FFO increased \$9.35 million or 11.1% to \$93.81 million from \$84.46 million in 2023. This increase was primarily due to higher gross profit, which was up \$15.03 million or 10.6% in 2024, offset by general and administration expenses which was up 30.8% or \$7.06 million due to professional fees associated with the establishment of the Independent Committee and the strategic review process.
- Our Land division had an exceptional year, with revenues up 12.6% to \$227.27 million and earnings up 10.8% to \$82.66 million over 2023.
- In 2024, we sold 1,296 (2023 - 1,149) single-family lots in our Canada region, up 12.79% over 2023. Additionally, we sold 95.53 acres (2023 - 31.54) in our Canada and US regions combined.
- In 2024, our Properties division completed construction and lease-up of five buildings (95,558 sf) compared to two buildings (22,140 sf) in 2023. In addition to the properties completed, we have 5 buildings totaling 81,755 sf in active development.
- Our Properties and REIT divisions accounted for 33.1% of total revenue, before intersegment eliminations compared with 35.5% in 2023. Revenue from our income properties was up 1.3% to \$118.58 million (2023 - \$117.06 million)
- Revenue in the Golf division was up 3.2% as a result of the increase in revenues from season passes, rental fees and food and beverage over 2023.
- The US contributed 7.1% of total revenue or \$24.67 million in the year, with \$11.56 million related to our Land division, and \$13.11 million from our Properties division. This compares to 2023 revenue of \$54.26 million (17% of total revenue), with \$40.75 million from our Land division and \$13.52 million from our Properties division.
- Dividends paid to shareholders decreased to \$0.44 per share in 2024, down from \$0.64 per share in 2023.
- We repurchased 356,703 shares for cancellation pursuant to the NCIB at a cost of \$4.33 million during 2024. In 2023 we repurchased 712,160 shares at a cost of \$8.10 million.

## 2024: Asset Dispositions

- 14 residential units located at the Edge at Grayhawk located in Phoenix, AZ for net proceeds of \$6.13 million (US\$4.74 million)
- 104th Street Building, an office building located in Edmonton, AB for gross proceeds of \$2.90 million (\$0.96 million at JV%)
- Lethbridge Industrial, a REIT held industrial building located in Lethbridge, AB for gross proceeds of \$4.50 million
- Parliament Place, a REIT held office building located in Regina, SK for gross proceeds of \$5.00 million
- Richter Street Building, a REIT held office building located in Kelowna, BC for gross proceeds of \$7.80 million

## 2024: Melcor REIT Transaction

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

Melcor, REIT LP and the REIT entered into a separate Backstop Loan Agreement pursuant to which Melcor has agreed to make an unsecured loan to the REIT LP, as borrower, in the principal amount up to the aggregate principal amount of the debentures outstanding. On December 12, 2024, the debenture was redeemed, with an aggregate principal amount of \$46.00 million. Amounts advanced pursuant to the Backstop Loan Agreement, will mature three years from the date of advance with a fixed interest rate of 10.75%. This loan eliminates open consolidation.

On November 25, 2024, Melcor and the REIT entered into an Amended and Restated Arrangement Agreement (the "Amended Agreement") which provides for, among other things, consideration of \$5.50 per unit and a new and extended 90-day "go-shop" period which expired on February 24, 2025 during which it was permitted to solicit third-party interest in submitting a proposal which is superior to the proposal made by the Purchaser. Melcor did not have the right to match any superior proposal. The Amended Agreement also includes customary provisions, including non-solicitation by the REIT of alternative transactions following the conclusion of the go-shop period, and a \$5.8 million termination fee payable to Melcor under certain customary circumstances, including in the event the REIT is successful in soliciting a superior proposal. In addition, Melcor agreed to (i) forego all termination and change of control payments it would otherwise be entitled to under the property management and asset management agreements in the event of a superior proposal; and (ii) reimburse the REIT for the reasonable costs and expenses incurred by it in connection with the New Arrangement (including all financial advisor costs and legal costs), subject to certain exceptions.

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

Further details regarding the transaction is contained in a REIT management information circular which will be filed on SEDAR+ under the REIT's profile at [www.sedarplus.ca](http://www.sedarplus.ca) and is on the the REIT website at <https://melcorreit.ca/special-meeting/>.

***Subsequent to December 31, 2024:***

On February 24, 2025 the REIT closed on the sale of Melcor Crossing in Grande Prairie, AB, which is a multi-building open retail power centre containing 283,000 square feet of gross leasable area developed on a 33.3-acre site. The property sold for \$48.0 million (\$170/sf).

On February 25, 2025 the REIT announced the expiration of the "go shop" period provided in the previously-announced arrangement agreement dated November 24, 2024 with no superior proposal having been received.

# DESCRIPTION OF THE BUSINESS

## General Information

Melcor is a real estate development and asset management company that traces its history back to 1923. We have operated and prospered for 101 years due to stable and committed ownership and loyal and dedicated staff who are focused on the real estate industry. We are proud to celebrate our 100th anniversary in 2023, and note that our business has been resilient through the Great Depression, World War II, swings in the economy, 9/11 and the recent global pandemic. Melcor trades on the Toronto Stock Exchange under the symbol "MRD."

Our main operations are in Alberta, specifically in the metropolitan areas of Calgary, Edmonton, Grande Prairie, Lethbridge and Red Deer. We also hold and operate assets in Saskatchewan, British Columbia and the United States (Arizona and Colorado). As of 2024, we no longer hold any investment property assets in British Columbia but continue to hold and develop land inventory and operate Black Mountain golf course.

Melcor operates five integrated divisions (including the REIT) that together manage the full life cycle of real estate development:

- 1 Land: acquires raw land and plans residential communities and commercial developments
- 2 Properties: operates a portfolio of commercial and residential properties and development of commercial properties.
- 3 REIT: has an established and diversified portfolio of 35 income-producing office, retail and industrial properties representing 3.18 million sf in gross leasable area.
- 4 Golf: owning and operating championship golf courses associated with our residential communities.
- 5 Corporate: orchestrates strategic planning, financial governance, risk mitigation guiding the organization through dynamic market shifts towards sustained and adaptive success.

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

Melcor has \$2.11 billion in assets.

The following information applies in general to each of Melcor's segments. Where individual segment characteristics differ, those differences are noted under the segment descriptions below.

The financial statements of Melcor include investments in joint arrangements. For additional information on our joint arrangements, including our rights to and share of the assets, liabilities, revenues, and earnings that are recorded in our consolidated financial statements refer to our Annual Financial Statements.

## Products and Services

We believe that we have the necessary capabilities to execute our strategic initiatives and achieve the performance targets set out in our business plan. Our management team is focused on

ensuring a disciplined approach and hands-on management of our projects, assets, and capital.

Our depth of experience in the real estate industry provides a competitive advantage. Our business model is focused on sustainable returns over the long-term.

Melcor is a diversified real estate development and asset management company. We transform real estate from raw land to high-quality residential communities and commercial developments. We develop and manage mixed-use residential, business and industrial parks, office buildings, retail commercial centres and golf courses.

The Products & Services of each division are outlined below:

### Land

Our Land division acquires raw land and plans residential communities, commercial and industrial developments. This process is multi-faceted and often takes years from land acquisition to the first home being built in a community or the first commercial building being constructed. Depending on the scale of a proposed development, the process can be lengthy, very complex and can involve several municipal departments and provincial agencies. Components of the process include:

**Area Structure Plan (ASP)** is the planning and technical document that provides the proposed use for a land development. It is also the key document that is used as the project reference and guides all the other steps in the development process.

As the developer, Melcor works with our professional consulting and engineering firms to draft the ASP and present it to the municipality.

The ASP provides all the specific components required by the municipality. Common ASP components include:

- General land use concept – size, existing land use, intent for subdivisions, etc.
- Phasing and development sequence
- Traffic impact assessment – proposed transportation routes, arterial roadways, existing roadways, etc.
- Geo-technical and groundwater report
- Sewage treatment
- Storm water management
- Water supply
- Environmental assessment
- Archaeological and historical assessment
- Provision for municipal reserves
- Fire protection
- Location of pedestrian links (if applicable)
- Maps – existing land use, proposed zoning, natural areas, boundaries, roads and utilities, municipal reserves, tentative subdivision plan, etc.
- Any other items required by the municipality or relevant provincial agencies

**Off-site levies** are how municipalities recover capital costs incurred for new infrastructure or the expansion of existing infrastructure required because of a new development. They are used to equitably account for affected offsite infrastructure capital costs such as water treatment, drainage, sewage, associated lands and expanded roads. Since new infrastructure costs incurred by the municipality can benefit several developments, the municipality will calculate how each development will be accountable for the shared infrastructure. There are a variety of methods that municipalities can use to calculate these charges.

**Subdivision Application** is the specific process of dividing a parcel of land into two or more parcels with separate legal titles for each parcel. The subdivision of land can be done independently, but within the development process and as part of an ASP, it identifies the lots/titles in the parcel of land that the ASP represents. In an initial ASP draft, the subdivisions are generally identified. Once the ASP is approved and moved forward, the subdivision application is reviewed with the specific subdivision plans.

**Development Agreement** is a contractual agreement between the municipality and the developer and is used for residential, industrial and commercial developments. It sets out the terms and conditions of how the infrastructure development of the lands are to take place within the municipality. It ensures that the infrastructure required to service a proposed development is constructed to the municipality's standards. Development Agreements may also contain provisions for the payment of applicable off-site levies, securities and/or any moneys that might be owing to the developer when further development occurs by others.

Once the development agreement is signed off, Melcor project manages the construction of deep and shallow utilities, roads and parks and amenities. Melcor also manages sales, the plan registration and community maintenance until a community is turned over to the City or a Home Owners Association for ongoing maintenance.

We've built over 170 communities and commercial projects across western Canada since the 1950s.

### **Properties**

Our Properties and REIT divisions, together referred to as Income Properties, manage 4.76 million sf of income-generating assets, providing stable results throughout the year to smooth out the seasonal nature of construction related divisions. Our Income Properties provide geographic and revenue diversification and have served to offset the cyclical nature of residential development.

Commercial property development, particularly neighbourhood shopping centres, continues at a solid pace as pre-lease thresholds are met. We remain focussed on value creation and as a result of higher construction costs and inflationary pressures, have been prudent in determining which sites to develop on. With a focus on local services – bank, coffee, daycare, dental/medical, gas, grocer, pharmacy, restaurants and fast food – these retail hubs face less competition from online shopping options.

We have over 101 years of experience in Alberta's cyclical economy. Throughout this time, we have managed through many downturns and have learned to not only weather the cycle, but to make our business stronger by recognizing and participating in

opportunities while balancing our risk and exposure. All economic indicators point to upward momentum in Alberta's economy and we are well-positioned to participate in opportunities while also maintaining our conservative approach to real estate development.

### **Signature Customer Care**

Our MelCARE.ca tenant service portal allows users to submit requests online with enhanced tracking and communication, access building information, review scheduled services or events and reserve amenities. Our MelCARE software has provided our tenants with a 30 minute or less response time.

### **Hands-on management**

Our hands-on, on-site building management delivers exceptional customer care and identifies issues early on for prompt resolution.

### **Continuous improvement**

We continually improve our assets with value-add investments that enhance quality and the tenant experience while also contributing to sustainability and environmental best practices. We use our intimate knowledge of the buildings we operate to support our capital investment decisions, optimize operating efficiency and continuously improve our buildings for improved client satisfaction.

### **Enhancements to improve sustainability**

Many of our continuous improvement initiatives focus on sustainability and energy reduction strategies to ensure our buildings are green. We are dedicated to achieving and maintaining best practice with respect to energy efficiency and sustainability.

### **Relationship focused**

We have many long-term clients – some who have been with us for over 25 years. We take pride in building strong relationships with our tenants and continually meeting their needs as their businesses evolve.

### **REIT**

We retain a controlling 55.4% effective interest in the REIT and continue to manage, administer and operate the REIT and its properties under an asset management agreement and property management agreement via the Properties team.

### **Golf**

We own and operate 3 championship golf courses built in the midst of our communities. A fourth golf course is jointly owned and operated by our joint venture partner.

Revenue in our Golf division was up 3.2% in 2024. With consistent revenues earned on green fees, the increase in revenue is directly correlated to the increase in food and beverage revenues.

### **Specialized Skill and Knowledge**

Melcor employs management and administrative personnel to manage our business. We use third-party contractors to carry out development and construction activities (such as planning, design, engineering, architecture, utilities servicing).

We contract property management services for some assets in our Properties and Melcor REIT divisions and we employed approximately 246 seasonal staff in our Golf division over the golf season.



## Competitive Conditions

The real estate development and management industry is highly competitive, with a large number of well-financed companies operating in the same markets as Melcor. Our operations and assets are concentrated in and around major population and employment centers. We develop long-term relationships with the municipalities, construction industry, financial institutions and the people who live in these communities.

Our competitive position is shaped by our:

- Financial strength and proven track record
- Solid asset base, including raw land holdings
- Experienced personnel

The majority of our assets are located in Alberta, where oil and gas activity is a significant economic driver. While our direct reliance on oil and gas is minimal, our business is reliant on overall market conditions and consumer confidence that generally hinge on the oil and gas market.

Melcor maintains a strong financial position and is poised to take advantage of purchase opportunities that a softer real estate market may provide.

## Financing

We maintain strong relationships with our major lenders. Our capital structure and liquidity allow continued access to financing in spite of fluctuations to credit markets and the economic environment.

Melcor uses fixed rate, long-term mortgages on its revenue producing assets to raise capital for acquisitions, development activities, and other business expenditures. As such, most of Melcor's borrowings are in the form of long-term financings secured by specific assets.

Operations are supplemented by a syndicated operating line of credit with Canadian chartered banks, which margins Melcor's land development assets (raw land inventory, land under development and agreements receivable). We also use fixed rate, long-term mortgage financing on our revenue producing assets to raise capital for acquisitions, development activities, and other business expenditures. As such, most of our borrowings are in the form of long-term, property specific financings such as mortgages or project financings secured by specific assets. Melcor also has project specific financings on residential community and commercial development projects.

## Environmental Protection

Melcor's development activities are subject to laws and regulations concerning the protection of the environment. For example, environmental laws or local bylaws may apply to a development site based on its environmental condition, present and former uses, and its adjoining properties. Environmental laws and conditions may result in delays, cause Melcor to incur significant compliance and other costs, and can severely restrict or prevent development in environmentally sensitive regions or areas. We employ a rigorous due diligence process prior to acquiring raw land, development sites or investment properties to mitigate our exposure to these potential issues.

Environmental protection requirements did not have a significant financial or operational effect on our capital expenditures, earnings or competitive position during 2024 and we do not expect significant effects in future years.

For more information on our Environmental, Social Responsibility and Governance (ESG) practices, please refer to the ESG section in our 2024 annual MD&A, incorporated by reference.

## Environment, Social and Governance (ESG)

We strive to ensure that our corporate sustainability goals and practices are meaningfully aligned with our business.

Here are the steps we are taking to prepare for anticipated ESG reporting requirements:

- we are assessing the material ESG risks and opportunities that apply to our business divisions and determining how we will benchmark, measure and report on these topics as requirements are adopted.
- we are broadening our initial building inventory/ benchmarking beyond Edmonton. Our Edmonton office building climate inventory was completed in 2022 in conjunction with our involvement with Edmonton's Corporate Climate Leaders program and we are currently determining our reduction targets on the inventoried buildings and extending our benchmarking to buildings beyond Edmonton.
- we are establishing baseline data on Social and Governance topics.

## Employees

Melcor had 135 employees at December 31, 2024 and employed 246 seasonal employees in the summer months, primarily in the Golf division.

Total full-time permanent employment was relatively stable compared to December 31, 2023. The following table shows the distribution of staff at the end of the year.

	2023	2024	% change
Corporate	29	32	10 %
Land	18	18	0 %
Properties	49	56	14 %
Golf	28	29	4 %
<b>Total</b>	<b>124</b>	<b>135</b>	<b>9 %</b>

## Risk Factors

Reference is made to Melcor's 2024 annual report, under the heading "Business Environment & Risks" which is incorporated by reference.

## LAND

Our Land division acquires raw land and plans, services and markets urban communities. The majority of residential lots and parcels are sold to homebuilders that purchase sites through agreements for sale. The Land division also plans, services and markets large-scale commercial and industrial centres. In 2024, this segment accounted for 64% of consolidated revenue (2023 - 61%).

The following table summarizes Melcor's raw land inventory (at Melcor ownership percentage) by region at December 31, 2024. Total raw land inventory was 9,399 acres.

Region (in acres)	Commercial/ Industrial	Residential	Total
<b>Northern Alberta</b>	370	2,425	2,795
Edmonton	–	447	447
Leduc	227	425	652
Parkland	–	939	939
Spruce Grove	142	323	465
St. Albert	–	291	291
<b>Southern Alberta</b>	592	2,012	2,604
Airdrie	–	464	464
Calgary	49	546	595
Chestermere	–	2	2
Cochrane	–	70	70
Lethbridge	177	531	708
Rockyview	366	399	765
<b>Central Alberta</b>	145	1,594	1,739
Innisfail	129	–	129
Penhold	–	108	108
Red Deer	–	1,303	1,303
Red Deer County	16	–	16
Sylvan Lake	–	183	183
<b>BC &amp; Saskatchewan</b>	583	504	1,087
Fraser-Fort George	–	68	68
Kelowna	–	436	436
Regina	583	–	583
<b>USA</b>	42	1,132	1,174
Aurora	42	1,040	1,082
Houston	–	92	92
Phoenix	–	–	–
Tucson	–	–	–
<b>Total</b>	<b>1,732</b>	<b>7,667</b>	<b>9,399</b>
<b>Average cost per acre</b>	<b>\$ 19,905</b>	<b>\$ 41,988</b>	<b>\$ 37,732</b>

### Seasonality

The Land division is seasonal by nature. The cyclical nature of real estate markets, the mix of land sold, and the mix of joint arrangement sales activity can cause period-to-period fluctuations in results.

The division is also subject to the seasonality of the construction industry. Revenue is recognized when plans are registered, which tends to happen in the fourth quarter when development activity slows down and builders gain possession of lots.

For additional information regarding the Land division, see Melcor's 2024 management's discussion and analysis incorporated by reference in this AIF and filed on [www.sedarplus.ca](http://www.sedarplus.ca).

## PROPERTIES: Property Development & Asset Management

### Owns & operates

Our Properties and REIT divisions, together referred to as Income Properties, manage 4.76 million sf of income-generating assets, providing stable results throughout the year to smooth out the seasonal nature of construction related divisions. Revenue from our Income Properties contributed 33% of total revenue and 42% of total gross profit in 2024. Our Income Properties provide geographic and revenue diversification and have served to offset the cyclical nature of residential development.

### Property Development

Commercial property development, particularly neighbourhood shopping centres, continues at a solid pace as pre-lease thresholds are met. We remain focussed on value creation and as a result of higher construction costs and inflationary pressures, have been prudent in determining which sites to develop on. With a focus on local services – bank, coffee, daycare, dental/medical, gas, grocer, pharmacy, restaurants and fast food – these retail hubs face less competition from online shopping options. The development team completed construction on 5 retail buildings (95,558 sf) at our Woodbend and Winterburn Point development in the Edmonton area. In addition to the properties completed, we have 5 buildings totaling 81,755 sf in active development.

Fair value gains on properties under active development are recognized throughout the active development process until the property is recognized at fair market value. From development we generated \$3.81 million in fair value gains comparative to \$4.98 million recognized in fair value gains from construction activity in 2023.

We have over 101 years of experience in Alberta's cyclical economy. Throughout this time, we have managed through many downturns and have learned to not only weather the cycle, but to make our business stronger by recognizing and participating in opportunities while balancing our risk and exposure. All economic indicators point to upward momentum in Alberta's economy and we are well-positioned to participate in opportunities while also maintaining our conservative approach to real estate development.

## INVESTMENT PROPERTIES PORTFOLIO

Melcor acquires and owns a portfolio of high-quality residential, office, retail, and industrial properties, which are held as long-term investments. The Properties division manages and leases these Melcor-owned properties in addition to the 35 assets held in the Melcor REIT. In total, Properties team manages 4.76 million sf GLA in commercial revenue-generating properties and 452 residential units located across Western Canada and the southern United States. In 2024, this segment accounted for 13% of consolidated revenues (2023- 13%).

The following tables detail Melcor's investment property holdings at December 31, 2024:

Commercial Properties	Year Acquired	Type	GLA (JV %) <sup>2</sup>	% Leased <sup>3</sup>	
				2024	2023
<b>CANADA</b>			<b>717,384</b>	<b>85</b>	<b>88</b>
Campsite	2016	Industrial	13,654	100	100
Chestermere	2022	Retail	11,345	59	59
Clearview Market <sup>1</sup>	2012-20	Retail/Office	47,431	91	91
Greenwich	2021	Retail	99,861	80	72
Jensen Lakes	2018	Retail	99,138	94	93
Kingsview Commercial <sup>1</sup>	2020	Retail	18,860	100	100
Kingsview Market	2020	Retail	17,066	100	100
McKenzie Industrial	2014	Industrial	67,274	94	82
Robertson Gallery	2008	Retail	6,000	100	100
Shoppes of Jagare Ridge <sup>1</sup>	2018	Retail	34,662	95	95
Stoneycreek <sup>1</sup>	2014	Retail/Office	66,528	90	94
The District	2019	Retail	58,039	98	87
Village at Blackmud Creek	2019	Office	56,524	97	93
Vista Ridge	2021	Retail	4,974	100	100
Woodbend	2019-22	Retail	77,773	87	33
Yardstick <sup>1</sup>	2016	Office	—	N/A	96
<b>USA</b>			<b>517,758</b>	<b>78</b>	<b>80</b>
Chauncey	2014	Office	34,807	75	75
Evans	2015	Office	47,666	100	93
Glendale	2018	Office	129,216	100	86
Inverness	2016	Office	95,127	70	83
Promenade	2016	Office	128,383	64	68
Syracuse	2016	Office	82,559	65	83
Total @ 100% ownership			1,509,204	86	83
Total net of JV ownership			1,235,170	85	83

1. Owned through joint arrangement. GLA at Melcor %.
2. Gross leasable area is updated periodically, typically as leases renew.
3. Based on gross leasable area.
4. As of December 20, 2024 104th Street was sold for gross proceeds of \$0.97 million at JV% (\$2.90 million at 100%).

Residential Properties	Location	Units	% Leased		
			2024	2023	
Edward Street Apartments	Edmonton, AB	2006	11	100	91
Northridge Apartments	St. Albert, AB	2016	72	100	96
The Edge at Grayhawk <sup>2</sup>	Scottsdale, AZ	2011	60	93	100
The Shores <sup>4</sup>	Scottsdale, AZ		1	n/a	n/a
Watergrove <sup>1</sup>	Calgary, AB	1995	308	100	100
<b>Total</b>			<b>452</b>	<b>99</b>	<b>98</b>

1. Watergrove is a land lease community that Melcor manages for Melcor REIT.
2. 14 units at The Edge were sold in 2024 for \$6.13 million (US\$4.74 million \$4.55 million (US\$3.58 million) net of transaction costs).

Parking Lots	Location	Year Acquired	Number of Stalls
104th Street	Edmonton, AB	2001	28
102nd Street	Edmonton, AB	2009	45
Executive Terrace	Regina, SK	2007	83
Melcor Centre	Lethbridge, AB	2007	860
Leon Lot	Kelowna, BC	2007	26
Richter Street	Kelowna, BC	2007	22
Royal Bank	Edmonton, AB	2005	330
Northridge Place	St. Albert, AB	2016	85
Yardstick	Edmonton, AB	2015	6
Village at Blackmud Creek	Edmonton, AB	2013/2016	432
Stoney Creek	Fort McMurray, AB	2013	832
<b>Total</b>			<b>2,749</b>

Development Sites	Location	Year Acquired	Size (Sf)
124 Street Area	Edmonton, AB	1999	7,740
Jasper Avenue Park	Edmonton, AB	2005	7,740
Market Tire Site	Edmonton, AB	2011	27,000

For a list of Melcor REIT owned properties that the Properties team manages under Property Management and Asset Management agreements, refer to the Melcor REIT 2025 Annual Information Form, incorporated by reference.

### Seasonality

The Properties division enters long-term leases, thus seasonal variation is minimal compared to weather-dependent divisions.

For additional information regarding the Properties division see the Melcor and Melcor REIT 2024 management's discussion and analysis incorporated by reference in this AIF and filed on [www.sedarplus.ca](http://www.sedarplus.ca).

### MELCOR REIT

Melcor REIT is an unincorporated, open-ended real estate investment trust that owns 3.05 million sf of GLA throughout western Canada. See Melcor REIT's 2025 Annual Information Form, which is incorporated by reference and is located at [www.sedarplus.ca](http://www.sedarplus.ca).

In 2024, this segment accounted for 20% of consolidated revenues (2023 - 22%).

## GOLF

Melcor owns and manages three 18-hole championship golf courses in Alberta and British Columbia, and has a 50% interest in a fourth course managed by a third party as follows:

Golf Course	Ownership	Location
<b>The Links at Spruce Grove</b>	100%	Spruce Grove, AB
<b>Black Mountain Golf Club</b>	100%	Kelowna, BC
<b>Lewis Estates Golf Course</b>	60%	Edmonton, AB
<b>Jagare Ridge Golf Club<sup>1</sup></b>	50%	Edmonton, AB

1. *Managed by third party.*

### Competitive Conditions

There are a significant number of golf courses in both the Edmonton area and in Kelowna, BC, leading to pressure to remain competitively priced and offer a great golf experience. In spite of challenging competitive conditions and unpredictable weather conditions over the golf season, Melcor's golf courses remain profitable.

Our competitive advantage is that our golf courses are optimized to balance consistent playing conditions and player experience while paying close attention to the bottom line.

### Seasonality

This division is significantly impacted by weather conditions. Revenue is highly dependent on the number of golf rounds that can be sold throughout the golf season and maintenance and operations costs can be impacted by precipitation and weather patterns throughout the whole year as well as severe weather events.

For additional information regarding the Golf division, see Melcor's 2024 management's discussion and analysis, incorporated by reference in this AIF and filed on [www.sedarplus.ca](http://www.sedarplus.ca).

# DIVIDENDS | CAPITAL STRUCTURE | MARKET FOR SECURITIES

## Dividends

In setting dividends, Melcor's Board of Directors considers relevant factors such as company performance and financial condition, earnings, availability of cash and capital requirements. The board determines the timing and amount of future dividends on Melcor's common shares based on these factors.

The following table sets forth the cash dividends paid out per common share:

Per common share	2024	2023	2022
Payable on or before March 31	\$0.11	\$0.16	\$0.10
Payable on or before June 30	\$0.11	\$0.16	\$0.10
Payable on or before September 30	\$0.11	\$0.16	\$0.12
Payable on or before December 31	\$0.11	\$0.16	\$0.12
Total	\$0.44	\$0.64	\$0.44

## General Description of Capital Structure

Melcor has the following share capital:

- Unlimited Voting Common Shares (30,367,626 issued and outstanding as at December 31, 2024)
- Unlimited Non-Voting Common Shares (none issued)
- Unlimited Non-Voting First Preferred Shares (none issued)

## Market For Securities

Melcor's common shares are listed on The Toronto Stock Exchange (TSX) under the symbol "MRD". Trading information (TSX platform only) for the period January 1, 2024 to December 31, 2024 is set out below:

	High	Low	Close	Volume
January	\$ 11.90	\$ 11.74	\$ 11.76	147,300
February	\$ 12.10	\$ 11.87	\$ 11.90	129,500
March	\$ 11.62	\$ 11.50	\$ 11.53	139,500
April	\$ 11.66	\$ 11.56	\$ 11.64	111,500
May	\$ 11.95	\$ 11.81	\$ 11.85	220,900
June	\$ 11.95	\$ 11.86	\$ 11.87	297,100
July	\$ 12.62	\$ 12.23	\$ 12.46	121,300
August	\$ 12.82	\$ 12.70	\$ 12.75	119,600
September	\$ 13.39	\$ 13.25	\$ 13.31	126,300
October	\$ 13.39	\$ 13.28	\$ 13.39	125,700
November	\$ 13.35	\$ 13.29	\$ 13.35	115,000
December	\$ 13.24	\$ 12.94	\$ 13.11	117,700

## DIRECTORS & OFFICERS

### Directors

Each director holds office from the date of election until the next annual general meeting of the shareholders. The following table lists the directors of Melcor, their province of residence, period of service as a director and their principal occupation during the five preceding years:

Name and Municipality of Residence	Position with Melcor	Principal Occupation	Director Since
<b>Douglas Goss</b> Edmonton, Alberta	Director	Counsel at Bryan & Company LLP	2021
<b>Andrew J. Melton<sup>1</sup></b> Calgary, Alberta	Director	2022: REIT CEO 2017-19: REIT CEO	1985
<b>Kathleen M. Melton<sup>1</sup></b> Calgary, Alberta	Director	Corporate Director	2016
<b>Timothy C. Melton<sup>1</sup></b> Edmonton, Alberta	Executive Chair & CEO	Chair & CEO, Melcor Developments	1973
<b>Bruce Pennock</b> Edmonton, Alberta	Director	Partner at Pennock Acheson Nielsen Devaney LLP	2021
<b>Janet Riopel</b> Edmonton, Alberta	Director	President & CEO, Treyl Communications Inc.	2022
<b>Catherine M. Roozen</b> Edmonton, Alberta	Director	Director & Secretary, Cathton Investments Ltd.	2007
<b>Ralph B. Young</b> Edmonton, Alberta	Director	Corporate Director	1976

1. Mr. Tim Melton, Mr. Andrew Melton and Ms. Kathleen Melton are not considered independent based on their positions or relationship to Melcor executives.

All directors have held the principal occupation indicated above for the previous 5 years except as noted.

Melcor's directors were elected at a meeting of the Shareholders on June 25, 2024, and will hold office until Melcor's next annual general meeting of Shareholders, unless they resign or are removed by Shareholders prior to such time.

### Committee Composition 2024

Director	Audit Committee	Compensation & Governance Committee
<b>Douglas Goss</b>	—	✓
<b>Andrew Melton</b>	—	—
<b>Kathleen Melton<sup>1</sup></b>	—	✓
<b>Timothy Melton</b>	—	—
<b>Bruce Pennock</b>	✓ Chair	—
<b>Janet Riopel</b>	✓	—
<b>Catherine M. Roozen</b>	✓	✓ Chair
<b>Ralph Young</b>	—	✓

1. Ms. Melton does not participate or have a vote on compensation matters.

### Executive Officers

The following table lists the executive officers of Melcor as at December 31, 2024, their province of residence, period of service as an executive officer and their principal occupation during the five preceding years

Name and Municipality of Residence	Position with Melcor	Prior 5 Years	Since
<b>Timothy C. Melton</b> <b>Edmonton, Alberta</b>	Executive Chair & CEO	Executive Chair CEO (2021-)	1973
<b>Naomi M. Stefura CA</b> <b>Edmonton, Alberta</b>	COO and CFO	COO & CFO (2023-) EVP & CFO (2021-23) CFO (2016-21)	2008

The Directors and Executive Officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 19,965,303 (66%) of Melcor's outstanding common shares as at March 13, 2025.

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## ADDITIONAL INFORMATION

### Transfer Agent & Registrar

Odyssey Trust Company is Melcor's transfer agent and registrar. Odyssey Trust Company provides services to Melcor shareholders.

### Legal Proceedings & Regulatory Actions

Except for the approval of the Court sought in connection with the Arrangement Agreement in 2024 and except as anticipated to be sought in connection with the New Arrangement, Melcor is not aware of any existing or contemplated legal proceedings to which it is or was a party to, or to which any of its properties is or was the subject of, outside the normal course of business.

Melcor is involved in various claims and litigation as a regular part of its business. Management believes that the resolution of these claims and litigation (which in certain cases are covered by insurance, subject to applicable deductibles) will not have a material adverse effect on its financial position or results of operations.

### Interest Of Management & Others in Material Transactions

To Melcor's knowledge, no director or executive officer of Melcor, or any of their associates or affiliates has any material interest, directly or indirectly, in any transaction within the three most recently completed fiscal years that has materially affected or will materially affect Melcor.

### Names & Interests of Experts

PricewaterhouseCoopers LLP, Chartered Accountants, Suite Stantec Tower, 10220 103rd Avenue NW Edmonton, Alberta, T5J 0K4, are Melcor's independent external auditors. PricewaterhouseCoopers LLP are independent of Melcor in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Altus Group Limited, Suite 600, 10250 101 Street NW, Edmonton, Alberta, T5J 3P4, are Melcor's independent valuers. Altus Group Limited, a member of the Appraisal Institute of Canada, prepares and certifies a report with respect to the valuation of Melcor's investment properties as required to be presented in accordance with International Financial Reporting standards. Altus Group Limited is independent of Melcor in accordance with the Canadian Uniform Standards of Professional Appraisal Practices, which regulates the Appraisal Institute of Canada.

### Material Contracts

Melcor did not enter into any material contracts outside the ordinary course of business in 2024.

### Additional Information

Additional information relating to Melcor's business is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) or under the 'Investor Relations' tab on Melcor's website at [www.melcor.ca](http://www.melcor.ca).

Additional financial information about Melcor is provided in the comparative consolidated financial statements and management's discussion and analysis in the annual report for the year ended December 31, 2024.

You will find information on directors' and officers' remuneration, the principal holders of Melcor shares, and the number of shares that are authorized for issuance under our equity compensation plans in our 2025 information circular.

Copies of these documents and any other documents incorporated by reference, additional interim financial statements for periods subsequent to December 31, 2024 and additional copies of this Annual Information Form are available on request.

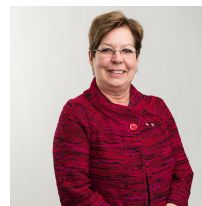
Please direct your request for materials to:

<b>By Mail:</b>	Investor Relations 900, 10310 Jasper Avenue Edmonton, Alberta T5J 1Y8
<b>By Phone:</b>	1-855-673-6931
<b>By Fax:</b>	780-426-1796
<b>By Email:</b>	<a href="mailto:ir@melcor.ca">ir@melcor.ca</a>

# AUDIT COMMITTEE



**BRUCE PENNOCK**



**CATHERINE ROOZEN**



**JANET RIOPEL**

## Audit Committee Charter

The Audit Committee Charter is attached as Appendix A. The Audit Committee Chair Position Description is attached as Appendix B.

## Composition of the Audit Committee

The Board of Directors believes that the current composition of the Audit Committee reflects a high level of financial literacy and expertise. Each member of the Audit Committee has been determined by the Board to be “financially literate” and “independent” as defined under NI 52-110.

The 2024 Audit Committee was comprised of:

Member	Relevant Education & Experience
Bruce Pennock, CA <i>Chair</i> Member since 2021 Independent Financially Literate	Bruce has extensive experience in providing audit, accounting and business advisory services to large family-owned enterprises, private equity-backed organizations and publicly traded entities. Prior to founding Pennock Acheson Nielsen Devaney LLP in 1995, Bruce was a partner with the international accounting firm of Deloitte, where he served as director for 15 years, served on three of the firms strategic planning committees and chaired the Canadian firms Consumer Products Committee.  As a member of the Institute of Chartered Accountants of Alberta, Bruce has sat on both the Canadian Institute’s Auditing Standards Committee and the Provincial institute’s committee dealing with financial reporting for Credit Unions.  He has a Bachelor of Commerce from the University of Alberta and a CA designation from the Alberta Institute of Chartered Accountants.
Catherine Roozen Member since 2007 Independent Financially Literate	Ms. Roozen is a graduate of the University of Alberta where she served as a Governor from 1998 to 2005. Since 1981, she has been a Director and the Corporate Secretary of Cathton Investments Ltd. and The Allard Foundation Ltd. Ms. Roozen currently serves as a director of EPCOR Utilities and was previously a director of Corus Entertainment.
Janet Riopel, ICD.D Member since 2022 Independent Financially Literate	Ms. Riopel is the President & CEO of TREYL Communications Inc. She has deep roots in the Edmonton business community and considerable experience in managing complex, multi-stakeholder projects. Most recently, Ms. Riopel was the President & CEO of the Edmonton Chamber of Commerce. Ms. Riopel was a recipient of both the Queen’s Platinum and Golden Jubilee medals.

## Preapproval Policy

The Audit Committee pre-approves the annual audit plan and non-audit services performed by the independent auditor in order to ensure that the provision of such services does not impair the auditor’s independence. Unless a type of service to be provided by the independent auditor has received general pre-approval, it will require specific pre-approval by the Audit Committee. Any proposed service exceeding pre-approved cost levels requires specific pre-approval by the Audit Committee.

## External Auditor Fees

PricewaterhouseCoopers LLP (or their predecessors) have been Melcor’s Auditors since the company went public in 1968. During the past 2 years, Melcor has paid the following fees to its auditors:

	2024	2023
Audit fees	\$ 341,438	\$ 323,313
Audit-related fees <sup>1</sup>	\$ 261,615	\$ 264,183
Tax fees <sup>2</sup>	\$ 92,020	\$ 139,903
Internal Controls Compliance	\$ –	\$ –
All other fees	\$ –	\$ –
<b>Total</b>	<b>\$ 695,073</b>	<b>\$ 727,399</b>

1. *Audit related fees include fees for subsidiary companies, joint arrangements, and building operating statements and homeowners associations. Audit fees in 2023 also include fees related to the CSAE 3000 report issued related to internal controls testing.*
2. *Tax fees include tax compliance services and tax advisory and planning services.*



# APPENDIX A

## AUDIT COMMITTEE CHARTER

The term "**Company**" refers to Melcor Developments Ltd. and its subsidiaries and the term "**Board**" refers to the board of directors of the Company.

### **PURPOSE**

The Audit Committee (the "**Committee**") is a standing committee appointed by the Board to assist the Board in fulfilling its oversight responsibilities with respect to the Company's financial reporting including responsibility to:

- oversee the integrity of the Company's consolidated financial statements and financial reporting process, including the audit process and the Company's internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- oversee the performance, qualifications, independence and compensation of the Company's external auditors;
- oversee the work of the Company's financial management and external auditors in these areas;
- provide an open avenue of communication between the external auditors, the Board and the officers (collectively, "Management") of the Company.

In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board.

### **COMPOSITION AND PROCEDURES**

In addition to the procedures and powers set out in any resolution of the Board, the Committee will have the following composition and procedures:

#### **1. Composition**

The Committee shall consist of no fewer than three members. None of the members of the Committee shall be an officer or employee of the Company or any of its subsidiaries and each member of the Committee shall be an "independent director" (in accordance with the definition of "independent director" established from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Company's shares are listed for trading).

#### **2. Appointment and Replacement of Committee Members**

Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on the Committee by election from among its members. The Board shall fill any vacancy if the membership of the Committee is less than three directors. If and whenever a vacancy shall exist on the Committee, the

remaining members may exercise all its power so long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be elected by the Board annually and each member of the Committee shall hold office as such until the next annual meeting of shareholders after his or her election or until his or her successor shall be duly elected and qualified. The Chair of the Committee shall be designated by the Board.

#### **3. Meetings**

Regular meetings of the Committee are held at least 4 times each year. Committee meetings may be called by the Committee Chair or by a majority of the Committee members. At any meeting of the Committee, a quorum of at least two committee members must be present for the Committee to exercise any of its powers. Meetings may be conducted with members present, or by telephone or other communication facilities which permit all persons participating in the meeting to communicate with each other.

#### **4. Financial Literacy**

All members of the Committee must be "financially literate" (as that term is interpreted by the Board in its reasonable judgment or as may be defined from time to time under the requirements or guidelines for audit committee service under securities laws and the rules of any stock exchange on which the Company's shares are listed for trading) or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

#### **5. Chair**

The Chair of the Committee shall have the duties and responsibilities set forth in Appendix "II".

#### **6. Separate Executive Meetings (in camera sessions)**

The Committee meets at least once every quarter, and more often as warranted, with the Chief Financial Officer and with the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

#### **7. Professional Assistance**

The Committee may retain special legal, accounting, financial or other consultants to advise the Committee at the Company's expense.

#### **8. Review of Charter and Audit Committee Disclosures**

The Committee will periodically review and reassess the adequacy of this Charter as it deems appropriate and

recommend changes to the Board. The Committee will evaluate its performance with reference to this Charter.

The Committee will approve the form of disclosure of this Charter and any Audit Committee information, where required by applicable securities laws or regulatory requirements, in the annual proxy circular or annual report of the Company.

#### 9. Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

#### 10. Reporting to the Board

The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

#### **SPECIFIC MANDATES OF THE COMMITTEE**

The Committee shall have authority over, and shall be responsible for the following specific matters:

##### **I. External Auditors**

- (a) Oversee the work and review the performance and qualifications of the external auditors of the Company who are accountable to the Committee and the Board as the representatives of the shareholders of the Company, and make recommendations to the Board as to the reappointment or appointment of the external auditors of the Company to be proposed in the Company's proxy circular for shareholder approval and shall have authority to terminate the external auditors. In performing this oversight and review, the Committee will:
  - i. At least annually, obtain and review a report by the external auditors describing (A) the external auditors' internal quality control procedures; (B) any material issues raised by the most recent internal quality control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues; and (C) (to assess the auditors' independence) all relationships between the external auditors and the Company;
  - ii. Take into account the opinions of management; and
  - iii. Review and evaluate the Lead Partner of the external auditors.
- (b) review the reasons for any proposed change in the external auditors of the Company which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed replacement auditors before making its recommendation to the Board;
- (c) approve the annual audit plan, terms of engagement and the compensation to be paid by the Company to the Company's external auditors;
- (d) review the independence of the Company's external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
- (e) adopt policies and procedures for the pre-approval of all audit and permitted non-audit services to be provided to the Company or any of its affiliates by the external auditors or any of their affiliates, subject to any de minimus exception allowed by applicable law; the Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this subsection;
- (f) review the disclosure with respect to its pre-approval of audit and non-audit services provided by the Company's external auditors;
- (g) approve any hiring by the Company or its subsidiaries of employees or former employees of the Company's external auditors;
- (h) review a written or oral report describing:
  - i. critical accounting policies and practices to be used in the Company's annual audit,
  - ii. alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Company's management and that are significant to its consolidated financial statements, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors, and
  - iii. other material written communication between the Company's external auditors and the Company's management, such as any management letter or schedule of unadjusted differences;
- (i) review with the external auditors and the Company's management the general audit approach and scope of proposed audits of the consolidated financial statements of the Company, the objectives, staffing, locations, coordination and reliance upon the Company's management in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits;
- (j) if a review engagement report is requested of the external auditors, review such report before the release of the Company's interim consolidated financial statements;
- (k) discuss with the external auditors any difficulties or disputes that arose with the Company's management during the course of the audit, any restrictions on the scope of activities or access to requested information and the adequacy of the Company's management's responses in correcting audit-related deficiencies;

##### **II. Financial Disclosure**

- (a) review with the external auditors and the Company's management:
  - i. the Company's audited consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements, the annual report, the annual information form, the financial

- information of the Company contained in any prospectus or information circular or other disclosure documents or regulatory filings, or any other disclosures relating to financial information of the Company, the recommendations for approval of these documents from the CEO and CFO of the Company and based on such recommendations provide, where applicable, its own recommendations to the Board for their approval and release to the public;
- ii. the Company's interim consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements and any other disclosures relating to financial information, the recommendations for approval of these documents from the CEO and CFO of the Company and based on such recommendations provide, where applicable, its own recommendations to the Board for their approval and release to the public;
  - iii. the quality, appropriateness and acceptability of the Company's accounting principles and practices used in its financial reporting, changes in the Company's accounting principles or practices and the application of particular accounting principles and disclosure practices by the Company's management to new transactions or events;
  - iv. all significant financial reporting issues and judgments made in connection with the preparation of the Company's consolidated financial statements, including the effects of alternative methods in respect of any matter considered significant by the external auditor within generally accepted accounting principles on the consolidated financial statements;
  - v. the effect of regulatory and accounting initiatives on the Company's consolidated financial statements and other financial disclosures;
  - vi. any reserves, accruals, provisions or estimates that may have a significant effect upon the consolidated financial statements of the Company;
  - vii. the use of special purpose entities and the business purpose and economic effect of off balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Company and their impact on the reported financial results of the Company;
  - viii. any legal matter, claim or contingency that could have a significant impact on the consolidated financial statements, the Company's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Company's consolidated financial statements;
  - ix. any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Committee by the CEO and CFO during their certification process in documents filed with applicable securities regulators;
  - x. review the treatment for financial reporting purposes of any significant transactions that are not a normal part of the Company's operations;
  - xi. the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles;
- (b) review and resolve disagreements between the Company's management and its external auditors regarding financial reporting or the application of any accounting principles or practices;
  - (c) receive from the CEO and the CFO of the Company a certificate certifying in respect of each annual and interim report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws;
  - (d) review and discuss with management the Company's guidelines and policies with respect to risk assessment and the Company's major financial and business risk exposures and the steps taken to monitor and control such exposures;
  - (e) review earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Company gives earning guidance (if applicable);
  - (f) receive quarterly a report from the Company's internal auditor (if applicable).

### III. Insurance

- (a) review periodically insurance programs relating to the Company and its investments;

### IV. Internal Audit

- (a) review periodically management's decision related to the need, scope and sourcing for an internal audit function.

### V. Internal Controls

- (a) review the adequacy and effectiveness of the Company's internal accounting and financial controls based on recommendations from the Company's management and the external auditors for the improvement of accounting practices and internal controls;
- (b) oversee compliance with internal controls and the Code of Business Conduct, particularly as it relates to financial reporting;
- (c) review and approve the expense accounts of the Chair of the Board. This function may be delegated to the Chair of the Committee.

### VI. Compliance

- (a) review with the Company's Chief Financial Officer, other members of management and the external auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Company's financial statements or accounting policies;

- (b) review with the Company's external legal counsel matters that may have a material impact on the financial statements or accounting policies;
- (c) establish procedures for:
  - i. the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters;
  - ii. the confidential, anonymous submission by employees of the Company with concerns regarding any accounting or auditing matters.
- (d) on an annual basis review compliance with the Disclosure Policy of the Company; and
- (e) on a periodic basis, review reports on the Company's information technology systems that support the financial reporting process, including a periodic review of cybersecurity risk.

#### **VII. Other Items**

- (a) on an annual basis review and assess Committee member attendance and the Committee's performance and report thereon to the Board and review this Charter and, if required implement amendments to this Charter;
- (b) review, as required, any claims of indemnification pursuant to the by-laws of the Company;
- (c) on a quarterly basis review any related party transactions and the development of policies and procedures related to those transactions;

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## **APPENDIX B**

### **POSITION DESCRIPTION – AUDIT COMMITTEE CHAIR**

The Chair of the Audit Committee of Melcor Developments Ltd. has the duties and responsibilities described below:

- Provide overall leadership to facilitate the effective functioning of the Committee, including:
  - Overseeing the structure, composition, membership and activities delegated to the Committee;
  - Chairing every meeting of the Committee and encouraging free and open discussion at meetings of the Committee;
  - Setting the agenda for Committee meetings with input from Committee members and management as appropriate;
  - Facilitate the timely distribution of meeting materials and minutes;
  - encouraging Committee members to ask questions and express viewpoints during meetings; and
  - taking all other reasonable steps to ensure that the responsibilities and duties of the Committee, as outlined in its Charter, are well understood by the Committee members and executed as effectively as possible.
- Foster ethical and responsible decision making by the Committee and its individual members;
- Encourage the Committee to meet in separate, regularly scheduled in camera sessions with the independent auditors, without the presence of management; and.
- Following each meeting of the Committee, report to the Board of Directors on the activities, decisions and recommendations of the Committee.