

An aerial photograph of a modern residential development, featuring multi-story houses with large windows and balconies, set against a blue-tinted background. The houses are arranged in a row along a street, with some featuring stone accents and large glass doors. The overall scene is captured from a high angle, showing the layout of the neighborhood and surrounding greenery.

Telling the story of our year.

ANNUAL REPORT 2021

MELCOR

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

A LOOK BACK ON 2021



WHAT'S INSIDE

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MELCOR

KEY METRICS 2021

(\$000s except as noted)	2021	2020	Change
Revenue	315,628	226,818	39%
Gross margin (%) ¹	44%	43%	3%
Fair value adjustment on investment properties	19,370	(76,480)	(125%)
Net income	56,311	11,464	391%
Net margin (%) ¹	18%	5%	249%
Funds from operations ²	81,327	51,424	58%
Shareholders' equity	1,116,469	1,077,429	4%
Total assets	2,113,927	2,001,285	6%
Cash from operations	72,822	53,120	33%

Per Share Data	2021	2020	Change
Basic earnings	1.70	0.34	400%
Diluted earnings	1.70	0.34	400%
Funds from operations ³	2.46	1.55	59%
Book value ³	33.87	32.56	4%

1. Supplementary financial measure.

2. Non-GAAP financial measure.

3. Non-GAAP financial ratio.

Refer to the Non-GAAP and Non-Standard Measures section on page 39 of our annual MD&A (available on SEDAR.com and at Melcor.ca/Investors) for further information.

BUILDING COMMUNITY

Since 1923, our focus has been the business of real estate. While the specifics of our business have changed over the years to reflect the times, real estate is fundamental to who we are. Today, we are a diversified real estate development and asset management company. We transform raw land into high-quality residential, commercial and mixed-use real estate. We develop and manage master-planned residential communities, business and industrial parks, office buildings, retail commercial centres and golf courses. Melcor owns a diversified portfolio of assets in Alberta, Saskatchewan, British Columbia,



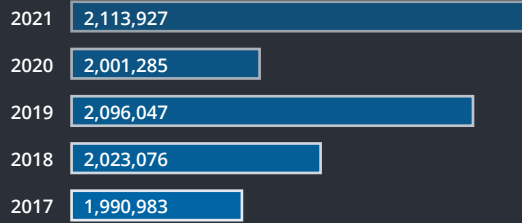
Arizona and Colorado. With over 140 communities and commercial projects developed across western Canada since the 1950s and over 2.5 million square feet in commercial projects built, we have helped to shape much of Alberta's landscape. We manage 4.75 million square feet in commercial real estate assets and 593 residential rental units in the United States and Canada. We are committed to building communities that enrich quality of life – communities where people want to live, work, shop and play. We have been publicly traded since 1968 (TSX:MRD)

KEY METRICS

REVENUE



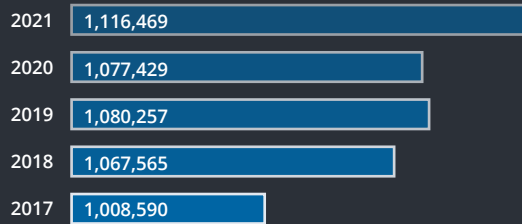
ASSETS



FUNDS FROM OPERATIONS



SHAREHOLDERS EQUITY



REVENUE BY DIVISION



GROSS MARGIN BY DIVISION



LETTER FROM THE EXECUTIVE CHAIR AND CEO

TIMOTHY MELTON

COMPANY OPERATIONS

On behalf of the Board of Directors, it is my privilege to report another good year for Melcor.

The company's Community Development division had a successful year. Residential real estate markets were generally strong resulting in year over year lot sales growth of 64% in Canadian operations and 16% in the company's US operations.

The Investment Properties division and Melcor REIT also had a satisfactory year with stable revenue. The company's long-term experience and success in cyclical real estate markets has assisted in managing business through this difficult period.

The Property Development division continues to selectively build commercial assets which are subsequently turned over to the Investment Properties division to manage as income generating assets. In the event the properties are to be sold they will first be presented to the Melcor REIT.

Melcor's golf course operations had a very successful year due to favourable weather conditions and strong demand for golf through the 2021 golf season. The number of rounds played increased by 17% and revenue growth was 30% over the previous year.

GIVING BACK

Engrained in the values of our company is a desire and duty to give back within the many communities of which we are a part. We were privileged to be able to continue to do so again in 2021. Our charitable giving focuses on family and children, healthcare and wellness, science, arts and culture and education — all elements of building successful communities.

SHAREHOLDER COMMITMENT

Optimizing shareholder value remains a primary focus of our Board of Directors. Based on improved cash flows and a cautiously optimistic economic outlook, the 2021 dividend was increased by 29% over 2020 levels. On March 16, 2022 the company announced that the Q1 dividend would increase to \$0.14 per share. We also renewed our share buyback program subsequent to the year.

APPRECIATION

We recognize and thank the entire Melcor team for their continued hard work and commitment to serving all company stakeholders through these uncertain and challenging times.

As previously reported, we acknowledge and thank Darin Rayburn who retired at the end of 2021 as President and CEO of Melcor and Melcor REIT. We appreciate Darin's contributions to the company over the past 19 years.

The company also thanks Ross Grieve for his 19 years serving on Melcor's board of directors. Ross is retiring from our board of directors at our upcoming annual general meeting.

In closing, Melcor wishes to thank shareholders for their continued support and confidence. We remain committed to protecting and enhancing your investment in the company.



EXECUTIVE CHAIR AND CEO

Sincerely,
[Signature]

LETTER FROM THE EXECUTIVE VICE PRESIDENT AND CFO

NAOMI STEFURA

I'm pleased to share the story of 2021 with our shareholders.

Demand for new homes was elevated throughout the year and our community development team had an active construction season in 2021 to replenish lot supply. New community development and home construction were challenged throughout the year due to supply chain delays, the rising price of lumber and general inflationary impacts on construction pricing.

We brought on the first phase of a new community called Cobblestone Creek in Airdrie, Alberta and are moving other new communities through the planning and approvals process, including The Pinnacle (estate lots with mountain views at Sunset Ridge in Cochrane, Alberta) and Goldwynne (an 800+ acre garden city development north of Calgary, Alberta).

Investment Properties revenue was up 2% as a result of transfers from the Property Development division. The REIT was relatively stable over the prior year despite being the division most challenged by the pandemic. Our focus on maintaining strong relationships with our tenants resulted in a healthy retention rate of 82% for the REIT and 75% for our Canadian properties held outside of the REIT. We also commenced 76,600 sf in new leases during the year and have a further 127,400 sf committed for future

occupancy at year end. We are grateful to the property management team and our tenants for their resilience throughout this challenging period.

We were excited to welcome the whole Melcor team back to the office mid-March, nearly two years to the date since the majority of staff began working from home. We look forward to welcoming our tenants back to their offices over the coming months to breathe new life into our downtown spaces, particularly in Edmonton.

Our Property Development division completed and transferred 9 buildings (118,700 sf) in 2021 with a further 6,900 sf under development and 23,200 sf completed and awaiting lease up at year end. Transfers to Investment Properties will positively impact results in future years as we continue to grow our income-producing assets for long-term holding or for sale to the REIT. We continued to progress commercial land through the development, approvals and lease-up process and have additional buildings expected to be completed and transferred to Investment Properties in 2022.

Revenue in the Recreational Properties division was up 30% with a record rounds played of 136,780 at our four courses. Our golf courses benefited through COVID-19 as a relatively safe outdoor recreational

option when travel and other forms of entertainment were closed, coupled with a mild winter leading to early openings and favourable weather during the golf season.

Melcor's senior leadership team is committed to promoting diversity and inclusion and ensuring that Melcor continues to operate in sustainable and responsible ways with respect to the environment, social needs and governance. In April 2021, Melcor earned a spot on The Globe and Mail's 2021 Report on Business Women Lead Here list, an annual editorial benchmark to identify best-in-class executive gender diversity in corporate Canada. Today, women comprise 71% of our management committee and 44% of our overall team.

In 2021, we further invested in mental health for our workforce by having all managers participate in The Working Mind program which seeks to change behaviours and attitudes toward people living with mental illness. This training was offered to empower managers with tools to identify and support the mental health of their teams.

Once again in 2021, our operations and administrative teams rose to the challenge of seemingly unending change, working from home, virtual meetings and restrictions. With commitment and dedication, our team's built new communities and added new phases to existing ones, built and leased new commercial income-generating properties, maintained relationships with our tenants and helped golfers safely enjoy the great outdoors to achieve record revenue for the company. I am incredibly proud of and grateful to our team for their strength and spirit.



EVP & CFO

Sincerely,

Jaomi Stefura

THE STORY OF OUR YEAR

SETTING RECORD HIGHS

\$315.6 MILLION

IN REVENUE

Our revenue hasn't seen the north side of \$300 million since 2013/2014, some of our best years ever. Coming through the COVID-19 pandemic with these results is nothing short of remarkable.

Read on to learn more about the numbers that made us in 2021.

LIVE. WORK. SHOP. PLAY.

99

YEARS OF BUSINESS

2022 marks our 99th year of business. We look forward to celebrating our centennial next year.



71%

FEMALE LEADERSHIP

Management Committee is comprised of 71% female identifying individuals. We were proud to earn recognition as a "Women Lead Here" business in 2021.



136,779

ROUNDS OF GOLF

Our golf courses were blessed by fantastic weather and an early start to the season, contributing to a record number of rounds played.



10,557 TONNES

EQUIVALENT GREEN HOUSE GASES REDUCED

Reduced since our 2012 benchmark year. This represents 46% reduction in GHG for electricity and 6% for natural gas.



1,541

LOTS SOLD

In addition, we sold 595 paper lots in the USA. This represents a record year for single-family lot sales.



\$2.46¹

FFO PER SHARE

Funds from operations generated \$2.46 per share for growth of 59% over the prior year.

1. Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 39 of our annual MD&A (available on SEDAR.com) for further information.

1,573

LOTS BUILT

To keep up with demand for new homes, we had an active development program and brought on 27 new phases in 18 communities.

118,734

SF BUILT & TRANSFERRED

Newly developed commercial properties will contribute to revenue in future years.



22%

REVENUE FROM THE USA

Geographic diversification is something we've been working on for a few years now, and our strategy is paying off.

ENVIRONMENTAL, SOCIAL RESPONSIBILITY & GOVERNANCE

OUR COMMITMENT

We are committed to corporate sustainability - in environmental practice, social responsibility, governance 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, our employees and our communities.



ENVIRONMENT

RESIDENTIAL DEVELOPMENT

Our development approach is to use the natural landscape as much as possible in community design, including intelligent storm water management facilities.

Our communities are filled with community gathering spaces – parks, playgrounds, community gardens and orchards.

COMMERCIAL DEVELOPMENT

We build efficient and sustainable buildings, and landscape with xeriscaping to reduce or eliminate the need for supplemental water by using native plants and trees. The Fountain Tire building, built by Melcor in 2014, received the ENERGY STAR designation for 2019 and 2020.

PROPERTY MANAGEMENT

We reduced greenhouse gas by 10,557 tons since our 2012 benchmark year.

100% of our properties use LED lights and have active recycling programs. 80% of buildings have motion sensing lights.

SOCIAL RESPONSIBILITY

RELATIONSHIP FOCUSED

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.

PEOPLE STRATEGY

Our people are the heart of our strategy and one of our three core values is to “empower and care for our exceptional team.” In 2021, managers participated in The Working Mind, a training program for recognizing and managing mental health challenges in the workplace.

DIVERSITY & INCLUSION

Melcor was proud to earn a spot on the Globe & Mail Report on Business Women Lead Here list in 2021. Report on Business conducted an analysis of nearly 500 large publicly traded Canadian companies, evaluating the ratio of female-identifying to male-identifying executives in the top three tiers of executive leadership. In 2022, women make up 71% of Melcor’s management committee, 39% of management and 44% of our overall team. Visible minorities also make up 15% of our workforce.

GOVERNANCE

COMMUNITY INVESTMENT

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.

SUPPORTING LOCAL

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

EFFECTIVE GOVERNANCE

The majority of our directors are independent and we have appointed an independent lead director. Directors undertake a self evaluation on the effectiveness of the board and its committees annually. Board renewal has taken place over the past two years, with one to two new directors coming in to replace retiring directors of long tenure.

CORPORATE GOVERNANCE

We are committed to effective corporate governance practices as a core component of our operating philosophy. Strong governance practices lay the foundation for a sustainable company and long-term value creation for our shareholders. As governance practices evolve, we periodically review, evaluate and enhance our governance program. Here are a few highlights of our program:

INDEPENDENCE

The majority of our directors are independent and our committees are comprised of a majority of independent directors. The independent directors meet in camera (without management and related directors) for a portion of each meeting held. As our Chair is related to Melcor, we have appointed a Lead Director, Cathy Roozen, who is independent of the company. Ms. Roozen chairs the in camera sessions and ensures that the board conducts itself in accordance with good governance practices.

INTEGRITY: THE HEART OF OUR BUSINESS

The highest standard of ethical conduct has always been at the heart of Melcor's operating philosophy. All employees, directors and officers follow our Code of Business Conduct and Ethics, which governs Melcor's work environment, regulatory compliance and the protection of our assets and reputation. The Code can be found on our website at www.melcor.ca.

STRATEGIC PLANNING PROCESS

The board ensures that Melcor establishes a solid strategy designed to optimize shareholder value. This process includes active consultation with management on the issues, business environment, assumptions, goals and financial budgets that underpin the strategy and ensures that risk levels are appropriate. To ensure that the board is fully informed and engaged in the strategic issues and critical risks of our business, one meeting each year is dedicated to the review and approval of our strategic plan to manage risk, protect shareholder value and build a sustainable business.

ALIGNMENT WITH SHAREHOLDER INTERESTS

Our compensation philosophy is to pay for superior performance. Thus a significant portion of executive compensation is "at risk": tied directly to results and thus linked to Melcor's success. This ensures alignment with shareholder interests and a focus on long-term value creation.



Douglas Goss, Q.C., AOE

Edmonton, Alberta, Canada

Independent

Counsel, Bryan & Company LLP

Director Since	2021
2021 Attendance	100%
2021 Compensation	\$16,650
Shareholdings	2,5000
Committees	Governance



Ross Grieve

Edmonton, Alberta, Canada

Independent

Corporate Director

Director Since	2003
2021 Attendance	100%
2021 Compensation	\$28,125
Shareholdings	nil
Committees	Governance



Andrew J. Melton

Calgary, Alberta, Canada

Related

CEO, Melcor REIT & Corporate Director

Director Since	1985
2021 Attendance	100%
2021 Compensation	\$38,625
Shareholdings	209,557
Committees	Investment



Kathleen Melton, ICD.D

Calgary, Alberta, Canada

Related

Corporate Director

Director Since	2016
2021 Attendance	100%
2021 Compensation	\$28,125
Shareholdings	42,750
Committees	Governance, Investment



Bruce Pennock

Edmonton, Alberta, Canada

Independent

Partner, Pennock Acheson Nielsen Devaney

Director Since	2021
2021 Attendance	100%
2021 Compensation	\$22,650
Shareholdings	5,000
Committees	Audit (Chair)



Janet Riopel, ICD.D

Edmonton, Alberta, Canada

Independent

President & CEO, TREYL Communications

Director Since	2022
2021 Attendance	n/a
2021 Compensation	n/a
Shareholdings	1,000
Committees	Audit



Catherine Roozen

Edmonton, Alberta, Canada

Independent | Lead Director

Director & Secretary, Cathton Investments

Director Since	2007
2021 Attendance	100%
2021 Compensation	\$37,125
Shareholdings	125,600
Committees	Audit, Governance (Chair)



Ralph Young

Edmonton, Alberta, Canada

Independent

Corporate Director

Director Since	1976
2021 Attendance	100%
2021 Compensation	\$48,125
Shareholdings	1,405,300
Committees	Governance



Timothy C. Melton

Edmonton, Alberta, Canada

Related

Executive Chair & CEO, Melcor

Director Since	1973
2021 Attendance	100%
2021 Compensation	\$nil
Shareholdings	2,169,721
Committees	Investment

FIVE YEAR PERFORMANCE MEASURES

	2021	% CHANGE	2020	% CHANGE	2019	% CHANGE	2018	% CHANGE	2017
ASSETS (\$000s)	2,113,927	5.6%	2,001,285	(4.5)%	2,096,047	3.6%	2,023,076	1.6%	1,990,983
SHAREHOLDERS' EQUITY (\$000s)	1,116,469	3.6%	1,077,429	(0.3)%	1,080,257	1.2%	1,067,565	5.8%	1,008,590
REVENUE (\$000s)	315,628	39.2%	226,818	9.1%	207,971	(22.2)%	267,434	3.7%	257,950
GROSS MARGIN ¹	44.4%		43.3%		46.5%		46.8%		45.1%
ADMINISTRATIVE EXPENSES/REVENUE ¹	6.9%		8.0%		10.8%		8.8%		9.8%
BASIC EARNINGS PER SHARE (\$)	1.70	400.0%	0.34		1.13	(41.1)%	1.92	67.0%	1.15
NET INCOME (\$000s)	56,311	391.2%	11,464	(69.9)%	37,741	(41.3)%	64,273	66.8%	38,525
FFO ² (\$000s)	81,327	58.1%	51,424	34.4%	38,265	(31.8)%	56,127	(4.9)%	59,021
FFO PER SHARE ³ (\$)	2.46	58.7%	1.55	34.8%	1.15	(31.5)%	1.68	(5.1)%	1.77
AVERAGE SHARE PRICE (\$)	12.73	55.1%	8.21	(35.9)%	12.81	(11.1)%	14.41	(5.9)%	15.32
DIVIDEND PER SHARE (\$)	0.44	29.4%	0.34	(32.0)%	0.50	(3.8)%	0.52	—	0.52
DIVIDEND YIELD ⁴	3.5%		4.1%		3.9%		3.6%		3.4%
BOOK VALUE PER SHARE ⁵ (\$)	33.87	4.0%	32.56	0.2%	32.51	1.6%	32.01	6.0%	30.21
AVERAGE BOOK VALUE PER SHARE ⁵ (\$)	33.59	1.0%	33.26	3.6%	32.09	3.5%	31.02	4.9%	29.58
AVERAGE MARKET /AVERAGE BOOK ⁶ (\$)	0.38		0.25		0.40		0.46		0.52
PRICE/EARNINGS RATIO ⁷	7.49		24.15		11.34		7.51		13.32
RETURN ON EQUITY ⁸	5.04%		1.06%		3.49%		6.02%		3.82%
RETURN ON ASSETS ⁹	2.66%		0.57%		1.80%		3.18%		1.93%
DEBT/EQUITY RATIO ¹⁰ (EXCLUDING REIT UNITS)	0.77		0.80		0.84		0.80		0.88
ASSET TURNOVER ¹¹	14.93%		11.33%		9.92%		13.22%		12.96%

1. Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 39 of the annual MD&A for further information.

2. Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section on page 39 of the annual MD&A for further information.

3. Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section on page 39 of the annual MD&A for further information.

4. Dividend yield is dividends per share divided by the average share price.

5. Average book value per share is the average of the book values at each quarter end date.

6. Average market/average book is the average share price divided by the average book value per share.

7. Price/earnings ratio is the average share price for the year divided by the basic earnings per share.

8. Return on equity is net income for the year divided by equity at year end.

9. Return on assets is net income for the year divided by assets at year end.

10. Debt/equity ratio is debt, excluding REIT units, divided by shareholders equity.

11. Asset turnover is revenue divided by assets at year end.

ANNUAL GENERAL MEETING

Melcor will be hosting a virtual AGM. You will be able to listen to management's presentations following the formal part of the meeting and to ask questions. Voting will be in advance only. Please vote by the proxy deadline.

<https://www.gowebcasting.com/11745>

Thursday, May 19, 2022 | 11:00 am MT

PROXY DEADLINE:

Tuesday, May 17, 2022 | 11:00 am MT

SHAREHOLDER SERVICES

For shareholder services, including dividend information, change of address and lost share certificates, please contact:

Odyssey Trust

Trader's Bank Building
702 67 Yonge Street
Toronto, ON M5E 1J8

1-888-290-1175

<https://odysseycontact.com>

KEY DATES

Annual Meeting: May 19, 2022 | 11:00 am MT

Earnings Dates:

Q1-2022 – May 9, 2022

Q2-2022 – August 11, 2022

Q3-2022 – November 8, 2022

Q4-2022 – TBD

Dates are subject to change without notice.

CORPORATE INFORMATION

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MELCOR

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