Management's Discussion & Analysis

March 13, 2025

The following discussion of Melcor's financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2024.

The financial statements underlying this MD&A, including 2023 comparative information, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) unless otherwise noted. All dollar amounts included in this MD&A are Canadian dollars unless otherwise specified.

The statement of financial position is presented without reference to current assets or current liabilities. The operating cycle of an entity involved in real estate investment and development is normally considered to be longer than one year. As a result, the financial statements are presented in order of liquidity, rather than classified between current and non-current as this is more relevant and reliable.

Melcor's Board of Directors, on the recommendation of the Audit Committee, approved the content of this MD&A on March 13, 2025.

Other Information

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

Non-standard Measures

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

Forward-looking Statements

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

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

This MD&A and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent Melcor's intentions, plans, expectations, and beliefs and are based on our experience and our assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Forward-looking statements may involve, but are not limited to, comments with respect to our strategic initiatives for 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 under Business Environment and Risks in our annual MD&A.

Melcor is party to an agreement, pursuant to which, among other things, Melcor has proposed to acquire its unowned equity interest (approximately 45%) in Melcor REIT Limited Partnership (REIT LP) for $5.50 per unit in cash consideration, the proceed from which Melcor Real Estate Investment Trust (the REIT) proposes to redeem and cancel the outstanding participating trust units of the REIT. The transaction pursuant to the agreement is structured as a statutory plan of arrangement under the Business Corporations Act (Alberta) (the New Arrangement). There can be no assurances that the New Arrangement will be completed on the terms set out in the agreement or within the expected timeframe, or at all. Additional risk factors will be set out herein and refer to the REIT management information circular, which will be mailed to holders of REIT Units and Special Voting Units, and will be available on SEDAR+ at sedarplus.ca, in the coming weeks.

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

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Our Business

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

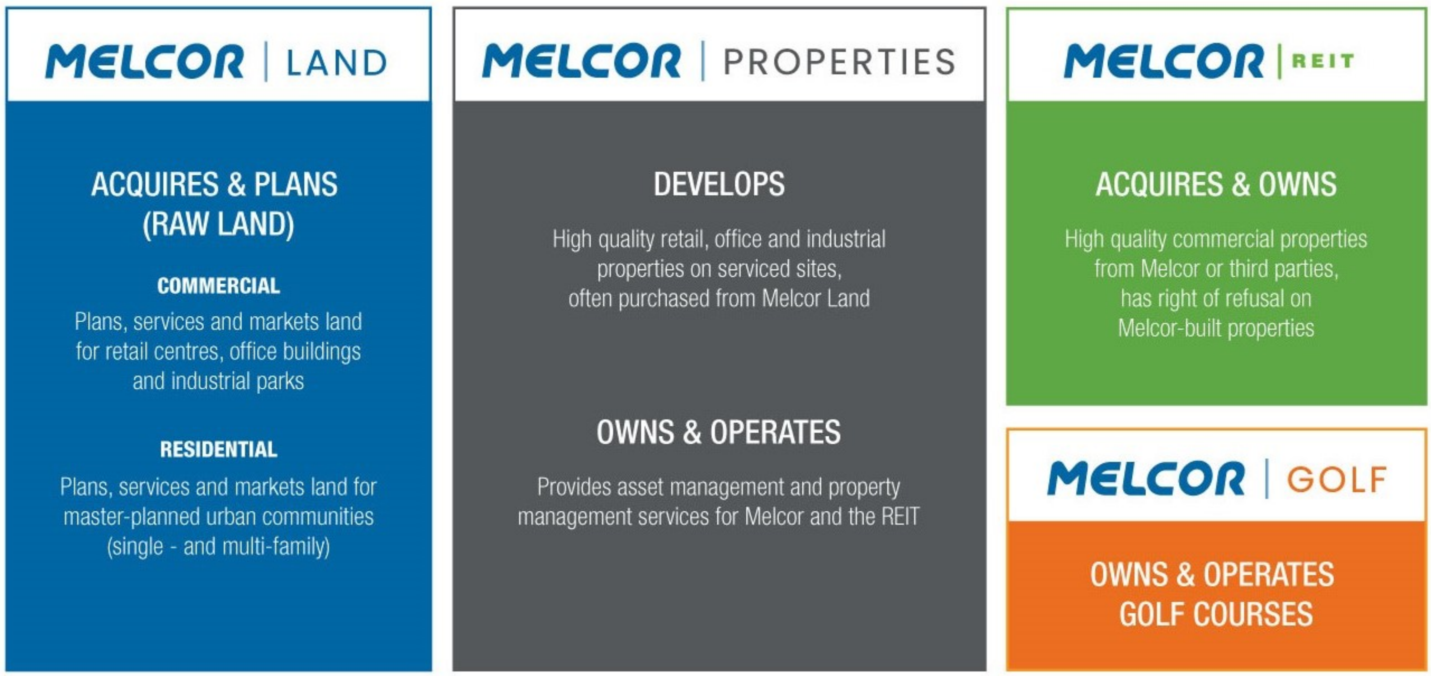
Since 1923, our focus has been the business of real estate. We've built over 170 communities and commercial projects across western Canada since the 1950s and have helped to shape much of Alberta's landscape. We manage 4.76 million square feet (sf) in commercial real estate assets and 452 residential rental units. We have been a public company since 1968 (TSX:MRD). Melcor has $2.11 billion in assets.

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

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

1. Land: acquires raw land and plans residential communities and commercial developments
2. Properties: operates a portfolio of commercial and residential properties and development of commerical properties.
3. REIT: has an established and diversified portfolio of 35 income-producing office, retail and industrial properties representing 3.05 million sf in gross leasable area.
4. Golf: owning and operating championship golf courses associated with our residential communities.
5. Corporate: orchestrates strategic planning, financial governance, risk mitigation guiding the organization though dynamic market shifts towards sustained and adaptive success.

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



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

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

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

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

Melcor REIT Transaction

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

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%, paid semi-annually and is prepayable, in whole or in part, at anytime prior to maturity with no penalty and will be postponed and subordinate to amounts advanced by the REIT's senior lenders. This loan is eliminated upon 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").

On March 5, 2025, the REIT and Melcor announced jointly that they have entered into voting support agreements with each of Telsec Property Corporation, Richard Van Grieken, Bonnie Van Grieken and Kris Van Grieken (collectively, the "Telsec Group") and FC Private Equity Realty Management Corp. and its affiliates (collectively, the "FC Group") in connection with Melcor's proposed acquisition of Melcor REIT. Pursuant to the voting support agreements, each of the Telsec Group and the FC Group have, among other things, agreed to vote (or cause to be voted) all of the trust units owned by them, or over which they have control or direction, in favour of the Amended Arrangement at the Special Meeting scheduled for April 11, 2025. The Voting Support Agreements contain customary representations, warranties, covenants and termination provisions for agreements of this nature. The Telsec Group and the FC Group collectively own or exercise control or direction over approximately 4.1 million REIT trust units.

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 and is on the REIT website at https://melcorreit.ca/special-meeting/.

Strategy

Our fundamental goals are to:

- protect shareholder investment through prudent risk management and careful stewardship of company assets
- grow shareholder value by achieving strong operating performance and return on invested capital
- distribute profit to shareholders through a reliable dividend
- promote a strong and healthy corporate culture by taking care of our exceptional team
- build strong and positive relationships with our stakeholders

Our operating focus is to deliver high quality products and industry-leading value in each of our divisions: developing master-planned communities, constructing and leasing commercial properties, managing our income-generating portfolio and operating championship golf courses.

We have 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. We balance our capacity to participate in strategic growth opportunities with sustaining and improving our existing businesses.

LAND: Development

In 2024, Alberta's land development sector continued to grow, supported by a strong influx of immigrants, which increased demand for housing, infrastructure, and commercial real estate. In 2024, we developed 1,126 new single-family lots and sold 1,296 across our Canadian markets. Our US region differs from Canada, in which we sold 42.46 acres of paper lots. Paper lots in the U.S. are land parcels recorded in official plans, often offering potential for future development. We continue to manage inventory levels to align with market demand.

Our Edmonton region was our largest contributor to our Land division's revenue component, contributing 44.4% to the divisions revenue, or $101.00 million (2023 - $62.67 million). Additionally, our Calgary region continued its on-going success contributing 41.9% of the Land divisions total revenues, up 11.3% over 2023 to $95.27 million (2023 - $85.57 million).

The US land model differs significantly from Canadian markets, particularly due to bulk sales in both single-family lots and paper lots, leading to year-over-year fluctuations. In 2024, we sold 42.46 acres in Arizona, contributing to our $11.56 million in revenues. No single-family lots were sold in 2024 (2023 - 234).

PROPERTIES & REIT: Property Development & Asset Management

We manage 4.76 million sf of income-generating assets in our Properties and REIT divisions, providing stable results throughout the year to smooth out the seasonal nature of our construction related divisions. Revenue from these divisions contributed 33.1% of total revenue and 42.1% of total gross profit in 2024. Our income-generating assets 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 moderate pace as pre-lease thresholds are met. We remain focused 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, grocery, pharmacy, restaurants and fast food – these retail hubs face less competition from online shopping options. In 2024, the properties team completed construction on 5 retail buildings (95,558 sf) at our Woodbend and Winterburn Point developments, both located in the Edmonton area. We have an additional 5 retail buildings (81,755 sf) under active construction and/or awaiting lease-up.

Pillars of our Strategy

The following diagram illustrates the pillars of our strategy, which are to **grow** by acquiring strategic land and property and exploring strategic opportunities to increase capital resources; to **sustain** by remaining disciplined in monitoring and managing our key performance drivers and our reputation; to **diversify** by developing real estate assets for revenue, earnings and cash flow growth and by increasing our presence in the United States. **People** are the heart of our strategy, and we commit to protecting our culture and values and taking care of our exceptional team.

Assets

Our raw and developed assets and conservative approach to debt place Melcor in a strong position to achieve our growth strategy. We will continue to develop our real estate assets to support current and future revenue, earnings and cash flow growth.

Segment	Assets	Strategy
Land	9,399 acres of raw land inventory in strategic growth corridors	Maintain right mix of inventory, available at the right time to meet market needs Increase market share by maintaining best in class design and community amenities.
Properties & REIT	4,761,750 sf of commercial property and 452 residential units under management, diversified across 4 asset classes in 2 provinces and 2 states. Completed and transferred 95,558 sf (5 buildings) in 2024 81,755 sf is currently under construction.	Improve existing assets with value-added investments to achieve higher occupancy rates and increase rent per square foot, provide high-quality service to tenants, and seek strategic acquisitions or disposition of assets. Plan, build and lease retail, office, industrial and multi-family residential real estate projects. Maintain 3-5 year inventory of developable assets. Maximize value of existing assets through vertical development or re-development.
Golf	4 championship golf courses.	Maintain strong reputation through consistent course quality and player experience. Grow revenue from food and beverage operations.

Diversification

Our operating segments diversify our revenue streams in a number of ways:

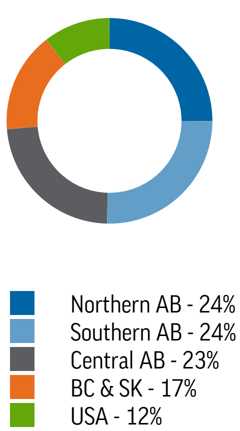
- The mix of land and property types held (residential, office, retail, industrial)
- The regional profile of our assets (Alberta, Saskatchewan, BC & western/southwestern US)
- The type of revenue each asset generates (including steady revenue from income-producing properties and revenue that fluctuates by season and by market demand)

Land is one of our most geographically diverse divisions and invests in Canada and the US to build inventory for future development. This division holds land for future residential or commercial development in strategic growth corridors. It is diversified through the life cycle phase of different land parcels: a balance is struck between lands that are immediately developable ('shovel ready'), those that will be ready for development in 3 to 5 years, and those with a development horizon of 5+ years.

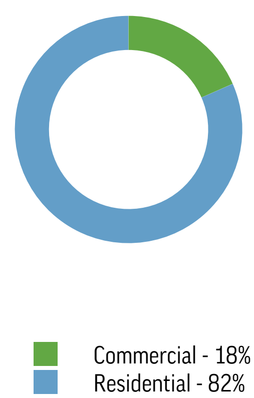
Melcor has been planning and developing innovative communities since the 1950s. We have developed over 40,000 lots in over 150 communities across Alberta, BC and the United States. We currently have 9,399 acres of land for future development (at Melcor's percentage).

LAND INVENTORY

Inventory by Region



Inventory by Land Use



Properties:

Commercial Development adds value to raw land by developing retail, office, industrial and multi-family residential properties in Alberta.

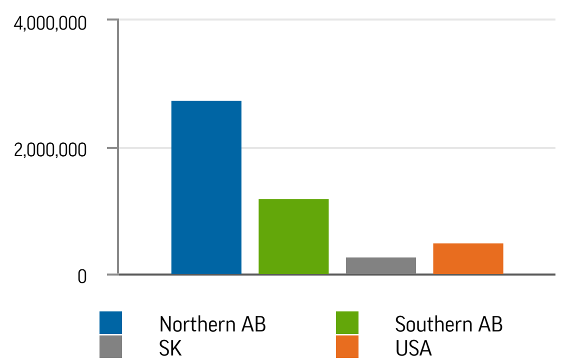
Within our Properties division, commercial development supports Melcor's strategic objectives of asset diversification, income growth and value creation by constructing income-producing developments, primarily on land acquired from the Land division. On completion, the properties are recognized at fair value, thus completing the value chain from raw land to annuity income. The REIT has the right of first offer to purchase completed and leased properties, enabling us to monetize the value created while retaining a long-term controlling interest in the asset.

Melcor has been developing commercial properties since the 1970s and has built over 2.5 million sf.

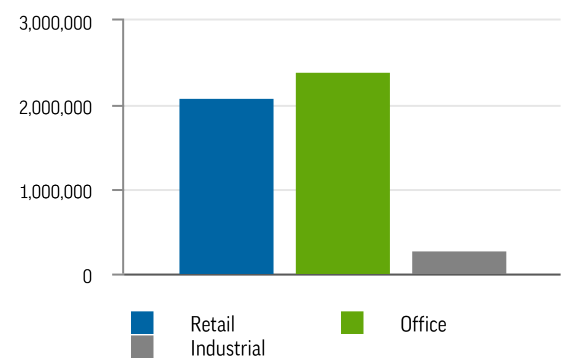
Asset & Property Management oversees 4.76 million sf of geographically diverse income-producing assets (including those owned by the REIT) to provide consistent annuity income and cash flow. Our total portfolio under management is diversified across asset class, property mix and region. The regional asset mix is primarily commercial in western Canada, with the majority of these assets owned by the REIT. Our US portfolio is a blend of residential and commercial properties. The goal of the Properties division is to provide exceptional customer care to retain tenants for the long term. We continually enhance and improve existing properties through capital investment to maximize occupancy, rental rates and tenant retention and prepare properties for vend-in to the REIT.

TOTAL GLA MANAGED

SF By Region



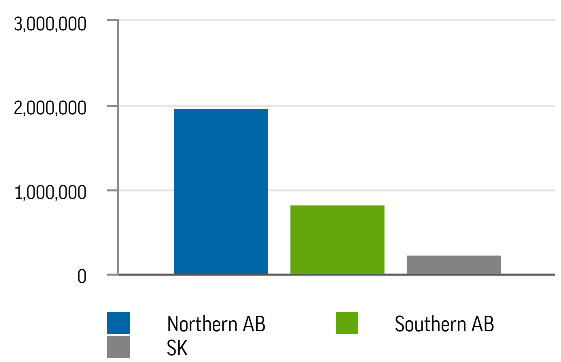
SF by Asset Class



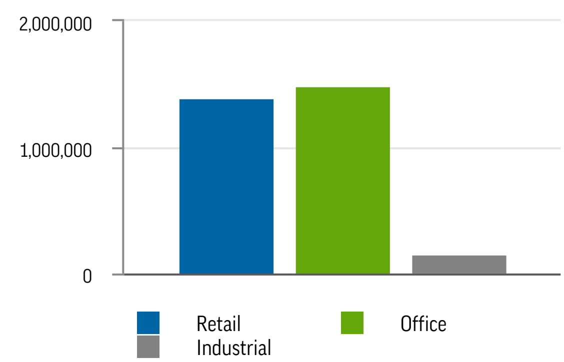
The REIT owns 3.05 million sf of income-producing assets that are managed by the Properties division. The REIT was designed to be a vehicle for realizing the value created throughout the Melcor value chain as raw land is developed for commercial use (Land) and commercial properties are built or redeveloped (Properties) and sold to the REIT. To date, the REIT has acquired over 1.0 million sf from Melcor and 745,000 sf from third parties.

TOTAL GLA OWNED BY THE REIT

SF By Region



SF By Asset Class



Key Performance Drivers

A High Performance Team

A strong and engaged workforce is a key component of achieving our growth objectives. Our team fuels our success by profitably managing residential and commercial development, continually moving future projects through the municipal approval process, managing our assets and ensuring tenant satisfaction, and developing strong relationships with our suppliers, contractors, builders, tenants and other stakeholders. The average tenure of our team is 9.90 years and we have 24 team members (8 active) on Melcor's Quarter Century Club.

Our culture is based on over 100 years of strong core values. We offer rewarding career development opportunities, competitive compensation and benefits, and employer-matched RRSP and employee share purchase programs (ESPP). Managers and the executive team also receive restricted share units (RSUs).

Real Estate Inventory

Our existing real estate inventory puts us in a good position to continue to grow our business as market demand dictates. We have:

- 9,399 acres of raw land
- 4,761,750 sf of leasable commercial property and 452 residential units under management in 2 provinces and 2 states
- 81,755 sf of property currently under development (awaiting lease-up and active construction)

We create shareholder value out of our land assets by developing them into revenue and income earning properties.

Inventory management is a critical component of our future success. Land development is a capital-intensive process requiring long time horizons to obtain permits and development agreements. As such, we closely monitor the fundamentals of the regions where we operate to ensure that we have the correct land mix to meet market demands and that the land is ready for sale when demand dictates.

Developed lot inventory

A summary of the movement in our developed land inventory follows:

	December 31, 2024				December 31, 2023			
	CANADA			USA	CANADA			USA
(including joint arrangements at 100%)	Single-family (Lots)	Multi-family (Acres)	Non-residential (Acres)	Single-family (Lots)	Single-family (Lots)	Multi-family (Acres)	Non-residential (Acres)	Single-family (Lots)
Open	606	49.83	113.48	1	714	58.19	116.33	235
Transfers	–	10.00	(11.90)	–	–	(6.17)	–	–
New developments	1,126	12.33	8.55	–	1,041	6.27	20.23	–
Internal sales	–	–	–	–	–	–	(8.92)	–
Sales	(1,296)	(37.62)	(15.45)	–	(1,149)	(8.46)	(14.16)	(234)
Year end	436	34.54	94.68	1	606	49.83	113.48	1

Our Canadian markets saw steady demand in the year. Throughout the year we brought on 1,126 (2023 - 1,041) new single-family lots, and sold 1,296 (2023 - 1,149) to our builders. Edmonton increased its revenue by 61.2% or $38.33 million, to $101.00 million in 2024. This increase was a result of an increase in single-family lot sales paired with an increase in multi-family acres sales in the year.

Calgary also continues to produce strong results, increasing its revenue $9.70 million over 2023 to $95.27 million in 2024.

The US land model differs from Canadian markets. Builders buy lots in bulk, as well as purchase paper lots. In the year, we did not sell any single-family lots and sold 42.46 acres of paper lots. Due to differing market type, sales can be lumpy and vary significantly year over year.

We remain committed to managing our risk in uncertain markets by ensuring that market demand is in place prior to proceeding with development. We are well positioned to respond to current market strength and have a strong development program in place in Canada for 2025.

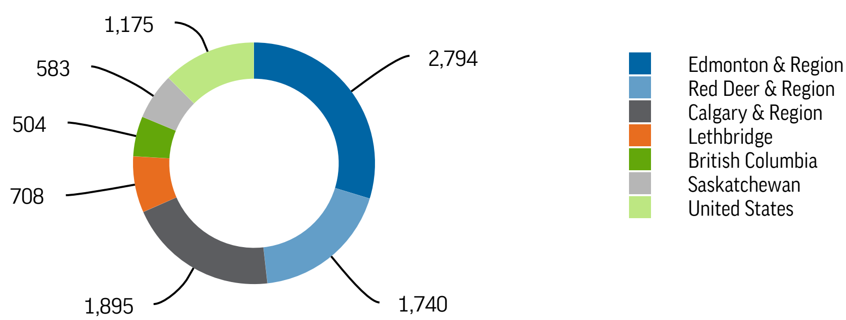
Raw land inventory

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

Land purchases (in acres, net of joint arrangement interests)	**2024**	2023	Total Holdings
Edmonton & Region	–	120	2,794
Red Deer & Region	–	–	1,740
Calgary & Region	–	–	1,895
Lethbridge	–	–	708
British Columbia	–	–	504
Saskatchewan	–	–	583
United States	–	–	1,175
	–	120	9,399

In 2024, we did not acquire any additional raw land holdings. In 2023, we purchased 80 acres of raw land in Acheson, AB for $2.40 million, and 40 acres of raw land in Leduc AB for $2.40 million. These purchases were strategic in nature for future development. While we may participate in strategic land purchase opportunities such as this, our primary focus is on harvesting our current inventory of 9,399 acres, located in our operating regions as follows:

Inventory by Region



Financial Resources

Land and property development are capital-intensive activities. We require access to sufficient capital to continue to grow, develop new land and commercial property, and participate in acquisition opportunities that fit our growth strategy. In 2024, we increased our Melcor credit facility by $50.00 million to $170.00 million, to increase financial flexibility and create liquidity.

We have developed strong relationships with our major lenders, which, combined with our capital structure and liquidity, provide the company access to financing on attractive terms in spite of fluctuating credit markets and ongoing changes in the economic environment.

We primarily use fixed rate, long-term mortgage financing on our income-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 financing secured by specific assets. At the end of 2024, Melcor had project specific financing on two commercial projects totaling $14.12 million.

Melcor funded the redemption of the REIT's $46.00 million convertible debentures on December 12, 2024, via a backstop loan which was contemplated and negotiated as part of the Arrangement Agreement. The backstop loan is an unsecured loan to the REIT LP, as borrower, up to aggregate principal amount of the debentures outstanding on redemption, with a fixed interest rate of 10.75%, paid semi-annually. The backstop loan between Melcor and the REIT and related interest is eliminated on consolidation.

Our operations are supported by a syndicated operating line of credit with total availability of $266.43 million, which margins our land development assets (raw land inventory, land under development and agreements receivable). Melcor continues to remain focussed on collecting receivables and reducing overall leverage which provides the opportunity to participate in acquisition and growth opportunities as they arise.

For additional information on our financial resources, please refer to the Financing and Liquidity & Capital Resources sections.

Corporate Sustainability

We are committed to corporate sustainability - in environmental practice, social responsibility, governance (ESG) of our company and as stewards of the areas where we operate. Attaining best practice in all aspects of our business is our constant aspiration. Our history and our culture form our strong foundation: the authentic values of a family-run organization, building deep relationships with our clients, our business partners and our employees.

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

- we are assessing the material ESG risks and opportunities that apply to Melcor 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.

The following sections detail our current practices and achievements with respect to ESG.

Environmental Commitment

Land

We consider the impact of land development on the natural environment. Our goal is to create a habitat where people, plants, birds and wildlife can flourish together. Here are a few examples of our practices and some notable developments. We use:

- low impact development techniques to reduce and absorb runoff (smaller driveways, more green space)
- unique naturalized storm water management ponds that mimic the natural environment. Now well-established in several communities, these ponds re-create a natural environment that attracts a variety of wildlife
- natural raw land features to inform the design of the community
- mature trees and native species in landscaping and require individual home purchasers to do the same to not only beautify the community, but to increase natural absorption of rain water and snow melt
- plentiful community gathering spaces - parks, playgrounds, community gardens and orchards

In addition, Melcor is a partner of Edmonton Area Land Trust, committed to preserving natural treasures like the Larch Sanctuary (Edmonton, AB).

Melcor designed and developed the environmentally intelligent subdivision of Larch Park, which featured LED street-lighting before it was commonplace, narrower roads, bio-swales, soil preservation and a construction waste management program. Larch Park amenities include a community garden, an orchard, trails with plaques about local wildlife and plant species throughout and a naturalized storm pond. The homes meet BuiltGreen Gold, LEED for Homes Gold or R2000 with a minimum Energuide rating of 80. It borders the Larch Sanctuary, a protected natural area reserve.

We are actively involved in BILD Edmonton Metro (formally known as the Urban Development Institute - Edmonton Metro (UDI)). BILD Edmonton Metro as been advocating for environmental initiatives to improve servicing standards and land use efficiency aiming to minimize our environmental footprint. This, in turn, would contribute to enhancing housing affordability though the reduction of costs associated with infrastructure construction and maintenance.

Properties

We focus on efficient buildings in our commercial property development. Knowing that we are going to manage for the long-term, we strive to construct buildings that are as energy efficient as possible. Our neighbourhood shopping centres use xeriscaping, which is landscaping designed to reduce or eliminate the need for supplemental water by using native plants and trees.

The majority of our current development projects are neighbourhood shopping centres built for the convenience of our communities. With a quick walk, you can satisfy all your basic needs.

Our property management practices are designed to improve operating efficiency and reduce cost while at the same time increasing client satisfaction and thus retention rates. Our capital spending strategy focuses on equipment upgrades and maintenance initiatives that will reduce energy consumption in our properties.

Examples of our commitment to environmental best practices include:

- All properties have LED lights
- 80% of our buildings have motion-sensing lights that turn off when no one is present
- Active recycling programs in all office buildings

We engage specialists to monitor and analyze our energy usage and identify potential improvements. Of 12 office properties benchmarked from 2012 - 2024 (Edmonton, AB) we achieved:

- a 19% reduction in electricity consumption or CO2 equivalent of 10,500 tonnes
- a 18% reduction in natural gas consumption or CO2 equivalent of 907 tonnes
- a 51% reduction in emission intensity or CO2 equivalent of 14,200 tonnes

Golf

We clear walking trails and cross country ski tracks through our golf courses to make them a year-round attraction and a benefit to the surrounding neighbourhoods. Nearby residents appreciate the practice.

Social Responsibility

Melcor has been built on relationships since 1923. Treating others with respect has always been a core value. We cultivate and greatly value our relationships with employees, tenants, clients, contractors, shareholders and the communities where we operate.

Our goal is to build places where people want to live, work, shop and play. That means amenities that help to build a sense of community for neighbourhood residents and neighbourhood shopping centres with public space for gathering.

We demonstrate social responsibility through our relationships with all stakeholders and the communities where we operate. Our commitment to customer care and solid relationships with our tenants is paramount to our property management strategy.

Diversity & Inclusion

We are committed to fostering a diverse, inclusive and safe work environment. Our people are at the heart of our strategy and one of three core values is to "empower and care for our exceptional team."

Melcor's management team is comprise of 39% are female and 15% are visible minorities. Additionally, women make up 71% of Melcor's Management Committee. The Melcor Board is comprised of 38% female trustees (3 of 7) as at December 31, 2024.

Melcor emphasizes health and wellness, including mental health. In 2019, we doubled the benefit available for psychological services to support the mental well-being of staff. In 2021 and 2022, managers participated in The Working Mind, management training for recognizing and managing mental health challenges in the workplace. Encouraging managers to check in on the mental and emotional well-being of staff has been a priority.

The focus on a positive, empowering work environment creates an engaged and dedicated workforce with 24 employees having served the company for 25+ years. The average tenure of our employees is 9.90 years.

Community Investment: Supporting Local

Being invested in the communities where we do business is an important part of who we are. As we pursue excellence in our business, we also want the communities where we do business to be the best they can be. We give where we live to build strong communities. Our giving and involvement focuses on key pillars of strong communities: education, health, youth, sports, public gathering places such as libraries, and social programs that lend a helping hand to those in need. Our employees also make meaningful contributions to local charities through fundraising activities and by volunteering their time and talent with local not-for-profit organizations.

This commitment goes beyond financial and volunteer support. We take pride in the way our properties look. Entrances to office buildings have seasonal floral arrangements, beautifying the street. We have public art installations (both temporary and fixed) in, on and around a number of our properties.

Our focus on relationships extends to our service providers. The majority of our service providers are local and many are small businesses that support our local economies.

Effective Governance

We are committed to effective corporate governance practices as a core component of our operating philosophy. Strong governance practices form the foundation of a sustainable company and long-term value creation for share- and unit-holders.

Melcor's Management Committee, which reviews and approves the projects we undertake, is 71% female.

Examples of our commitment to effective corporate governance practices include:

- a board of directors comprised of a majority of independent directors
- as the chair is related to the company, we have appointed a lead director
- 38% of directors are female; 40% of independent directors
- 50% of our executive team is female

Glossary of Acronyms

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

2024 Highlights

Readers are reminded that established key performance measures may not have standardized meaning under GAAP. For further information on Melcor's non-standard measures, non-GAAP measures, operating measures and non-GAAP ratios, refer to the non-GAAP and non-standard measures section on page 42.

($000s except as noted)	**2024**	**2023**	**Change**
Revenue	**349,501**	315,239	10.9 %
Gross margin (%)(3)	**45.0 %**	45.2 %	(0.4)%
Fair value adjustment on investment properties	**(28,439)**	(24,456)	16.3 %
Net income	**33,528**	62,980	(46.8)%
Net margin (%)(3)	**9.6 %**	20.0 %	(52.0)%
Funds from operations(1)	**93,806**	84,455	11.1 %
Shareholders' equity	**1,242,630**	1,209,578	2.7 %
Total assets	**2,108,553**	2,097,473	0.5 %
Cash from operations	**98,626**	48,808	102.1 %
Per Share Data ($)			
Basic earnings	**1.10**	2.04	(46.1)%
Diluted earnings	**1.09**	2.03	(46.3)%
Funds from operations(2)	**3.08**	2.73	12.8 %
Book value(2)	**40.92**	39.45	3.7 %
Dividends	**0.44**	0.64	(31.3)%

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.
(2) Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.
(3) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.

Consolidated revenue for 2024 was $349.50 million up 10.9% over 2023. Gross margin was 45.0%, down from 45.2% in 2023. Net income was down 46.8% to $33.53 million and FFO was up 11% to $93.81 million. Net income is impacted by non-cash fair value adjustments on investment properties which saw a loss of $28.44 million in the year (2023 - loss of $24.46 million), and adjustments related to REIT units which saw a swing of $26.65 million to a fair value loss of $14.78 million (2023 - fair value gain of $11.87 million). Management believes that FFO is a more accurate representation of true operating performance.

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. Edmonton provided the largest portion of sales, contributing 44.4% of our total land revenues at $101.00 million. Calgary continued to provide strong results contributing 41.9% of our total land revenues at $95.27 million in 2024. Our US market can be inconsistent year-over-year due to the market demands, with builders purchasing in bulk both single-family homes and paper lots. In 2024, we sold 42.46 acres of paper lots contributing $11.56 million to revenues.

Our Properties and REIT divisions accounted for 33.1% of total revenue, before intersegment eliminations compared with 35.5% in 2023. Properties revenue was up 1.3% to $118.58 million (2023 - $117.06 million) with segment earnings down 13.0% or $3.78 million. The reduction in segment earnings is a result of general and administrative expenses which increased in connection to the proposed transaction between Melcor and REIT. Individually, our G&A within our Properties division was up $0.81 million and the REIT was up $3.53 million over 2023. The REIT's general and administrative expenses were significantly impacted by the establishment of the Independent committee in the REIT and costs associated with the Arrangement Agreement.

Properties completed construction on 5 retail buildings adding 95,558 sf to our portfolio of income-generating properties. These properties are completed within our Woodbend development, located in Leduc, AB and our Winterburn Point development, located in Edmonton, AB.

Revenue in our Golf division was up 3.2% with revenue from green fees flat over 2023, and food and beverage revenues increasing 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.

Throughout the year, we maintained our conservative and disciplined approach to investment and development activities and the management of our assets and liabilities.

Investing for growth

Our Properties division completed 5 retail buildings (95,558 sf) in 2024 with a further 81,755 sf under development. These new buildings will positively impact results in future years as we continue to grow our income-generating assets. We continue to progress commercial land through the development, approvals and lease-up process and have an additional 5 buildings in 5 developments across Alberta expected to be completed in 2025 and 2026.

Asset Dispositions

- 14 residential units located at the Edge at Grayhawk located in Phoenix, AZ for gross proceeds of $6.14 million (US$4.47 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

Subsequent to year end, on February 24, 2025, we closed on the sale of Melcor Crossing, a 283,000 sf retail property located in Grande Prairie, AB for gross proceeds of $48.00 million less transaction costs. Net proceeds from the sale were used to repay the outstanding principal balance on the mortgage of $29.71 million with remaining proceeds being used to pay down the credit facilities.

Return to Shareholders

We continued to return value to our shareholders and unitholders:

Melcor Developments:

- 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.
- On March 13, 2025 we declared a quarterly dividend of $0.11 per share, payable on March 31, 2025 to shareholders of record on March 21, 2025. The dividend is an eligible dividend for Canadian tax purposes.

Melcor REIT:

- Cash distributions to unitholders of the REIT was $0.04 per unit in 2024, compared to $0.48 per unit in 2023.
- On February 22, 2024 the REIT announced the suspension of its monthly cash distribution.
- On December 20, 2024, the REIT announced a non-cash special distribution in the amount of $0.36 per outstanding trust unit to unitholders of record as at December 31, 2024. Immediately following the special distribution, the number of outstanding trust units were consolidated so that each unitholder held exactly the same number of trust units after the consolidation as each unitholder held immediately prior to the special distribution.

Revenue & Margins

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. Our Edmonton region increased its revenues 61.2% or $38.33 million to $101.00 million (2023 - $62.67 million), and our Calgary region continued its strong sales in the market increasing its revenues 11.3% or $9.70 million to $95.27 million (2023 - $85.57 million).

The average lot price on single-family lots sales in Canada increased 10.1%, from $0.17 million per lot in 2023 to $0.19 million per lot in 2024. Average selling price can vary significantly period over period depending on the type of inventory sold. Melcor strives to provide diversified lot options to our builders, which range from lakefront estate lots to townhouse/duplex products.

Revenue from our Properties and REIT divisions was up 1.3% or $1.51 million to $118.58 million (2023 - $117.06 million). Our Properties division revenue increased by 7.1% due to new developments contributing additional revenues of $2.09 million in 2024. Revenues from our REIT properties were down 2.1% or $1.57 million as a result of recent property disposals in 2024 and 2023.

Gross margin was 45.0% in 2024 compared to 45.2% in 2023. Net margin decreased to 9.6% from 20.0% in 2023. The reduction in our gross margin is a direct result of a larger portion contributed from our Land division in the current year over 2023, which has a lower margin than our Properties and REIT divisions.

Gross margin earned in our Land division remained steady at 39.3% (2023 - 39.4%). Gross profit contributed by the Land division increased to 54.9% (2023 - 52.5%) to $89.38 million (2023 - $79.46 million) as a result of increased sales in the Edmonton region and Calgary region. Land contributed to 63.7% of total revenue before eliminating entries in the year up from 61.1% in 2023. The increase in contributed revenues and gross margins impacts our consolidated margins and was the largest factor in the overall decrease in consolidated gross margin in 2024 compared to 2023.

Our Properties and REIT divisions consistently provide higher gross margins than our other operating divisions. In 2024 and 2023 the margins in these divisions were 57.8% and 57.7% respectively. In 2024, 33.1% of total revenue was from these divisions, down from 35.5% in 2023.

Net margin is impacted by swings in fair value adjustments recorded on our investment properties, REIT units and fair value adjustments on derivative financial instruments. Net income was $33.53 million, down from $62.98 million in 2023, largely as a result of fair value losses of $28.44 million on our investment properties 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. As the REIT's share price has increased over 2023, Melcor records is required to record a fair value loss related to that increase in the year. These adjustments are primarily driven by market forces outside of Melcor's control. Management believes that FFO (discussion follows) is a more accurate reflection of our true operating performance.

Gross margin and net margin are supplementary financial measures of performance. Please refer to the Non-GAAP and Non-Standard Measures section on page 42 for more information.

Funds From Operations (FFO)

Funds From Operations (FFO) is a non-GAAP measure used in the real estate industry to measure operating performance. Refer to the Non-GAAP Measures section starting on page 42. We believe that FFO is an important measure of the performance of our real estate assets. FFO per share adjusts for certain non-cash items included in income such as fair value adjustments on Properties and REIT units.

Below is a reconciliation of net income to FFO:

($000s)	Year Ended	
	December 31, 2024	December 31, 2023
Net income for the year	**33,528**	62,980
Amortization of tenant incentives	**8,217**	8,416
Fair value adjustment on investment properties	**28,439**	24,456
Depreciation of property and equipment	**1,247**	1,260
Stock based compensation expense	**1,238**	1,057
Non-cash financing costs	**3,974**	4,766
Gain on sale of assets	**(58)**	(51)
Deferred income taxes	**2,962**	(336)
Fair value adjustment on REIT units	**14,259**	(18,093)
FFO(1)	**93,806**	84,455
Per Share Data		
FFO per share(2)	**3.08**	2.73

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.
(2) Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.

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.

Finance costs, net of fair value adjustments, were down 3.9% or $1.02 million over 2023 which also had a positive impact on FFO.

Our Properties and REIT divisions (excluding fair value adjustments) remain a steady source of FFO and help to stabilize overall income; despite higher G&A costs noted above. Our Golf division has also been a stable contributor to our FFO and gross profit.

Divisional Results

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

1. **Land**, which acquires raw land for future commercial and residential community development;
2. **Properties**, which manages the construction of high-quality income properties, oversees the leasing of both commercial properties completed internally and those externally purchased maintaining a diverse portfolio of assets, including those held by REIT;
3. **REIT**, which owned and holds 35 income-producing properties; and
4. **Golf**, which owns and operates championship golf courses associated with Melcor residential communities.
5. **Corporate**, which carries out support functions including accounting, treasury, information technology, marketing, administration, legal and human resources.

The following table summarizes operating division results before intersegment eliminations and excludes the corporate division. Given the significant impact the consolidation of the REIT has on Melcor's consolidated statement of financial position, the assets and liabilities of the REIT have been presented separately from the rest of consolidated entity in note 26.

	Land		Properties		REIT		Golf	
	Year ended December 31		Year ended December 31		Year ended December 31		Year ended December 31	
($000s except as noted)	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Revenue	**227,273**	201,753	**46,241**	43,163	**72,335**	73,900	**11,446**	11,088
Portion of total revenue[1]	**63.7%**	61.1%	**12.9%**	13.1%	**20.2%**	22.4%	**3.2%**	3.4%
Cost of sales	**(137,898)**	(122,295)	**(18,946)**	(18,257)	**(31,062)**	(31,249)	**(6,546)**	(6,566)
Gross profit	**89,375**	79,458	**27,295**	24,906	**41,273**	42,651	**4,900**	4,522
Gross margin (%) [1]	**39.3%**	39.4%	**59.0%**	57.7%	**57.1%**	57.7%	**42.8%**	40.8%
Portion of total gross profit[1]	**54.9%**	52.5%	**16.8%**	16.4%	**25.3%**	28.1%	**3.0%**	3.0%
General and administrative expense	**(9,198)**	(7,721)	**(5,864)**	(5,051)	**(6,640)**	(3,112)	**(2,912)**	(2,717)
Fair value adjustment on investment properties	**–**	–	**(5,543)**	(13,784)	**(25,515)**	(16,794)	**–**	–
Gain on sale of assets	**–**	–	**–**	–	**–**	–	**58**	51
Interest income	**2,486**	2,856	**130**	117	**83**	62	**16**	10
Segment Earnings	**82,663**	74,593	**16,018**	6,188	**9,201**	22,807	**2,062**	1,866

(1) Supplementary financial measure. Refer to Non-GAAP and Non-Standard Measures section on page 42 for further details.

Land

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

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

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

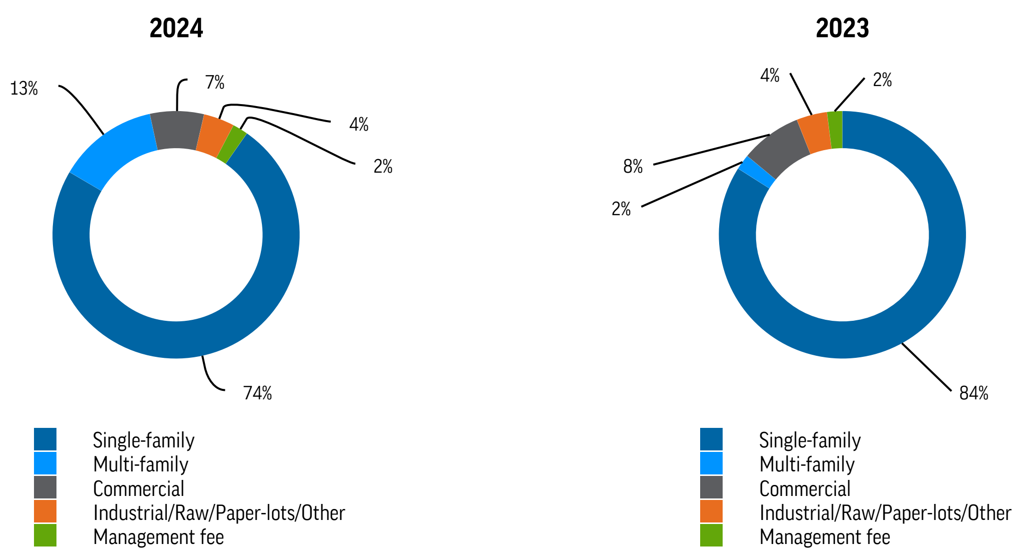
As at December 31, 2024 we held 9,399 acres of land for future development and developed inventory of 436 single-family lots in Canada, 1 single-family lot in the US, 34.54 acres ready for multi-family development, and 94.68 acres for commercial and industrial development.

Sales Activity

Income can fluctuate significantly from quarter to quarter due to the timing of plan registrations, the cyclical nature of real estate markets and the mix of land sold. The seasonality caused by the timing of plan registrations and the real estate construction cycle typically evens out over the course of the year.

We introduced 17 new phases across 10 communities to replenish inventory in 2024. While closely monitoring market demands, we remain committed to reducing reducing existing inventory while advancing new development to meed consumer needs. Our active marketing programs support this effort by highlighting both current and upcoming communities.

REVENUE BY TYPE



The following table summarizes our activity:

Consolidated	2024	2023
Canada Sales data: (including joint operations at 100%)		
Single-family sales (number of lots)	**1,296**	1,149
Gross average revenue per single family lot ($)	**186,949**	169,799
Multi-family sales (acres)	**37.62**	8.46
Gross average revenue per multi-family acre ($)	**1,081,971**	1,052,896
Commercial sales (acres)	**14.00**	12.98
Gross average revenue per commercial land acre ($)	**1,583,143**	1,578,053
Other land sales - Industrial, Other (acres)	**1.45**	10.10
Gross average revenue per other land acre ($)	**470,000**	490,719
Raw land sales to municipalities (acres)	**–**	4.52
Gross average revenue per raw land acre ($)	**–**	763,200
US Sales data: (including joint operations at 100%)		
Single-family sales (number of lots)	**–**	234
Gross average revenue per single family lot ($)	**–**	170,663
Other land sales - raw (paper lots), other	**42.46**	–
Gross average revenue per paper lot acre ($)	**223,939**	–
Financial results: (including joint operations at Melcor's interest)		
Revenue ($000s)	**227,273**	201,753
Earnings ($000s)	**82,663**	74,593

Regional Highlights

Edmonton & Region	2024	2023
Sales data:		
Single-family sales (number of lots)	**583**	511
Multi-family sales (acres)	**35.29**	6.30
Commercial sales (acres)	**10.33**	8.92
Other land sales - Industrial & Other (acres)	**1.45**	6.95
Raw land sales to municipalities (acres)	**–**	4.52
Financial results:		
Revenue ($000s)	**101,003**	62,671
Earnings ($000s)	**38,400**	26,277

Our Edmonton region had an exceptional year with revenues increasing 61.2% or $38.33 million and earnings up 46.1% $12.12 million over 2023. Our single-family lot sales increased 14.1% to 583 lots (2023 - 511) and total acres of land sold were up 76.4% to 47.07 acres (2023 - 26.69 acres). The Edmonton region had a busy year, bringing on 18 new phases across 10 communities.

We offer a variety of price-sensitive options in all neighbourhoods, including duplexes, townhomes, detached garage homes, homes with secondary or garage suites and zero lot-line homes. We also offer estate lots in some neighbourhoods. Demand remains for lots at all price points.

Red Deer & Region	2024	2023
Sales data:		
Single-family (number of lots)	**104**	32
Financial results:		
Revenue ($000s)	**8,642**	2,826
Earnings ($000s)	**3,192**	239

Given that Red Deer is a smaller market, lot sales can fluctuate year to year depending on the level of development activity. In the current year, single-family home sales increased 104 single-family lots sold (2023 - 32), and revenues increased 205.8% to $8.64 million. Melcor anticipates the continued market demand into 2025 as they develop their communities of Evergreen, Ryders Ridge and Laredo.

Calgary & Region	2024	2023
Sales data:		
Single-family sales (number of lots)	**575**	581
Multi-family sales (acres)	**–**	2.16
Commercial sales (acres)	**3.67**	4.06
Other land sales - Industrial & Other (acres)	**–**	3.15
Financial results:		
Revenue ($000s)	**95,269**	85,567
Earnings ($000s)	**34,323**	26,490

Calgary continued to produce strong results, with revenues increasing 11.3% to $95.27 million over 2023. Although we saw a reduction in our single-family lot sales to 575 (2023 - 581), due to a higher average selling price in the Calgary region paired with a larger proportionate amount of sales occurring in 100% owned Melcor communities, we still saw in increase to overall revenues.

In Calgary, we registered 5 new phases across 4 communities in 2024, and developed 487 new single-family lots. We anticipate continued activity throughout 2025, with our various communities of Sora (Calgary, AB), Goldwyn (Balzac, AB), Cobblestone Creek (Airdrie, AB), Sunset Ridge (Cochrane, AB) and Lanark Landing (Airdrie, AB).

Lethbridge	2024	2023
Sales data:		
Single-family sales (number of lots)	**22**	6
Multi-family sales (acres)	**2.33**	–
Financial results:		
Revenue ($000s)	**4,599**	859
Earnings ($000s)	**1,563**	311

Single-family lot sales increased to 22 in 2024 (2023 - 6). Lethbridge is one of our smaller markets and therefore lot sales can fluctuate significantly from period to period depending on the stage of development in various communities. Management continues to monitor market demand and currently holding 33 single-family lots in inventory. In 2025, we plan on bringing on additional phases within our Garry Station (Lethbridge, AB) and Legacy Ridge (Lethbridge, AB) communities in anticipation of market demand.

Kelowna	2024	2023
Sales data:		
Single-family sales (number of lots)	**12**	19
Financial results:		
Revenue ($000s)	**6,199**	9,085
Earnings (loss) ($000s)	**923**	2,493

In 2024 we replenished our inventory developing 38 new single-family lots, registering 1 new phases in Blue Sky Estates development, located adjacent to our Black Mountain golf course. We sold 12 single-family lots in the year for revenues of $6.20 million, down from 19 single-family lots sold and revenues of $9.09 million in 2023.

Due to the smaller market in our Kelowna region, our lot sales can fluctuate significantly period over period depending on the stage of development. With anticipation of continued market demand, we are planning on the development of additional phases within our Black Mountain community and are working on planning the second phase of our North Clifton Estates community.

United States	2024	2023
Sales data:		
Single-family sales (number of lots)	**–**	234
Other land sales - Paper Lot & Other (acres)	**42.46**	–
Financial results:		
Revenue ($000s)	**11,561**	40,745
Earnings ($000s)	**5,326**	18,783

The US land model differs from Canadian markets. Builders in our Harmony community buy lots in bulk, causing sales to be inconsistent and vary significantly year over year. Further compounding this, sales of paper lots are also a bulk purchase in one particular period.

In the current year, we sold 42.46 acres of our paper lots in Arizona, contributing $11.56 million to revenues. We did not sell any singe-family lots in 2024, comparative to 234 single-family lots sold in 2023.

We continue to actively market and work on municipal approvals for all of our land assets in the US. We intend to sell many of these projects as paper lots, which means we do not plan to develop ourselves.

Melcor Properties

Our Properties division includes the management and leasing of our existing income properties along with the development of new income properties supporting our strategic objective of asset diversification, income growth and and value creation.

Property Development

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

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

Owns & operates

Our Properties division also manages a portfolio of high-quality office, retail, industrial and residential properties, which are located across western Canada and the US, including the properties owned by the REIT. Currently our Properties division manages 4.76 million sf of income-producing commercial GLA and 452 residential units.

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

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

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

Operating Results

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

($000s except as noted)	2024	2023
Commercial properties GLA under management (sf, total)	**4,761,750**	4,771,105
Properties owned and managed (sf)	**1,235,170**	1,169,055
Properties managed (sf)	**3,526,580**	3,602,050
Residential units managed	**452**	466
Occupancy - CAD	**90.2 %**	84.1 %
Occupancy - US	**78.2 %**	80.5 %
WABR (per sf) - CAD	**$ 28.02**	$ 28.84
WABR (per sf) - US	**$ 21.70**	$ 22.16
Fair value recognized on investment properties ($000s)	**(9,349)**	(18,768)
Commercial properties under development (sf, total)		
Number of properties completed	**5**	2
Properties completed (sf)	**95,558**	22,140
Number of properties under active construction	**5**	5
Properties under active construction (sf)	**81,755**	103,925
Fair value recognized on properties under development ($000s)	**3,806**	4,984

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

($000s except as noted)	2024	2023
Revenue (total)	**46,241**	43,163
Canadian properties	**26,152**	22,856
US properties	**13,108**	13,517
Management fees	**5,919**	5,768
Parking lots and other assets	**1,062**	1,022
NOI (1)	**29,173**	26,934
FFO (1)	**24,136**	22,452
FFO per share (2)	**$ 0.73**	$ 0.68

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.
(2) Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.

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

Canadian properties

Our Canadian property portfolio continues to grow via completions from our internal development. In 2024, we 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.

New properties completed in the current and comparative periods added $2.14 million to NOI in 2024 (2023 - $0.10 million) as detailed in same asset NOI table below. With 81,755 sf of GLA under active development, we expect our Canadian property portfolio to continue to grow.

Occupancy of our Canadian properties owned by Melcor was up to 90.2% at December 31, 2024 (2023 - 84.1%). Committed occupancy is 92.9% (2023 - 89.0%). Weighted average base rent was down $0.82 per sf to $28.02 per sf.

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 in 2023.

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

($000s)	2024	2023
Northern Alberta	**3,750**	2,638
Southern Alberta	**56**	2,346
	3,806	4,984

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

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

($000s except as noted)	2024	2023
Same asset NOI (1)	**15,947**	15,532
Disposals	**47**	97
Properties recently completed construction	**2,138**	97
NOI(1)	**18,132**	15,726
Amortization of tenant incentives	**(1,226)**	(1,263)
Straight-line rent adjustment	**606**	497
Gross profit	**17,512**	14,960

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.

Gross profit was $17.51 million, up 17.1% or $2.55 million from 2023. Recently completed development projects contributed an additional $2.04 million in NOI compared to 2023 driving the increase. Our Canadian occupancy increased 6.1% to 90.2% (2023 - 84.1%) offset by a reduction in WABR of $0.82 per sf to $28.02 per sf (2023 - $28.84). The rise in occupancy contributed to a 2.7% increase in same-asset NOI to $15.95 million (2023 - $15.53 million), slightly offset by the reduction in WABR.

US properties

Revenue on US properties was down 3.0% to $13.11 million compared to $13.52 million in 2023 and NOI was down 5.1% to $3.92 million compared to $4.13 million in 2023. On a same asset basis, NOI was down 5.4% or $0.22 million at $3.92 million (2023 - $4.14 million).

The reduction in overall revenue and NOI is a direct result of lower occupancy, down 2.3% to 78.2% from 80.5% in 2023, paired with a reduction in WABR of $0.46 per sf to $21.70 per sf (2023 - $22.16). Additionally, in 2024, we sold 14 residential units and an additional 10 residential units in 2023, which has contributed to the reduction in revenues in 2024.

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

($000s except as noted)	2024	2023
Same asset NOI (1)	**3,921**	4,143
Disposals	**—**	(13)
NOI (1)	**3,921**	4,130
Foreign currency translation	**1,451**	1,444
Amortization of tenant lease incentives	**(1,350)**	(1,216)
Straight-line rent adjustment	**90**	(44)
Gross profit	**4,112**	4,314

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.

Management fees & other
Management fees on development is comprised of fees paid by joint arrangement partners and is a percentage of total development costs incurred, which fluctuate period to period depending on the development stage of the active projects. Management fees earned on development during 2024 were $0.27 million (2023 - $0.23 million).

Management fees earned under the asset management and property management agreements with the REIT and under other joint venture agreements where Melcor acts as the asset manager. These amounts are eliminated on consolidation. Management fees earned on asset and property management during 2024 were $5.65 million (2023 - $5.54 million)

Revenue from parking stalls and other assets was up 3.9% to $1.06 million as a result of the re-population of downtown offices post-pandemic. These revenues are ancillary to our business and tend to fluctuate from period to period.

FFO
FFO was consistent with the prior period as our Properties portfolio continues to grow as properties under development are completed and transferred. The Properties division remain a steady source of FFO and serve to produce consistent and stable results for Melcor.

Fair Value of Investment Portfolio
The fair value of our Properties portfolio increased by $12.96 million over 2023. The components leading to the change in fair value include:

- the sale of 104th Street property for $0.90 million net of proceeds (at JV%), reducing fair value.
- the sale of 14 residential units at Edge at Grayhawk for $6.14 million (US$4.47 million), reducing fair value.
- property development including direct leasing costs and capitalized borrowing costs of $13.49 million, increasing fair value.
- fair value loss of $2.92 million comprised $5.54 million loss from specific properties and $2.62 million million gain from the intersegment fair value adjustments, reducing fair value.
- foreign currency translation gain of $8.22 million, and changes to tenant improvements and straight line rent.

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

($000s)	**2024**			2023		
	Investment Properties	**Properties Under Development**	**Total**	Investment Properties	Properties Under Development	Total
Alberta - all assets	**(4,321)**	**3,806**	**(515)**	(5,020)	4,984	(36)
US - residential	**1,274**	**–**	**1,274**	916	–	916
US - commercial	**(6,302)**	**–**	**(6,302)**	(14,664)	–	(14,664)
	(9,349)	**3,806**	**(5,543)**	(18,768)	4,984	(13,784)

Investment properties were valued by Melcor's internal valuation team as at December 31, 2024. Our qualified external valuation professionals valued 22 of the 26 legal phases with a fair value of $289.33 million This resulted in fair value loss of $9.35 million recorded as fair value adjustments on investment properties in the statements of income and comprehensive income. In 2023 our qualified external valuation professionals valued 18 of the 27 legal phases with a fair value of $132.24 million which resulted in a fair value loss of $13.78 million for the year.

Our US residential continue to face challenges, as a result of the increase in capitalization rates on office properties in our Arizona and Colorado region. The increase in capitalization rate is a correlated to the continued interest rate pressures and higher market risk across the industry. Losses on our Alberta assets are also attributed to an increase in capitalization rates on several properties correlated to current interest rate pressures and market risk. Refer to note 30 to the consolidated financial statements for additional information on the calculation of fair value adjustments.

REIT
The REIT owned 35 income-producing office, retail and industrial properties, representing 3,046,450 sf in GLA and a land lease community at December 31, 2024. The REIT's portfolio has a diversified tenant profile, with a mix of national, regional and local tenants operating in a variety of industries.

We held a controlling 55.4% effective interest in the REIT through ownership of all Class B LP Units at December 31, 2024 (December 31, 2023 - 55.4%). As we have concluded that Melcor retains control of the REIT, we consolidate 100% of the REIT's revenues, expenses, assets and liabilities. Note 25 to the Financial Statements provides a breakout of the assets and liabilities of the REIT as supplemental information to assist readers in understanding Melcor's financial position.

Operating results

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

($000s except as noted)	2024	2023
Rental revenue	**72,335**	73,900
Net operating income (NOI) [1]	**45,836**	46,635
Same asset NOI *(see calculation following)* [1]	**40,699**	41,216
Fair value adjustments	**(25,515)**	(16,794)
Occupancy	**86.5 %**	87.6 %
Funds from operations [1]	**38,595**	43,576
Funds from operations per unit [2]	**$ 1.27**	$ 1.42

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.
(2) Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.

Rental revenue was down 2.1% in the year over 2023. The reduction in rental revenue was primarily a result of lower base rent and recoveries, as well as higher straight-line rent adjustments provided to tenants in the year and was impacted by the sales in the current and comparative periods. These decreases were partially offset by a swing in amortization of tenant incentives and higher other revenues over 2023.

In the year, we sold three income properties, which directly impacted our year-over-year comparatives. Excluding these sales, rental revenues was down 1.5% or $1.00 million year-to-date over 2023. Straight-line rent adjustment was the largest factor reducing rental revenue on a same-asset basis, with a swing of $0.59 million over 2023, negatively impacting offset by a slight reduction of amortization of tenant incentives down $0.04 million. Additionally, we sold one income property in February 2023 that impacted current and comparative revenues and has been excluded on a same-asset basis.

In 2024 we completed 363,471 sf of lease renewals (including holdovers) and had 85,146 sf in new leases commence for a steady occupancy of 86.5% (2023 - 87.6%). We continue to see activity and opportunity across our portfolio in all asset classes continues and held a healthy retention rate of 85.4% (2023 - 87.9%) on our portfolio of assets.

Recoveries are amounts recovered from tenants for direct operating expenses incurred and include a nominal administrative charge. We typically expect recovery revenue to correlate with changes in recoverable operating expenses. Compared to 2023, both recovery revenue and direct operating expenses decreased 2.5% and 0.6% respectively. On a same-asset basis, recoveries were down $0.46 million or 1.9% over 2023. Our recovery ratio (recoveries divided by direct operating expenses) decreased to 85.7% (2023 - 87.4%) as a result of lower occupancy.

Other revenue includes parking revenue and other miscellaneous revenue that is ancillary to our business and fluctuates from period to period.

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

Property taxes and utilities were down 3.6% over 2023, as a result of the recent dispositions of assets and the efforts of our operation mitigating the increases seen in the market place. On a same-asset basis, property taxes and utilities were down 3.1% over 2023 primarily the result of decreased assessed values. Although we have seen utility costs, including heating and power costs increase over the last 12 months related to government policies and regulations, due to the efforts of our operations team we have been able to mitigate these rising costs by implementing energy efficient practices and investing in capital projects across our portfolio as seen by the reduction in our utilities compared to 2023. Additionally, due to property tax assessment reviews completed during the year, we were able to reduce property taxes on specific properties, contributing to the overall decrease compared to 2023. Utility costs are also impacted by weather conditions which can vary significantly period over period.

Operating expenses also include maintenance projects, which can vary significantly period over period depending on property needs and weather conditions. Overall, we have seen increases in costs as a result of inflationary pressures, with operating expenses up 2.6% over 2023. On a same-asset basis, operating expenses were up 3.6% over 2023.

($000s except as noted)	2024	2023
Same asset NOI [1]	**40,699**	41,216
Disposals / Asset Held for Sale	**5,137**	5,419
NOI before adjustments	**45,836**	46,635
Amortization of operating lease incentives	**(3,879)**	(3,975)
Straight-line rent adjustment	**(684)**	(9)
Net rental income	**41,273**	42,651

(1) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.

NOI and same-asset NOI are non-GAAP financial measures used in the real estate industry to measure the performance of investment properties. The IFRS Accounting Standards measure most directly comparable to NOI and same-asset NOI is net income. Refer to the Non-GAAP Measures section starting on page 32 of this MD&A for more information.

NOI was down 1.7% and same-asset NOI was down 1.3% compared to 2023. The decrease in same-asset NOI was driven by a $0.46 million reduction in recoveries and a $0.59 million increase in the straight-line rent adjustment over 2023.

Same-asset NOI in the current and comparative periods exclude assets sold in the current and comparative periods along with the assets currently classified as held for sale. Assets excluded in our same-asset NOI calculation include Kelowna Business Centre (sold Q1-2023), Richter Street (sold Q2-2024), Lethbridge Industrial (sold Q4-2024), Parliament Place (sold Q4-2024), and Melcor Crossing currently classified as held for sale as of December 31, 2024. We closed on the sale of Melcor Crossing subsequent to year end on February 24, 2025.

Funds from Operations

Funds From Operations (FFO) is a non-GAAP financial measures used in the real estate industry to measure operating performance. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.

Fair Value of REIT Portfolio

	2024	2023
Number of properties	**35**	38
Total GLA (sf)	**3,176,550**	3,346,240
GLA (REIT owned %) (sf)	**3,046,450**	3,150,646
Fair value of portfolio ($000s) (1)	**650,621**	691,782
Weighted average capitalization rate	**7.18 %**	7.24 %
Weighted average terminal cap rate	**7.28 %**	7.31 %
Weighted average discount rate	**8.19 %**	8.19 %

(1) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.

Investment properties were valued by Melcor's internal valuation team with the assistance of qualified independent external valuation professionals. In 2024, external valuation professionals valued 37 legal phases (of 49 legal phases) with fair value of $447.15 million (including amounts presented as tenant incentives and straight-line rent adjustments), resulting in a fair value loss of $25.52 million. In 2023, external valuation professionals valued 18 legal phases (of 52 legal phases) with fair value of $256.85 million (including amounts presented as tenant incentives and straight-line rent adjustments), resulted in fair value loss of $16.79 million. Our valuation program requires the revaluation of each legal phase every two years or as market conditions dictate. In 2024 we had a disproportionate amount of scheduled appraisals in the year.

Phases are a result of the property development process when a larger project is developed over an extended period of time and subdivided into legal phases for increased flexibility. Each investment property may contain one ore more legal phases. As leases turn over, unit and/or building GLA is remeasured, resulting in changes to GLA.

A breakdown of our fair value adjustments on investment properties by geographic region is as follows:

($000s)	2024	2023
Northern Alberta	**(28,140)**	(10,842)
Southern Alberta	**976**	(4,476)
Saskatchewan & British Columbia	**1,649**	(1,476)
	(25,515)	(16,794)

Fair value adjustments represent a change of approximately 3.9% (2023 - 2.4%) in the fair value of our portfolio. In 2024, the Alberta real estate market continues to face on-gong changes, particularly in the office sector where declining demand has resulted in sustained pressure on occupancy rates and a significant reduction in lease rates. In order to mitigate these challenges, we have seen an increase in tenant inducements to attract and retain tenants, which is further eroding return on investments. Additionally, capital expenditures for property upgrades are essential to stay competitive and attract tenants. These added costs particularly impacted our office property and have resulted in a decline in our office property values. In 2024, our office properties saw a reduction in value of $17.97 million (2023 - $10.97 million).

Our retail properties have also seen a reduction in value of $11.52 million 2024. Included in this reduction is $5.80 million attributed to one property, which accounts for 50.4% of the total reduction of our fair value loss within our retail properties. The market pressures have influenced the retail properties impacting properties values in both the Edmonton and Calgary region.

The REIT will continue to monitor its portfolio and the market in assessing fair value changes and cautions readers that further fair value adjustments may be required in the future.

Golf

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

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

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

Operating Results

($000s except as noted)	2024	2023
Revenue	**11,446**	11,088
Gross profit	**4,900**	4,522
Gross margin (%) [1]	**42.8 %**	40.8 %
Earnings	**2,062**	1,866

(1) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.

All of our golf courses were open mid-April, with the exception of our Black Mountain golf course in Kelowna, which was able to get an early start opening March 22nd. Our earlier start to the season, was offset by unfavourable weather conditions in spring, resulting in a steady number of rounds played of 122,824 in 2024. Despite our steady number of total rounds played, our total revenues increased 3.2% to $11.45 million over 2023, and gross margin increased to 42.8% from 40.8% in 2023. Our increase in revenue and gross margin is a result of the increase in revenues from season passes, rental fees and food and beverage over 2023.

Melcor operated golf courses in Alberta closed on October 18, 2024 and Kelowna closed on November 3, 2024.

		2024		
	Ownership interest	Season opened	Season closed	Rounds of golf [1]
Managed by Melcor:				
Lewis Estates (Edmonton)	**60%**	**April 10**	**October 18**	**29,545**
The Links (Spruce Grove)	**100%**	**April 11**	**October 18**	**30,049**
Black Mountain (Kelowna)	**100%**	**March 22**	**November 3**	**38,163**
Managed by a Third Party:				
Jagare Ridge (Edmonton)	**50%**	**April 22**	**October 14**	**25,067**

		2023		
	Ownership interest	Season opened	Season closed	Rounds of golf [1]
Managed by Melcor:				
Lewis Estates (Edmonton)	60%	April 19	October 21	31,988
The Links (Spruce Grove)	100%	April 20	October 21	30,628
Black Mountain (Kelowna)	100%	April 4	October 27	36,020
Managed by a Third Party:				
Jagare Ridge (Edmonton)	50%	April 25	October 15	24,551

(1) Rounds of golf indicated at 100%.

General and Administrative Expense

General and administrative (G&A) expense was up 30.8% or $7.06 million over 2023.

Our G&A is impacted by higher G&A in our REIT division and Corporate up 113.4% or $3.53 million and 11.1% or $0.83 million respectively. The increase in G&A is related to the potential Melcor and REIT transaction as outlined on pg. 3. Higher professional fees associated with this process related to legal and advisory costs as well as higher public company costs related to fees paid to the committee members. Also included in professional fees are fees related to the appraisals of our investment properties by qualified independent external valuation professionals. Due to the cyclical nature of these appraisals, in 2024 we have valued 59 legal phases comparative to 36 legal phases in 2023 resulting in higher appraisal costs.

G&A was at 8.6% of revenue compared to 7.3% in 2023. Excluding the extraordinary costs related to the Independent Committee and the Arrangement Agreement, Management believes that G&A expenditures remain relatively stable over prior year. Management continues to prudently monitor and manage controllable expenses.

Income Tax Expense

The statutory tax rate for the year ended December 31, 2024 is 23% (2023 - 23%). The most significant adjustment impacting the 2024 effective tax rate was the fair value gain on REIT units, which is not subject to tax. Other items that impacted the effective tax rate include permanent differences related to revaluation adjustments on investment properties, transaction costs, and the non-taxable portion of REIT income (after removal of fair value gain on Class B units).

Financing

As at December 31, 2024, our total general debt outstanding was $611.34 million compared to $670.17 million in 2023. The financing function is managed by our Corporate division and decisions on how to deploy operating and acquisition funds are a centrally managed corporate decision. We use various forms of financing to fund our development and acquisition activities. We are often able to leverage the assets in one division to fund development opportunities in others.

A summary of our debt is as follows:

As at ($000s)		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
		611,339	670,174

a) Melcor - revolving credit facilities

One of our primary sources of funding for development projects is an operating line of credit with a syndicate of major chartered banks. This line of credit margins our Melcor Land and qualifying property development assets.

Under the terms of the facilities, Melcor pledges specific agreements receivable, specific lot inventory, undeveloped land inventory and a general security agreement as collateral. The facilities mature on July 31, 2026, renewable one year in advance of expiry.

A summary of the credit facilities is as follows:

As at ($000s)		2024	2023
Credit limit approved	i)	**266,430**	212,150
Supportable credit limit	ii)	**264,430**	206,885
Credit used		**(60,568)**	(71,976)
Credit available		**203,862**	134,909

i. The portion of these loan limits that relate solely to Melcor Developments Ltd. is $170.00 million (2023 - $120.00 million) with the remaining balance pertaining to specific joint arrangements.

ii. Our supportable credit limit is calculated based on a formula and tests as required by the bank. The supportable credit limit is calculated based on agreements receivable balances and land inventory. As such, the supportable limit fluctuates in response to increases or decreases in these balance sheet accounts. Management monitors the supportable credit limit and keeps the bank informed at all times of its current collections and inventory production plans.

In 2024, we increased our Melcor's credit facility by $50.00 million to $170.00 million, to increase financial flexibility and create liquidity.

In the normal course of development operations, we are required to issue letters of credit as collateral for the completion of obligations pursuant to development agreements signed with municipalities. The credit facility described above also includes a letter of credit facility. Melcor's letter of credit balances, net of joint arrangement interests are:

As at ($000s)	2024	2023
Total letter of credit facility	**75,617**	75,139
Letters of credit issued	**(39,461)**	(33,374)
Available for issue	**36,156**	41,765

b) REIT - revolving credit facility

The REIT has an available credit limit based on our borrowing base calculation up to a maximum of $50.00 million for general purposes, including a $5.00 million swingline 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 $5.00 million in available letters of credit which bear interest at 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, we have an approved credit facility of $38.57 million (December 31, 2023 - $41.32 million). As at December 31, 2024 we had $24.85 million (December 31, 2023 - $37.86 million) drawn from the facility; and posted no letters of credit (December 31, 2023 - $nil).

At December 31, 2024, this facility has transitioned to Canadian overnight repo rate average ('CORRA').

c) Project specific financing

We use project financing to supplement our line of credit, or when certain projects allow us to access a lower cost of capital typically provided by project financing. This type of loan usually has floating rates of interest tied to prime. Project specific debt is due on demand.

The composition of our project specific financing is as follows:

As at ($000s)	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
Weighted average effective interest rate	**5.91 %**	7.70 %

d) Debt on investment properties and golf course assets

We use fixed rate, long-term mortgage financing on our investment property assets to raise capital. We are able to finance increased loan amounts from our existing portfolio of buildings as old mortgages renew and there is increased equity in our investment properties.

Debt on investment properties and golf course assets in the amount of $511.80 million, excluding fair value adjustments and deferred finance fees, reflects financing placed on investment properties that have a carrying value of $874.18 million.

Rates are negotiated at a pre-agreed benchmark bond rate plus a spread and are negotiated with different lenders to ensure competitive terms and multiple sources. New mortgage rates from Canadian lending institutions ranged from 4.79% to 7.40% in 2024.

The composition of our debt on investment properties and golf course assets is as follows:

As at ($000s)	2024	2023
Canadian mortgage at floating interest rate	**–**	–
Canadian mortgages at fixed rates	**338,518**	331,933
Canadian mortgages at variable rates	**127,006**	132,247
US mortgages at fixed rates	**47,269**	44,828
US mortgages at variable rates	**–**	–
	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%)
Weighted average effective interest rate	**4.28 %**	4.11 %

Loan maturity dates are spread out so as to reduce associated loan renewal risks. The following table represents cumulative loan amounts due for renewal over the next ten years:

Year	Loan renewal amount ($000s)	Weighted average interest rate	Number of loans
2025	97,271	5.82%	13
2026	75,052	3.18%	11
2027	25,015	5.31%	3
2028	64,147	4.33%	7
2029	124,443	4.12%	10
2030	33,812	2.82%	4
2031	34,210	2.83%	4
2032	54,232	4.49%	4
2033	4,611	5.20%	1

As at December 31, 2024, $47.27 million of debt was payable in US dollars (2023: $44.83 million).

e) REIT - convertible debentures

On December 12, 2024 the REIT redeemed all outstanding convertible debentures. The aggregate principle amount of the Debentures, $46.00 million, was repaid using funds drawn on a backstop loan from Melcor, as detailed below.

Backstop Loan Agreement

In connection with the execution of the Arrangement Agreement, Melcor, the REIT and the REIT LP entered into a backstop loan agreement where Melcor agreed to make an unsecured loan to the REIT in the principal amount up to the aggregate principal amount of the debentures outstanding on redemption in full, excluding any accrued but unpaid interest thereon. On December 10, 2024, the REIT chose to draw on the backstop loan the full principal amount of the debenture of $46.00 million for the purpose of repaying the same. Amounts advanced pursuant to the backstop loan agreement will mature three years from the date of advance on December 10, 2027. Interest is charged at a fixed rate of 10.75% and is paid semi-annually. This backstop loan and interest is eliminated upon consolidation.

Liquidity & Capital Resources

The following table represents selected information as at December 31, 2024, compared to December 31, 2023.

As at ($000s except as noted)	2024	2023
Cash & cash equivalents	**54,338**	34,690
Restricted cash	**1,329**	1,719
Accounts receivable	**17,853**	10,631
Agreements receivable	**157,412**	126,070
Revolving credit facilities	**85,422**	109,836
Accounts payable and accrued liabilities	**52,119**	48,257
Total assets	**2,108,553**	2,097,473
Total liabilities	**865,923**	887,895
Debt to equity ratio [(1)]	**0.70**	0.73

(1) Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.

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

- Fund recurring expenses;
- Meet debt service requirements;
- Make dividend payments;
- Make distributions to unitholders of the REIT;
- Fund land development; and
- Fund investing activities such as the discretionary purchase of land inventory and/or Melcor Property purchases.

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

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

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

Cash requirements

The following information about our contractual obligations and other commitments summarizes certain of our liquidity and capital resource requirements. The information presented includes legally committed capital expenditures.

Contractual obligations include:

		Payments due by period			
	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Debt on investment properties and golf course assets	512,793	139,363	114,327	153,572	105,531
Revolving credit facilities	85,422	–	85,422	–	–
Project specific financing	14,119	14,119	–	–	–
Interest expense	76,268	24,360	28,366	16,118	7,424
Lease obligation	2,094	1,129	291	674	–
Total contractual obligations	690,696	178,971	228,406	170,364	112,955

We also have a contractual obligation of $68.06 million on the non-controlling interest portion of REIT units as they are redeemable at the option of the holder.

Sources and uses of cash

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

	2024	2023
Cash flows from operating activities	**98,626**	48,808
Cash flows from investing activities	**2,685**	4,635
Cash flows used in financing activities	**(82,085)**	(98,966)

Operating activities:

Cash from operations was up by $49.82 million to $98.63 million in 2024 compared to $48.81 million in 2023. FFO, which adjusts for non-cash items was up $9.35 million to $93.81 million in 2024 compared to $84.46 million in 2023 with the increase primarily attributable to higher revenue generated by our Land division.

Development activities within our Land division provided cash inflows of $40.50 million in 2024 compared to $12.08 million in 2023, contributing $28.42 million to the overall variance. In 2024, we had no land purchases compared to $4.80 million in 2023.

Agreements receivables at year end were $157.41 million, up from $126.07 million as a result of the high volume of sales in the fourth quarter of 2024. This had a negative impact of cash in the year of $31.34 million compared to a negative impact of $28.84 million in 2023. We also incurred $9.29 million in tenant incentives and direct leasing costs in 2024, down $4.02 million from $13.31 million in 2023. These costs can vary year over year tenant on the mix of leasing that occurs.

Investment activities:

Cash from investing activities was $2.69 million, compared to $4.64 million in 2023.

We continue to invest in improving our asset base through value enhancing projects. Additions to investment properties include development activities on new developments and enhancements to properties held in the our Properties and REIT divisions. In 2024 we invested $16.19 million in properties under development, property improvements and capitalized borrowing costs, compared with $21.56 million in 2023, down $5.37 million over 2023.

In 2024 we sold one investment property in our Properties division for gross proceeds of $0.96 million (at JV%) and net proceeds of $0.89 million located Edmonton, AB. Additionally, we sold 14 residential units in Phoenix, AZ at our Edge at Grayhawk for net proceeds of $6.14 million (US$4.47 million). During the year, our REIT division, sold three properties including our Richter Street building located in Kelowna, BC, for net proceeds of $7.48 million, Lethbridge Industrial located in Lethbridge, AB, for net proceeds of $4.34 million, and Parliament Place located in Regina, SK, for net proceeds of $4.84 million.

In 2023, we sold two properties including our Stafford Common building located in Lethbridge, AB for net proceeds $3.27 million and Kelowna Business Centre located in Kelowna, BC for net proceeds of $19.02 million. Additionally, we sold 10 residential units in Phoenix, AZ at our Edge at Grayhawk for net proceeds of $4.55 million (US$3.36 million).

A portion of the proceeds from the sale of our Richter Street property, $5.08 million, was used to purchase short-term investments and held as additional security on a different mortgage. Throughout the year, $1.30 million of these investments has been redeemed.

Financing activities:

Cash used in financing activities was down $16.88 million over 2023. In 2024, we had $37.40 million in proceeds on general debt, offset by $31.04 million in repayments on general debt, which includes scheduled amortization on mortgages and repayment of mortgages on assets sold in the year. Additionally, during the year we had net repayments of $24.41 million on our revolving line of credit compared to net repayments of $18.64 million in 2023.

On December 12, 2024 the REIT redeemed all outstanding convertible debentures. The aggregate principle amount of the Debentures, $46.00 million, was repaid using funds drawn on the backstop loan from Melcor which was contemplated and negotiated as part of the Arrangement Agreement. Interest is charged at a fixed rate of 10.75% and is paid semi-annually. The backstop loan and interest charged is eliminated upon consolidation.

In 2024, we repurchased 356,703 shares for $4.33 million under our NCIB plan. These shares were subsequently cancelled and returned to treasury. This compares to 712,160 shares purchased for $8.10 million and subsequently canceled in 2023.

In 2024, we paid dividends of $0.44 per share (2023 - $0.64 per share), for a total cash outflow of $13.40 million, compared to $19.76 million in 2023.

Share Data

Melcor has been a public company since 1968 and trades under the symbol “MRD” on the Toronto Stock Exchange. As at December 31, 2024 there were 30,367,626 common shares issued and outstanding and 335,178 restricted share units. Each restricted share unit is convertible to one common share upon redemption. There is only one class of shares issued. As at March 13, 2025 there were 30,307,902 common shares issued, and 333,639 restricted share units.

Please refer to note 17 to the consolidated financial statements for information pertaining to our outstanding shares and options.

Normal Course Issuer Bid

Melcor Developments Ltd:

On June 7, 2023 Melcor commenced an 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 new Normal Course Issuer (new 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 new NCIB expires on June 6, 2025.

In connection with the commencement of the new NCIB, Melcor also entered into an automatic purchase plan agreement with a broker to allow for the purchase of common shares under the new NCIB at times when Melcor ordinarily would not be active in the market due to regulatory restrictions or self imposed trading blackout periods.

As at December 31, 2024, 356,703 shares were purchased for cancellation by Melcor pursuant to the NCIB at a cost of $4.33 million (December 31, 2023 - 712,160 shares purchased at a cost of $8.10 million). In 2024, we recognized $0.07 million in tax on share buyback .

Melcor REIT:

Melcor REIT did not have an active NCIB in place in 2024 or 2023.

Off Balance Sheet Arrangements

In the normal course of operations, Melcor engages in transactions that, under IFRS Accounting Standards, are either not recorded on our consolidated statements of financial position or are in amounts that differ from the full contract amounts. The main off-balance sheet arrangements we make include the issuance of guarantees and letters of credit.

A discussion of our letter of credit facility arrangement can be found in the Financing section. Refer to note 20 to the consolidated financial statements for information pertaining to our guarantees and letters of credit.

Quarterly Results

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

	2024				2023			
($000s)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	170,538	59,508	69,707	49,748	125,134	88,781	65,247	36,077
Net income (loss)	32,384	(34,984)	23,340	12,788	10,311	28,883	21,633	2,153
FFO [2]	43,436	16,507	20,115	13,748	37,562	22,416	17,432	7,045
Per Share								
Basic earnings (loss)	1.07	(1.15)	0.76	0.42	0.34	0.94	0.69	0.07
Diluted earnings (loss)	1.05	(1.15)	0.76	0.42	0.34	0.94	0.69	0.07
FFO basic [1]	1.44	0.54	0.65	0.45	1.21	0.73	0.56	0.23
FFO diluted [1]	1.42	0.53	0.65	0.45	1.21	0.73	0.56	0.23
Book value [1]	40.92	39.56	40.81	40.01	39.45	39.50	38.32	37.63

(1) Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.
(2) Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 42 for further information.

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

Fourth Quarter

Three months ended December 31 ($000s)	2024	2023
Revenue	**170,538**	125,134
Cost of sales	**(100,457)**	(75,525)
Gross profit	**70,081**	49,609
General and administrative expense	**(9,547)**	(5,802)
Fair value adjustment on investment properties	**(2,825)**	(22,928)
Adjustments related to REIT units	**(5,054)**	3,834
Gain on sale of assets	**2**	3
Operating earnings	**52,657**	24,716
Interest income	**846**	1,481
Foreign exchange gain	**367**	475
Finance costs	**(7,354)**	(14,419)
Net finance costs	**(6,141)**	(12,463)
Income before income taxes	**46,516**	12,253
Income tax expense	**(14,132)**	(1,942)
Net income for the period	**32,384**	10,311
Earnings per share attributable to Melcor's shareholders:		
Basic earnings per share	**1.06**	0.34
Diluted earnings per share	**1.05**	0.34

Financial Highlights for the Quarter

- Revenue was was up 36.3% or $45.40 million to $170.54 million (Q4-2023 - $125.13 million)
- Gross profit was up 41.3% or $20.47 million to $70.08 million (Q4-2023 - $49.61 million)
- Net income was up 214.1% or $22.07 million to $32.38 million (Q4-2023 - $10.31 million);

Net income in the current and comparative periods can be significantly impacted by non-cash fair value adjustments and thus not a meaningful metric to assess operating performance. Non-cash fair value adjustments include fair value adjustments on investment properties Class B Units and derivative financial instruments.

In Q4-2024, fair value on investment properties was a loss of $2.83 million compared to a loss of $22.93 million in Q4-2023. Adjustment on REIT Units, resulted in a loss of $5.05 million recorded in 2024 compared to gains of $3.83 million recorded in Q4-2023, contributing to a swing of $8.89 million negatively affecting net income in the period. The adjustment on REIT units is comprised of fair value adjustments based on the change in the unit price on REIT units in the market, and, distributions made to unitholders. The fair value adjustment on REIT units, have an inverse relationship with the REIT unit price, of which a fair value loss of $0.39 million was recognized in Q4-2024 (Q3-2023 - fair value gain of $5.39 million). In Q4-2024 distributions of $4.66 million were recognized contributing to the loss on REIT units in Q4-2024 (Q4-2023 - $1.56 million).

Management believes that FFO most accurately reflects our actual operating performance, while ACFO provides the best indication of our cash flow and, therefore, our capacity to pay distributions. However, both metrics should be considered in conjunction with our overall liquidity position.

On December 12, 2024 the REIT redeemed all outstanding convertible debentures. The aggregate principle amount of the Debentures, $46.00 million, was repaid using funds drawn on the backstop loan from Melcor. The backstop loan has a fixed interest rate of 10.75%, paid semi-annually. The backstop loan and interest charged is eliminated upon consolidation.

Operating Highlights for the Quarter

- **Land division:** registered 16 plans in 10 communities, which added 795 lots to inventory with 775 lots sold in Q4-2024; This compares to 7 plan registrations in 6 communities adding 485 lots to inventory with 723 lots sold in Q4-2023.
    - Calgary region: 425 single-family lots sold
    - Edmonton region: 292 single-family lots sold
- **Properties division:** completed construction on 3 buildings (46,816 sf), all located within our Winterburn Point development in Edmonton, AB
- We sold three buildings and 4 residential units:
    - Lethbridge Industrial (sold: October 1, 2024); a 49,000 sf Industrial property located in Lethbridge, AB, for net proceeds of $4.34 million after transaction costs.
    - Parliament Place (sold: November 22, 2024); a 25,000 sf office property located in Regina, SK, for net proceeds of $4.83 million after transaction costs.
    - 104th Street (sold: December 20, 2024), a 8,000 sf office property located in Edmonton, AB, for net proceeds of $0.90 million $0.90 million after transaction costs.
    - 4 residential units located at our Edge at Grayhawk located in Phoenix, AZ for net proceeds of $1.72 million (USD$1.23 million)
- Our **Golf division** wrapped up the season with our Edmonton courses closing in October, with our Black Mountain golf course, located in Kelowna, BC stretching the season to November 3rd, 2024.

Segmented information for the fourth quarter is as follows:

Three months ended December 31, 2024	Land	Properties	REIT	Golf	Corporate	Subtotal	Intersegment Elimination	Total
Revenue	141,646	11,704	18,118	746	–	172,214	(1,676)	**170,538**
Cost of sales	(87,696)	(4,432)	(7,905)	(980)	–	(101,013)	556	**(100,457)**
Gross profit	53,950	7,272	10,213	(234)	–	71,201	(1,120)	**70,081**
General and administrative expense	(3,195)	(1,828)	(3,017)	(617)	(1,409)	(10,066)	519	**(9,547)**
Fair value adjustment on investment properties	–	(798)	(2,628)	–	–	(3,426)	601	**(2,825)**
Gain on sale of assets	–	–	–	2	–	2	–	**2**
Interest income	703	32	39	5	365	1,144	(298)	**846**
Segment earnings (loss)	51,458	4,678	4,607	(844)	(1,044)	58,855	(298)	**58,557**
Foreign exchange gain						367	–	**367**
Finance costs						(7,652)	298	**(7,354)**
Adjustments related to REIT units						(5,054)	–	**(5,054)**
Income before income taxes						46,516	–	**46,516**
Income tax expense						(14,132)	–	**(14,132)**
Net income for the period						32,384	–	**32,384**

Three months ended December 31, 2023	Land	Properties	REIT	Golf	Corporate	Subtotal	Intersegment Elimination	Total
Revenue	96,514	11,492	18,502	731	–	127,239	(2,105)	125,134
Cost of sales	(62,227)	(4,725)	(8,016)	(1,144)	–	(76,112)	587	(75,525)
Gross profit	34,287	6,767	10,486	(413)	–	51,127	(1,518)	49,609
General and administrative expense	(2,080)	(1,271)	(818)	(551)	(1,788)	(6,508)	706	(5,802)
Fair value adjustment on investment properties	–	(15,311)	(8,429)	–	–	(23,740)	812	(22,928)
Gain on sale of assets	–	–	–	3	–	3	–	3
Interest income	1,409	27	16	5	24	1,481	–	1,481
Segment earnings (loss)	33,616	(9,788)	1,255	(956)	(1,764)	22,363	–	22,363
Foreign exchange gain						475	–	**475**
Finance costs						(14,419)	–	**(14,419)**
Adjustments related to REIT units						3,834	–	**3,834**
Income before income taxes						12,253	–	**12,253**
Income tax expense						(1,942)	**–**	**(1,942)**
Net income for the period						10,311	**–**	**10,311**

Outlook

Melcor owns a diverse portfolio of real estate assets; including raw land, land under development, serviced residential, multifamily and commercial lots, income-producing properties and also owns and operates championship golf courses. This diverse mix helps position us to meet demand for any real estate opportunity regardless of market conditions. There is always market volatility, but Melcor has had a resilient and proven record.

We expect to continue to see moderate strength in our residential and commercial developments throughout 2025. The increase in overall migration to Alberta influenced the demand for residential development, and the shift to suburban communities. Alberta is projected to see continued positive job creation and immigration creating demand for residential serviced lots. There is potential for improved land sales in Melcor US operations.

Despite the challenges and opportunities, our business model has successfully adapted to changing times and economic cycles. Melcor remains cautiously optimistic about 2025 and is committed to maintaining a disciplined, conservative approach to operations. This ensures we remain profitable while achieving our core objectives of protecting shareholder investment and sharing corporate profits with our shareholders.

Interest in the REIT

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust dated January 25, 2013, which was subsequently amended and restated May 1, 2013.

The REIT began operations on May 1, 2013 when trust units were issued for cash pursuant to the initial public offering (Offering or IPO). Units of the REIT trade on the Toronto Stock Exchange under the symbol MR.UN. The REIT is externally managed, administered and operated by Melcor pursuant to the property management and asset management agreements entered into in conjunction with the IPO.

As of March 13, 2025, Melcor holds a 55.4% (December 31, 2023 - 55.4% and December 31, 2024 - 55.4%) effective interest in the REIT through ownership of all Class B LP units of the partnership through an affiliate and a corresponding number of special voting units of the REIT. The Class B LP units are economically equivalent to, and are exchangeable for, trust units. Melcor is the ultimate controlling party.

As we retain control over the REIT, we consolidate the REIT and record 100% of its revenues, expenses, assets and liabilities. We reflect the public's 44.6% interest (December 31,2023 - 44.6% and 2024 - 44.6%) in the REIT as a financial liability.

Arrangements between Melcor and the REIT

Melcor continues to manage, administer and operate the REIT and its properties under an asset management agreement and property management agreement. The following summarizes services to be provided to the REIT and the compensation to be paid to Melcor.

Asset management agreement - we receive a quarterly management fee which is comprised of the following:

a. a base annual management fee calculated and payable on a quarterly basis, equal to 0.25% of the REIT's gross book value;

b. a capital expenditures fee equal to 5.0% of all hard construction costs incurred on capital projects in excess of $0.10 million;

c. an acquisition fee equal to 0.5% - 1.0% of the purchase price;

d. a financing fee equal to 0.25% of the debt and equity of all financing transactions completed for the REIT to a maximum of actual expenses incurred by Melcor.

Property management agreement - we receive a monthly fee which is comprised of the following:

a. a base fee of 3.0% of gross property revenue;

b. an upfront market fee payable on a transaction by transaction basis, but only for transactions where a third party leasing agent was not engaged. The Melcor Lease Fee structure shall represent current market terms in each particular market where leasing services are provided to the REIT.

IPO transaction costs - Costs incurred by Melcor in relation to the REIT's IPO were reimbursed by the REIT to the extent that these costs were eligible for capitalization against the unit issuance.

Upon consolidation we eliminate Class B LP Units, Class C LP Units, distributions on Class B LP Units, distributions on Class C Units, and fees earned under the asset management agreement and property management agreement.

Melcor REIT Transaction

A discussion of the Melcor REIT Transaction can be found in the Our Business Section on pg. 3.

Business Environment & Risks

A discussion of credit risk, liquidity risk and market risk can be found in note 29 to the consolidated financial statements.

The following is an overview of certain risk factors that could adversely impact our financial condition, results of operations, and the value of our common shares.

General Risks

We are exposed to the micro- and macro-economic conditions that affect the markets in which we operate and own assets. In general, a decline in economic conditions will result in downward pressure on Melcor's margins and asset values as a result of lower demand for the services and products we offer. Specifically, general inflation and interest rate fluctuations; population growth and migration; job creation and employment patterns; consumer confidence; government policies and global politics, regulations and taxation; and availability of credit and financing could pose a threat to our ongoing business operations. Improvements to these factors could have a positive impact on our results.

International economic forces and conditions will impact our business as our investment into the US grows. We adapt our business plan to reflect current conditions and we believe that we have sufficient resources to carry our operations through uncertain times.

We participate in joint arrangements under the normal course of business that may have an effect on certain assets and businesses. These joint arrangements may involve risks that would not otherwise be present if the third parties were not involved, including the possibility that the partners have different economic or business interests or goals. Also, within these arrangements, Melcor may not have sole control of major decisions relating to these assets and businesses, such as: decisions relating to the sale of the assets and businesses; timing and amount of distributions of cash from such entities to Melcor and its joint arrangement partners; and capital expenditures.

Adverse Global Market, Economic and Political Conditions

Adverse Canadian and global market, economic and political conditions, including credit market volatility and general economic uncertainty, unexpected or ongoing geopolitical events (including disputes between nations, war, terrorism or other acts of violence), could have a material adverse effect on our business, results of operations and financial condition. Potential impacts include the value of our properties, the availability of financing on favourable terms, our ability to make principal and interest payments on, or refinance, any outstanding debt when due, the occupancy rates in our properties, and our tenants ability to enter into new leases or satisfy rental payments under existing leases.

U.S. tariffs on Canadian goods could pose significant risks to the Canadian, and more specifically Alberta economy. Alberta relies heavily on exports, particularly in oil, gas, and agriculture, so higher tariffs would make its products more expensive and less competitive in the U.S. market. The energy sector could see reduced profitability and investment, while farmers could lose access to key markets. This could lead to revenue losses, job cuts, and slower economic recovery, especially as Alberta continues to rebound from the pandemic.

Real Estate Risk

Real estate investments are subject to varying levels of risk. These risks include changes to general economic conditions, government and environmental regulations, local supply/demand, and competition from other real estate companies. Real estate assets are relatively illiquid in down markets. As a result, Melcor may not be able to rebalance its portfolio in response to changing economic or investment conditions.

Other real property risks include:

- The value of the property and any improvements made to it;
- Rollover of leases and the ability to rent unleased suites;
- Financial stability of tenants and their ability to pay rent and fulfill their lease obligations; and
- Geographic concentration.

Cash available for dividends will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of space in our properties becomes vacant and cannot be leased on economically favourable lease terms.

General declines in real estate markets, including changes in demand for real estate resulting from COVID-19 and related economic conditions, will impact fair values reported or the cash flows associated with owning or disposing of such properties. Market assumptions applied for valuation purposes do not necessarily reflect Melcor's specific history or experience, and the conditions for realizing the fair values through a sale may change or may not be realized. Consequently, there is a risk that the actual fair values may differ, and the differences may be material. In addition, there is an inherent risk related to the reliance on and use of a single appraiser as this approach may not adequately capture the range of fair values that market participants would assign to the real estate properties. Certain ratios and covenants could be negatively affected by downturns in the real estate market and could have significant impact on the REIT's operating revenues and cash flows, as well as the fair values of the real estate properties.

Concentration of Assets Risk

The majority of our assets are located in Alberta. Adverse changes in economic conditions in Alberta may have a material adverse effect on our business, cash flows, financial condition and results of operations and ability to pay dividends. The Alberta economy is sensitive to the price of oil and gas. To mitigate against this risk, we endeavor to diversify our revenue mix by product and location. On the flip-side, growth in the price of oil and gas may have a positive affect. Melcor's share price has traditionally tracked with oil prices.

Financing & Interest Rates Risk

We use debt and other forms of leverage in the ordinary course of business to enhance returns to shareholders. The Bank of Canada started lowering its policy rate in June 2024. While interest rates continue to decline, external factors like potential U.S. tariffs create uncertainties that could affect Alberta's financing and interest rate landscape. The potential to increased interest rates would result in an increase in the amount required to service debt. Most leveraged debt within the business has recourse only to the assets being financed or margined and has no recourse to Melcor. We are subject to general risks associated with debt financing.
The following risks may adversely affect our financial condition and results of operations:

- Cash flow may be insufficient to meet required payments of principal and interest;
- Payments of principal and interest on borrowings may leave us with insufficient cash resources to pay operating expenses;
- We may not be able to refinance indebtedness on our assets at maturity due to company and market factors;
- The fair market value of our assets;
- Liquidity in the debt markets;
- Financial, competitive, business and other factors, including factors beyond our control;
- Refinancing terms that are not as favourable as the original terms of the related financing.

We attempt to mitigate these risks through the use of long-term debt and diversifying terms and maturity dates.

The terms of various credit agreements and other financing documents require that we comply with a number of financial and other covenants, such as maintaining debt service coverage and leverage ratios, and minimum insurance coverage. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we had satisfied our payment obligations.

If we are unable to refinance assets/indebtedness on acceptable terms, or at all, we may need to utilize available liquidity, which would reduce our ability to pursue new investment opportunities, or require that we dispose of one or more of our assets on disadvantageous terms. In addition, unfavourable interest rates or other factors at the time of refinancing could increase interest expense.

A large proportion of our capital is invested in physical, long-lived assets, which can be difficult to liquidate, especially if local market conditions are poor. This circumstance could limit our ability to diversify our portfolio of assets promptly in response to changing economic or investment conditions.

We enter into financing commitments in the normal course of business and, as a result, may be required to fund these, particularly through joint arrangements. If we are unable to fulfill any of these commitments, damages could be pursued against Melcor.

Environmental Risk

Our development activities are subject to various requirements (including federal, provincial and municipal laws) relating to 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.

Under these requirements, we could be, or become, liable for environmental or other harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under our properties (including commercial buildings, land inventory and development sites).

Such requirements often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such substances. Additional liability may be incurred by Melcor with respect to the release of such substances from our properties to properties owned by third parties, including properties adjacent to our properties or with respect to the exposure of persons to such substances. The failure to remove or otherwise address such substances may materially adversely affect our ability to sell such property, maximize the value of such property or borrow using such property as collateral security, and could potentially result in claims or other proceedings against Melcor.

We employ a rigorous due diligence process prior to acquiring raw land, development sites or Melcor Properties to mitigate our exposure to these potential issues. It is our operating policy to obtain, or be entitled to rely on, a Phase I environmental site assessment prior to acquiring property or land. Where a Phase I environmental site assessment warrants further investigation, it is our operating policy to conduct further environmental investigations. Although such environmental assessments provide Melcor with some level of assurance about the condition of the property, we may become subject to liability for undetected contamination or other environmental conditions of our properties against which we cannot insure, or against which we may elect not to insure where insurance premium costs are considered to be disproportionate to the assessed risk, which could have a material adverse effect on our business, cash flows, financial condition and results of operations and ability to make distributions to unitholders.

Environmental laws and other requirements can change and we may become subject to more stringent environmental laws or other requirements in the future. Compliance with more stringent environmental laws or requirements, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have a material adverse effect on our business, cash flows, financial condition and results of operations and ability to pay dividends to shareholders.

Melcor bears the risk of assessment, remediation or removal of such contamination, hazardous substances or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against Melcor. The remediation of any contamination and the related additional measures we would have to undertake could have a materially adverse effect and could involve considerable additional costs that we may have to bear. Melcor will also be exposed to the risk that recourse against the polluter or the previous owners or occupants of the properties might not be possible, for example, because they cannot be identified, no longer exist or have become insolvent. Moreover, the existence or even the mere suspicion of the existence of contamination, hazardous materials or other residual pollution can materially adversely affect the value of a property and our ability to lease or sell such a property.

We employ a rigorous due diligence process, including obtaining a Phase I environmental site assessment, prior to acquiring property to mitigate our exposure to these potential issues.

Pandemics, Natural Disasters or Other Unanticipated Events

The occurrence of pandemics, natural disasters, or other unanticipated events, in any of the areas where we or our partners and suppliers operate could disrupt operations. In addition, pandemics, natural disasters or other unanticipated events could have a material adverse effect on our business, financial condition, results of operations and cash flows. The COVID-19 pandemic resulted in restrictive government measures. Future outbreaks of viruses or other contagions, epidemic or pandemic diseases including subsequent outbreaks of COVID may lead to prolonged voluntary or mandatory building and/or business closures, restrictions on travel and gatherings, quarantines, self-isolation and physical distancing. The impact of these measures may cause a general shutdown of economic activity and disrupt workforce and business operations in the regions where we operate. An occurrence such as this, including the COVID-19 pandemic, could have material adverse effects and increased risk, including but not limited to:

- negative impact on pricing and availability of Canadian debt and equity capital markets
- material reduction in rental revenue and related collections due to financial hardship and government ordered closures of certain business
- reduced demand for commercial real estate leading to a material increase in vacancy and decline in revenue
- trading price of Melcor's securities
- negative impact to real estate valuations from declining revenue and lack of market activity
- ability to access capital markets at a reasonable cost
- uncertainty regarding delivering services due to illness, Melcor or government imposed isolation programs, restrictions on the movement of personnel, closures and supply chain disruptions
- impact of additional legislation, regulation, fiscal and monetary policies and other government interventions

This is not an exhaustive list of all risk factors. To mitigate these risks, we have a comprehensive health and safety program and have expanded it to include pandemics. We have introduced new policies and practices both internally and at the properties that we manage to reduce the spread of COVID-19.

Cyber Security Risk

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including for Melcor and the real estate industry in general. Cyber attacks may focus on financial fraud, obtaining sensitive data for inappropriate use or to disrupt business operations. A cyber incident is any adverse event that threatens the confidentiality, integrity or availability of our information resources, including intentional or unintentional events to gain unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information.

As our reliance on technology has increased, so has our risk of a cyber security breech. The primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our reputation, damage to our business relationships with tenants and suppliers, disclosure of confidential information regarding our tenants, employees and third parties with whom we do business, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation.

We completed a cyber security assessment with a third party consultant which resulted in an action plan that we are working through. Progress is reported to the Audit Committee quarterly. Some of the actions we have implemented to remain resilient include processes, procedures and controls to help mitigate these risks, including installing firewalls and antivirus programs on our networks, servers and computers, staff training, and cyber security insurance. However, these measures, as well as our increased awareness of the potential risk of a cyber incident, does not provide assurance that our efforts will be effective or that attempted security breaches or disruptions will not be successful or damaging.

Volatile Market Price of the Melcor's Securities

Financial markets have experienced significant price and volume fluctuations in recent years. In many cases volatile market movement impacts a wide variety of issuers unrelated to the operating performance, underlying asset values or prospects of such issuers. The market price of Melcor's securities may decline even if our financial performance, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in losses. As well, certain institutional investors may base their investment decisions on consideration of Melcor's environmental, governance and social practices and performance according to such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited investment or no investment in Melcor's securities by those institutions. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil exist for a protracted period of time, our operations and the trading price of our securities could be adversely affected.

Insurance

Melcor maintains insurance coverage for cyber risks, director & officer liability, comprehensive general liability, fire, flood, extended coverage and rental loss with policy specifications, limits and deductibles customarily carried for similar properties.. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our properties, but Melcor would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

Land

The Land division is subject to risks influenced by the demand for new housing in the regions where we operate. Demand is primarily impacted by interest rates, growth in employment, migration, general economic conditions, new family formations and the size of these families. The division's ability to bring new communities to the market is impacted by municipal regulatory requirements and environmental considerations that affect the planning, subdivision and use of land. The planning and approval process can take several years. During this period, the market conditions in general and/or the market for lots in the size and price range in our developments may change dramatically.

In addition, supply chain delays and other issues have recently caused volatility in pricing and delivery times for homes under construction.

The division manages our assets to ensure that we have adequate future land assets to develop by ensuring appropriate approvals are in place and by balancing our inventory of land between long, medium and short-term development horizons against the cost of acquiring and holding these lands, and by locking in construction and material pricing early.

Properties and REIT

The Properties and REIT divisions are subject to the market conditions in the geographic areas where we own and manage properties. Where strong market conditions prevail, we are able to achieve higher occupancy rates. Market conditions are influenced by outside factors such as government policies, demographics and employment patterns, the affordability of rental properties, competitive leasing rates and long-term interest and inflation rates. Refer to Business Environment & Risks section of the REIT's annual MD&A filed on SEDAR+ and incorporated by reference.

Commercial development would also be subject to risks that would normally be associated with the construction industry (such as fluctuating labour, material and consulting costs), combined with the normal leasing risks. We manage the overall costs of projects, project financing requirements, construction quality, and the suitability of projects in relation to the needs of the tenants who will occupy the completed building. Our Properties division may be subject to additional holding costs if an asset is not leased out on a timely basis.

Golf

The results of golf course operations may be adversely affected by weather, which limits the number of playing days; competition from other courses; the level of disposable income available to customers to spend on recreational activities; the popularity of the sport; and the cost of providing desirable playing conditions on the course.

While weather is outside our control, we manage our golf courses to provide consistent playing conditions to support the popularity of our courses. We also focus on growing revenue related to food and beverage and event rentals.

Arrangement Agreement with Melcor REIT

Melcor is subject to a number of risk factors relating to the Arrangement Agreement between Melcor and the REIT. Additional risks and uncertainties, including those currently unknown to or considered immaterial by Melcor may also adversely affect the shareholders, the Arrangement and Melcor. The following risk factors are not an exhaustive list of all risk factors associated with the Arrangement Agreement, the Arrangement and related matters.

Risks Relating to the Arrangement:

a. *The Arrangement is Subject to Satisfaction or Waiver of a Number of Conditions*

   The completion of the Arrangement is subject to a number of conditions precedent, some of which are outside of the control of Melcor and the REIT, including, without limitation, receipt of the REIT's Voting Unitholder Approval, the Final Order and Dissent Rights not having been validly exercised by holders of greater than 10% of the issued and outstanding Units. There can be no certainty, nor can Melcor provide any assurance, that all conditions precedent to the Arrangement will be satisfied or waived, or, if satisfied or waived, when they will be satisfied or waived, and as such, completion of the Arrangement is uncertain. A substantial delay in satisfying the conditions precedent to the Arrangement could have a material adverse effect on the operations, financial condition or results of operations of the REIT or result in the termination of the Arrangement Agreement.

   Since the Arrangement constitutes a "business combination" under MI 61-101, to be effective, the Arrangement Resolution must be approved by a majority of the REIT's votes cast by disinterested Voting Unitholders entitled to vote in person or represented by proxy at the Meeting. This approval is in addition to the requirement that the Arrangement Resolution be approved by at least two-thirds of the votes cast by Voting Unitholders present in person or represented by proxy at the Meeting. There can be no certainty, nor can Melcor provide any assurance, that the REIT's requisite Voting Unitholder Approval will be obtained. If such approval is not obtained and the Arrangement is not completed, the market price of the Units may decline.

b. *Occurrence of Material Adverse Effect on the REIT*

   Melcor recognizes that the successful completion of the Arrangement is dependent on the REIT's financial and operational stability. If a Material Adverse Effect occurs before the Effective Time, the transaction may not proceed.

c. *Termination of the Arrangement Agreement*

   Each of the Melcor and the REIT have the right, in certain circumstances, to terminate the Arrangement Agreement. Accordingly, there can be no certainty, nor can Melcor provide any assurance, that the Arrangement Agreement will not be terminated prior to the completion of the Arrangement. Further, if the Arrangement Agreement is terminated, under certain circumstances the REIT may be required to pay Melcor a Termination Fee. Failure to complete the Arrangement could materially negatively impact the market price of the REIT units.

d. Risks Related to Securities Class Actions, Derivative Lawsuits and Other Legal Claims

The REIT and Melcor may be the target of securities class actions and derivative lawsuits which could result in substantial costs and may delay or prevent the Arrangement from being completed. Securities class action lawsuits and derivative lawsuits may be brought against companies that have entered into an agreement to acquire a public company or to be acquired. Third parties may also attempt to bring claims against the REIT or Melcor seeking to restrain the Arrangement or seeking monetary compensation or other remedies. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting consummation of the Arrangement, then that injunction may delay or prevent the Arrangement from being completed.

e. Negative Publicity

Public attitudes towards the Arrangement could result in negative press coverage and other adverse public statements affecting both Melcor and the REIT. Adverse press coverage and other adverse statements could lead to investigations by regulators, legislators and law enforcement officials or in legal claims, or otherwise negatively impact the ability of the REIT to take advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a material adverse effect on Melcor and/or the REIT's business, financial condition and results of operations.

f. Fees, Costs and Expenses of the Arrangement Payable

Both Melcor and the REIT expects to incur a number of non-recurring transaction-related costs associated with the Arrangement which will be incurred whether or not the Arrangement is completed.

Risks if the Arrangement is not Completed:

a. Failure to Complete the Arrangement Could Negatively Impact the Unit Price

If the Arrangement is not completed, the market price of the Units may be materially adversely affected to the extent that the current market price reflects a market assumption that the Arrangement will be completed.

Other Financial Information

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with IFRS Accounting Standards. In applying IFRS Accounting Standards, 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. We have discussed the development, selection and application of our key accounting policies, and the critical accounting estimates and assumptions they involve, with the Audit Committee and the Board of Directors.

Our significant accounting policies and accounting estimates are contained in the consolidated financial statements. Please refer to note 3 to the consolidated financial statements for a description of our accounting policies and note 5 and 6 for a discussion of accounting estimates and judgments.

Changes in Accounting Policies and Adoption of IFRS Accounting Standards

Refer to note 4 to the consolidated financial statements for information pertaining to accounting pronouncements that will be effective in future years.

Subsequent Events

Please refer to note 31 to the consolidated financial statements for information pertaining to subsequent events.

Joint Arrangement Activity

We record only our proportionate share of the assets, liabilities, revenue and expenses of our joint arrangements. Refer to note 24 to the consolidated financial statements for a listing of our current joint arrangements. The following table illustrates selected financial data related to joint arrangements at 100% as well as the net portion relevant to Melcor.

Joint arrangement activity at 100% ($000s)	2024	2023
Revenue	**252,672**	207,808
Earnings	**71,535**	66,789
Assets	**968,414**	971,892
Liabilities	**306,400**	338,385

Joint arrangement activity at Melcor's ownership % ($000s) (1)	2024	2023
Revenue	**116,529**	95,985
Earnings	**34,639**	30,986
Assets	**458,312**	455,174
Liabilities	**146,311**	159,580

(1) *Ownership in joint arrangements varies from 7% - 67%.*

Internal Control over Financial Reporting and Disclosure Controls

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant and material information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), in a timely manner. Under the supervision of the CEO and CFO, we carried out an evaluation of the effectiveness of our disclosure controls and procedures as defined in Canada by National Instrument 52-109 as of December 31, 2024. Based on this evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures related to Melcor and its subsidiaries and joint arrangements were effective.

Internal control over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. Management designed these controls based on the criteria set out in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 Framework). The CEO and CFO have certified that the internal controls over financial reporting were properly designed and effective for the year ended December 31, 2024.

There has been no change to Melcor's disclosure controls and procedures or internal control over financial reporting during the year ended December 31, 2024, that materially affected, or is reasonably likely to materially affect, Melcor's internal control over financial reporting.

Notwithstanding the foregoing, no assurance can be made that the Melcor's controls over disclosure and financial reporting and related procedures will detect or prevent all failures of people to disclose material information otherwise required to be set forth in Melcor's reports.

Non-GAAP and Non-standard Measures

Melcor's financial statements are prepared in accordance with IFRS Accounting Standards. Throughout this MD&A, we refer to terms known as non-GAAP financial performance measures that are not specifically defined in the CPA Canada Handbook or in IFRS Accounting Standards. These non-standard measures may not be comparable to similar measures presented by other companies. We use REALpac definitions for items such as FFO except for FFO we have included adjustments for amortization of deferred financing fees, which is included in non-cash financing costs and stock based compensation expense.

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

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

Calculations

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

Melcor Properties

($000s)	Three-Months		Year Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Segment earnings (loss) [1]	**4,678**	(9,788)	**16,018**	6,188
Fair value adjustment on investment properties	**798**	15,311	**5,543**	13,784
General and administrative expenses	**1,828**	1,271	**5,864**	5,051
Interest income	**(32)**	(103)	**(130)**	(117)
Amortization of tenant incentives	**587**	601	**2,575**	2,480
Straight-line rent adjustments	**(244)**	(117)	**(697)**	(452)
Divisional NOI	**7,615**	7,175	**29,173**	26,934

(1) Refer to note 25 to the consolidated financial statements

REIT

($000s)	Three-Months		Year Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Segment earnings [1]	**4,607**	1,255	**9,201**	22,807
Fair value adjustment on investment properties	**2,628**	8,429	**25,515**	16,794
General and administrative expenses	**3,017**	818	**6,640**	3,112
Interest income	**(39)**	(16)	**(83)**	(62)
Amortization of tenant incentives	**781**	956	**3,879**	3,975
Straight-line rent adjustments	**101**	88	**684**	9
Divisional NOI	**11,095**	11,530	**45,836**	46,635

(1) Refer to note 25 to the consolidated financial statements

Further discussion over NOI can be found in the Properties and REIT divisional results sections starting on page 19 of the MD&A.

Same-asset NOI: Same-asset NOI is a non-GAAP financial measure that compares the NOI on assets that have been owned for the entire current and comparative period and are classified for continuing use. Further discussion over same-asset NOI can be found in the Properties and REIT divisional results sections starting on page 19 of the MD&A.

Fair value of investment properties: Fair value of investment properties starting on page 22 is a supplementary financial measure and is calculated as the sum of the balance sheet balances for investment properties and assets held for sale and other assets (TI's and SLR).

Gross margin (%): Gross margin percent is a supplementary that indicates the relative efficiency with which we earn revenue. This ratio is calculated by dividing gross profit by revenue. Please refer to the 2024 Highlights section on page 11 of the MD&A for further discussion.

Net margin (%): Net margin percent is a supplementary financial measure that indicates the relative efficiency with which we earn income. This ratio is calculated by dividing net income by revenue. Please refer to the 2024 Highlights section on page 11 of the MD&A for further discussion.

Book value per share: Book value per share is a non-GAAP financial ratio and is calculated as shareholders' equity over number of common shares outstanding. Please refer to the 2024 Highlights section on page 11 of the MD&A for further discussion.

Debt to equity ratio: this is a non-GAAP financial ratio and is calculated as total debt over total equity. Refer to the Liquidity & Capital Resources section on page 29 of the MD&A for further discussion.

Portion of total revenue: Portion of total revenue is a supplementary financial measure and is calculated as divisional revenue over total consolidated revenue. Refer to the Divisional Results section on page 15 of the MD&A for further information.

Portion of total gross profit: Portion of total gross profit is a supplementary financial measure and is calculated as divisional gross profit over total consolidated gross profit. Refer to the Divisional Results section on page 15 of the MD&A for further information.

Funds from operations (FFO): FFO is a non-GAAP financial measure and is defined as net income in accordance with IFRS Accounting Standards, excluding (i) fair value adjustments on Melcor Properties; (ii) gains (or losses) from sales of Melcor Properties; (iii) amortization of tenant incentives; (iv) fair value adjustments, interest expense and other effects of redeemable units classified as liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) adjustment for amortization of deferred financing fees, which is included in non-cash financing costs and (vii) fair value adjustment on derivative instrument, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties. Further discussion over FFO, including a reconciliation from net income, can be found in the Funds from Operations section on page 14 of the MD&A and in the tables below:

Consolidated

($000s)	Three-Months		Year Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Net income for the year	**32,384**	10,311	**33,528**	62,980
Amortization of tenant incentives	**1,798**	2,042	**8,217**	8,416
Fair value adjustment on investment properties	**2,825**	22,928	**28,439**	24,456
Depreciation of property and equipment	**188**	198	**1,247**	1,260
Stock based compensation expense	**324**	286	**1,238**	1,057
Non-cash financing costs	**91**	6,275	**3,974**	4,766
Gain on sale of assets	**(2)**	(3)	**(58)**	(51)
Deferred income taxes	**773**	914	**2,962**	(336)
Fair value adjustment on REIT units	**5,055**	(5,389)	**14,259**	(18,093)
FFO	**43,436**	37,562	**93,806**	84,455

Properties

($000s)	Three-Months		Year Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Divisional income (loss) for the year (1)	**4,678**	(9,788)	**16,018**	6,188
Fair value adjustment on investment properties	**798**	15,311	**5,543**	13,784
Amortization of tenant incentives	**587**	601	**2,575**	2,480
Divisional FFO	**6,063**	6,124	**24,136**	22,452

(1) Refer to note 25 to the consolidated financial statements

REIT

($000s)	Three-Months		Year Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Divisional income for the year (1)	**4,607**	1,255	**9,201**	22,807
Fair value adjustment on investment properties	**2,628**	8,429	**25,515**	16,794
Amortization of tenant incentives	**781**	956	**3,879**	3,975
Divisional FFO	**8,016**	10,640	**38,595**	43,576

(1) Refer to note 25 to the consolidated financial statements

FFO per share: FFO per share is a non-GAAP financial ratio and is defined as FFO over basic weighted average common shares outstanding. Refer to the Funds From Operations section on page 14 of the MD&A for further discussion.