

MADISON PACIFIC PROPERTIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

(as of November 1, 2024)

(\$000's)

Basis of Discussion and Analysis

This management discussion and analysis (“MD&A”) of the consolidated financial condition of Madison Pacific Properties Inc. (“Madison” or the “Company”) as of August 31, 2024 and the results of its operations for the year ended August 31, 2024 was prepared as of November 1, 2024. The MD&A should be read in conjunction with the Company’s audited consolidated financial statements and accompanying notes for the years ended August 31, 2024 and August 31, 2023.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). IFRS comprises IFRS, International Accounting Standards (“IAS”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”) and the former Standing Interpretations Committee (“SIC”).

The consolidated financial statements include the operating results of Madison, its subsidiaries, and on a proportional basis, the accounts of its joint operations. All financial information is presented in Canadian dollars.

Forward-Looking Statements

This MD&A contains forward-looking statements regarding the future success of Madison’s business that are subject to risk and uncertainties. Forward-looking information typically contains statements with words such as “expect”, “believe”, “plan”, “forecast”, “intend” or similar words suggesting future outcomes. Examples of such forward-looking statements include statements regarding the Company’s expectation to renew mortgage loans as they become due; the Company’s expectation to be able to renew all credit facilities when they become due, with terms comparable to those currently in place except for higher interest rates and lower loan-to-value ratios; the Company’s expectation that the Bank of Canada will continue to adjust its overnight interest rate until it achieves its target inflation range; the Company’s expectation to hold interest rate swap contracts and the related floating rate mortgages until maturity; the Company’s belief that there will be sufficient future taxable income to utilize income tax losses. The material factors and assumptions used to develop forward-looking information include the current level of interest rates in the market, current relationships with the Company’s lenders, current capitalization rates and long-term lease agreements supporting income expectations to utilize tax losses.

These forward-looking statements involve known and unknown risks and uncertainties that may cause Madison’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. These risks include risks related to the real estate industry generally such as, financing and interest rates, demand for office, industrial, commercial, and multi-family residential rentals, illiquidity of real estate investments, non-renewal of tenant leases, risks associated with residential development and related zoning and other permit approvals, joint ventures and co-ownerships, fluctuation in real estate values, risk associated with residential rental business, geographic concentration of the business, environmental matters and uninsured losses and income tax risk including reassessments and interest and awarded legal costs thereon and the sufficiency of taxable income to utilize losses. Although the forward-looking statements contained herein

are based upon what management believes to be current and reasonable assumptions, Madison cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Except as required by law, the Company undertakes no obligation to publicly update or revise any such forward-looking statements to reflect any change in its expectations or in events, conditions or circumstances on which any such forward-looking statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

Business Overview

Madison is in the business of acquiring, developing and managing revenue-producing industrial, commercial, multi-family, retail and office rental properties located in British Columbia, Alberta, and Ontario. Madison also has investments in joint ventures that develop residential properties.

Industrial, Retail and Office Properties

The following table shows the leasable area and base annual rent (except for properties under development and the Company's 50% interest in seven residential apartment properties) as of the date of this MD&A, for the three real estate income property asset classes held by Madison. Base annual rent includes estimated market rent on units that are vacant as of the date of this MD&A assuming 100% occupancy for a full fiscal year.

Province	Area and Rent ⁽¹⁾⁽²⁾	(in 000's except for leasable area)			
		Industrial	Retail	Office	Total
British Columbia	Leasable area (sq. ft.)	1,350,227	120,089	116,689	1,587,005
	Base annual rent (\$)	23,018	2,869	4,980	30,867
Alberta	Leasable area (sq. ft.)	283,078	-	-	283,078
	Base annual rent (\$)	3,085	-	-	3,085
Ontario	Leasable area (sq. ft.)	63,030	-	-	63,030
	Base annual rent (\$)	676	-	-	676
Total	Leasable area (sq. ft.)	1,696,335	120,089	116,689	1,933,113
	Base annual rent (\$)	26,779	2,869	4,980	34,628

- (1) Leasable area includes 100% of the total leasable area of properties in the MT Properties Limited Partnership, of which the Company holds a 60.9% interest, 50% of the total leasable area of joint operations that are proportionally consolidated (at 50%) for financial statement purposes and 50% of the total leasable area of the property in the 2798 Barnet Development Limited Partnership, which is accounted for using the equity method.
- (2) Base annual rent excludes recoveries for operating costs and property taxes and rents based on tenant revenue.

Madison manages properties with a diverse tenant base. As at August 31, 2024, no one commercial tenant accounted for more than 10.52% (August 31, 2023 – 11.40%) of the commercial rental revenue of Madison. Lease maturities are staggered such that as at August 31, 2024, no more than 29.21% (August 31, 2023 – 28.45%) of the commercial rental space was subject to renewal in any one year.

Multi-Family Rental Properties

The Company has a 50% interest in seven apartment properties with a total of 219 rental units in Vancouver, British Columbia as of the date of this MD&A. The other 50% interest is held by the Company's associate, Grant Street Properties Inc. ("GSP").

On September 4, 2024, the Company acquired a 50% interest in a 35-unit apartment property in Metro Vancouver for \$7,322, including closing costs and taxes. The purchase price for this apartment property was settled by the assumption of a mortgage of \$3,235 and cash for \$4,087.

On September 4, 2024, the Company acquired an additional 50% interest in a 20-unit apartment property in Metro Vancouver for \$3,905 including closing costs and taxes.

Joint Venture Residential Developments

Madison has two properties held through separate 50/50 joint ventures where the lands have residential and mixed-use development potential under the current respective official community plans. A description of the joint ventures and the status of development activities are summarized below. These joint ventures are accounted for using the equity method of accounting.

Silverdale Hills Limited Partnership (the "Silverdale Hills LP")

Madison has a 50% interest in the Silverdale Hills LP which owns approximately 1,405 acres of residential development lands in Mission, British Columbia as of the date of this MD&A.

In the year ended August 31, 2023, the Silverdale Hills LP completed development of 162 townhomes and 65 single family lots on the site, which consumed approximately 38 acres of land inventory. As at August 31, 2023, all of the townhome units have been sold and 64 single family lots have been sold to a single developer. In the year ended August 31, 2023, the Company received distributions of \$18,300 from the Silverdale Hills LP funded by the profits from this development.

On March 4, 2024, the Silverdale Hills LP received approval from the City of Mission to rezone 11 properties totalling approximately 139 acres within the Silverdale Central Neighborhood Plan area to the new Comprehensive Development 59 Zone, which could accommodate residential units of varying formats, parks, trails and neighborhood commercial uses (the "Loftus Village Project").

In July 2024, the Silverdale Hills LP submitted a subdivision and rezoning application to the City of Mission to subdivide and rezone approximately 50 acres of land within the Loftus Village Project. In July 2024, the Silverdale Hills LP also entered into servicing agreements with the City of Mission to construct and install the first phase of public services, facilities, and utilities within the Loftus Village Project lands to support this 50 acre development. The Silverdale Hills LP obtained a letter of credit facility to a maximum of \$30,000 in June 2024 and surety bonds totalling \$25,804 in July 2024 as security to these servicing agreements with the City of Mission. Please refer to "Liquidity and Capital Resources" for details.

In March 2022, the Silverdale Hills LP entered into a contract to purchase approximately 19 acres of residential development lands within the Loftus Village Project site for \$25,000 excluding closing costs and taxes. The purchase is scheduled to close in March 2025. A deposit of \$10,000 has been paid.

For the year ended August 31, 2024, the Company made additional equity investments of \$7,658 in the Silverdale Hills LP to fund development and land servicing costs for the Loftus Village Project and for the acquisition of additional parcels of undeveloped residential land complementary to the project.

Roadwork and sewer construction for the Loftus Village Project commenced in August 2024. Further development is subject to obtaining various approvals and prevailing market and financing conditions, none of which are certain as of the date of this MD&A.

During the year ended August 31, 2023, the Silverdale Hills LP purchased approximately 21 acres of residential development lands in Mission, British Columbia for \$19,589 including closing costs and taxes. Eleven of the 21 acres relate to a potential multi-family site currently undergoing the rezoning process with the City of Mission.

Redevelopment of further properties is subject to economic feasibility and obtaining all necessary approvals, including rezoning, none of which are certain as of the date of this MD&A.

In the year ended August 31, 2024, the Company drew \$35,000 of cash from the Silverdale Hills LP. This was funded from a \$70,000 demand loan facility secured by the Silverdale Hills LP (see “Liquidity and Capital Resources”).

2798 Barnet Development Limited Partnership (the “Barnet LP”)

Madison has a 50% interest in the Barnet LP which owns a retail property in Coquitlam, British Columbia. In May 2021, the Barnet LP submitted an application to the City of Coquitlam to redevelop this site into a residential and mixed-use property. The original application submitted to the City of Coquitlam is to construct three buildings with a total of 1,061 residential units, and one building with 300 residential rental units and 145,700 square feet of commercial space. During the year ended August 31, 2024, the Company made equity investments of \$1,900 in the Barnet LP to fund its pre-development costs. Redevelopment of this site is subject to economic feasibility and obtaining all necessary approvals, including rezoning and development approvals, none of which are certain as of the date of this MD&A.

Selected Financial Information

The following table provides selected financial information for the past three fiscal years:

(in \$000's except per share amounts)	August 31,		
	2024	2023	2022
Property revenues	44,487	40,467	37,390
Net (loss) income and comprehensive (loss) income attributable to the shareholders of the Company	(44,125)	18,622	63,301
(Loss) income per share	(\$0.74)	\$0.31	\$1.07
Total assets	795,447	853,352	842,149
Total debt on investment properties	302,908	308,781	310,456
Dividends per share	\$0.105	\$0.105	\$0.105

Total assets as at August 31, 2024 decreased by \$57,905 compared to August 31, 2023. The decrease in total assets is primarily attributable to the payment of \$31,310 to the Canada Revenue Agency (“CRA”) and Alberta Tax and Revenue Administration (“ATRA”) for the taxes and estimated interest the CRA and ATRA claimed are owed and a full provision of \$19,270 recorded against the carrying value of the tax deposits paid to the CRA and ATRA related to the Company’s tax appeals (see “Uncertain Tax Positions”). The decrease was also attributable to the decrease in fair value assets on interest rate swaps of \$3,905.

Total debt on investment properties outstanding as at August 31, 2024 decreased by \$5,873 compared to August 31, 2023. During the year ended August 31, 2024, the Company repaid \$55,420 of debt and received net proceeds of \$49,242 from the refinancing of certain properties. The repayment of debt of \$55,420 relates to scheduled principal repayments and repayment of the outstanding loan balance on certain mortgages that have matured during the year.

Results of Operations

The following discussion highlights the significant activities that have occurred during the years ended August 31, 2024 and August 31, 2023, up to the date of this MD&A:

Investment property acquisitions:

During the year ended August 31, 2024, the Company acquired a 50% interest in a 15-unit apartment property in Metro Vancouver for \$2,225 including closing costs and taxes, a 50% interest in a 42-unit apartment property in Metro Vancouver for \$6,259 including closing costs and taxes and a 50% interest in a 14-unit apartment property in Metro Vancouver for \$3,190 including closing costs and taxes.

During the year ended August 31, 2023, the Company purchased an industrial property with a 14,042 square foot building and a site area of 4.26 acres located in Calgary, Alberta for \$7,697 including closing costs and taxes. The purchase price for the investment property was settled by the assumption of a mortgage of \$5,408 and cash for \$2,289.

During the year ended August 31, 2023, the Company acquired a 50% interest in a 40-unit apartment property in Metro Vancouver for \$5,795 including closing costs and taxes.

Investment property dispositions:

For the year ended August 31, 2024, the Company had no dispositions of investment properties.

During the year ended August 31, 2023, the Company sold its 50% interest in a retail property with a 9,643 square foot building and a site area of 0.48 acres located in Richmond, British Columbia for net proceeds of \$3,495.

Metro Vancouver Properties Corp. (“MVP”) privatization transaction:

On July 3, 2024, the Company acquired the remaining 0.25% equity interest in its subsidiary MVP following completion of MVP’s share consolidation and going private transaction (the “Transaction”). The Transaction was structured as a consolidation of MVP’s Class B Voting Common Shares (the “MVP Class B Shares”) with all MVP Class B Shares being consolidated on the basis of one post-consolidation MVP Class B Share for each 1,941,489 pre-consolidation MVP Class B Shares, without any entitlement to receive fractional shares. In lieu of receiving a fractional share, minority shareholders were paid cash consideration of \$0.36 per pre-consolidation MVP Class B Share. As a result of the consolidation, the Company became the holder of the sole post-consolidation MVP Class B Share and the sole remaining shareholder of MVP.

MVP's shareholders approved the Transaction at a special meeting of the shareholders of MVP held on June 27, 2024. The vote in favour of completing the Transaction was approved by 94.63% of the votes cast by holders of MVP Class B Shares, excluding the votes cast by the Company and its related entities and their joint actors. MVP paid total consideration of \$1,000 to its minority shareholders. Following the completion of the share consolidation, MVP received an order from the securities regulatory authorities whereby it ceased to be a reporting issuer. The Transaction was accounted for as an equity transaction. The difference between the consideration paid and the related transaction costs for a total of \$1,211, and the carrying value of non-controlling interests of MVP as at July 3, 2024 of \$375 was charged to retained earnings in the consolidated statement of financial position.

The following table provides selected financial information for the years and three months ended:

(in \$000's except per share amounts)	Year ended August 31,		Three months ended August 31,	
	2024	2023	2024	2023
Property revenues	44,487	40,467	11,358	9,845
Property operating expenses	13,040	12,966	2,931	3,733
General and administrative expenses	5,343	6,773	1,262	3,920
Net (loss) gain on fair value adjustment on investment properties	(209)	5,675	(1,817)	(7,690)
Equity earnings of associate and joint ventures	360	7,361	5	(174)
Interest income	2,511	1,287	401	433
Interest expense	12,726	10,687	3,178	2,901
Interest expense and other costs on uncertain tax positions	14,778	-	-	-
Losses on fair value adjustment on interest rate swaps	(4,195)	(118)	(1,605)	(47)
(Loss) income before income taxes	(2,933)	24,246	971	(8,187)
Income tax expense (recovery)	41,276	5,267	951	(1,016)
Net (loss) income and comprehensive (loss) income	(44,209)	18,979	20	(7,171)
Net (loss) income and comprehensive (loss) income attributable to the shareholders of the Company	(44,125)	18,622	(42)	(6,789)
(Loss) income per share	(\$0.74)	\$0.31	\$0.00	(\$0.12)
Cash flow from operations before changes in non-cash operating accounts	11,421	9,471	3,507	1,222
Cash (used in) generated from operating activities	(20,322)	5,837	1,177	(2,016)
Dividends per share	\$0.105	\$0.105	\$0.0525	\$0.0525

The following table provides selected financial information as at:

(in \$000's)	August 31, 2024	August 31, 2023
Investment properties	708,341	695,150
Investments in associate and joint ventures	61,335	83,280
Other non-current assets	4,699	23,413
Total assets	795,447	853,352
Non-current debt on investment properties	198,828	251,449
Total debt on investment properties	302,908	308,781
Uncertain tax liabilities	500	-

Property revenues: Property revenues include rental revenue and property management revenue. Property revenues for the year ended August 31, 2024 increased by 9.9% compared to the year ended August 31, 2023, due to higher lease rates on certain industrial properties, the addition of an industrial investment property and a 50% interest in three multi-family residential properties and an increase in recoverable operating expenses. The increase was partially offset by certain vacancies throughout the year.

Property revenues for the three months ended August 31, 2024 increased by 15.4% compared to the three months ended August 31, 2023 due to an increase in lease rates on certain properties, the additions of an industrial investment property in August 2023 and a 50% interest in three residential properties during fiscal 2024 and a one-time lease termination fee. The increase was partially offset by certain vacancies throughout the quarter.

Excluding committed space and properties under development, commercial vacancies were 6.53% as at August 31, 2024 and 1.25% as at August 31, 2023. Commercial vacancies were 8.75% as of the date of this MD&A (November 21, 2023 – 1.25%).

Property operating expenses: Property operating expenses for the year ended August 31, 2024 were \$13,040 and comparable to the year ended August 31, 2023 at \$12,966.

Property operating expenses for the three months ended August 31, 2024 decreased by \$802 compared to the three months ended August 31, 2023 due to a decrease in non-recoverable operating costs related to vacancies.

General and administrative expenses: General and administrative expenses for the year ended August 31, 2024 decreased by \$1,430 compared to the year ended August 31, 2023. The decrease compared to the prior year is primarily due to a decrease in corporate management fees. During the year ended August 31, 2023, the Company incurred a one-time corporate management fee of \$2,812 (see “Transactions with Related Parties”). The decrease was partially offset by an increase in legal fees and an increase in employee compensation costs resulting from the additions of employees focused on investment property acquisitions and property management.

General and administrative expenses for the three months ended August 31, 2024 decreased by \$2,658 compared to the three months ended August 31, 2023 due primarily to a decrease in corporate management fees. During the three months ended August 31, 2023, the Company incurred a one-time corporate management fee of \$2,812 (see “Transactions with Related Parties”).

Net (loss) gain on fair value adjustment on investment properties: Net loss on fair value adjustment on investment properties was \$209 for the year ended August 31, 2024. The loss for the year ended August 31,

2024 is primarily attributable to an increase in capitalization rates on some industrial and office properties, which was partially offset by active lease rate increases to market rates or anticipated lease rate increase on units that are vacant as of August 31, 2024. The weighted average capitalization rate except for properties under development and a right-of-use asset applied at August 31, 2024 was 4.53%, compared to 4.30% at August 31, 2023. The weighted average capitalization rate disclosed in the previous MD&A for August 31, 2023 of 4.41% did not include the Company's 50% interest in multifamily rental properties resulting in a higher weighted average capitalization rate.

Net (loss) gain on fair value adjustment on investment properties can vary significantly from quarter to quarter due to changes in capitalization rates in the marketplace which are beyond the control of the Company and rental rate changes. The loss for the three months ended August 31, 2024 is primarily a result of an increase in capitalization rates on some industrial properties, which was partially offset by lease rate increases to market rents on renewals.

Equity earnings of associate and joint ventures: Equity losses of the associate, GSP, for the year ended and three months ended August 31, 2024 were \$256 and \$143, respectively, compared to the equity earnings of \$163 and the equity losses of \$625 for the year ended and three months ended August 31, 2023, respectively. The equity losses for the year and three months ended August 31, 2024 are primarily attributable to the loss on fair value adjustments on investment properties.

Equity earnings of the Barnet LP and the Silverdale Hills LP joint ventures were \$616 and \$148 for the year ended and three months ended August 31, 2024, respectively, compared to \$7,198 and \$451 for the year ended and three months ended August 31, 2023, respectively. The decrease in equity earnings from the joint ventures compared to the prior year and prior three months is due primarily to the completion of sales of townhomes and single family lots on this development in the Silverdale Hills LP in the prior year (see "Business Overview – Joint Venture Residential Developments").

Interest income: For the year ended August 31, 2024, the Company earned interest income from surplus cash of \$2,511 compared to \$1,287 for the year ended August 31, 2023. The increase in interest income was due primarily to higher interest rates.

Interest income for the three months ended August 31, 2024 was \$401 compared to \$433 for the three months ended August 31, 2023. Interest income for the three months ended August 31, 2024 decreased compared to the three months ended August 31, 2023 due to a lower average balance of cash.

Interest expense: Interest expense for the year ended and three months ended August 31, 2024 increased by \$2,039 and \$277, respectively, compared to the year ended and three months ended August 31, 2023, respectively, due to higher interest rates.

Interest expense and other costs on uncertain tax positions: The interest expense and other costs on uncertain tax positions for the year ended August 31, 2024 of \$14,778 relates to an estimate for interest accrued on the unpaid portion of reassessed taxes and awarded legal costs related to the Company and its subsidiaries tax court appeals. See "Results of Operations – Income Taxes" and "Uncertain Tax Positions" for the details of the Company's tax appeals. During the year ended August 31, 2024, the Company paid the reassessed taxes and the estimated interest expense.

Losses on fair value adjustment on interest rate swaps: The losses on fair value adjustment on interest rate swaps for the year ended and three months ended August 31, 2024 were \$4,195 and \$1,605, respectively. The losses on fair value adjustment on interest rate swaps were primarily attributable to decreasing interest rates. The losses on fair value adjustment on interest rate swaps for the year ended August 31, 2024 relate to the total unrealized losses for the year on seven interest rate swaps with a total notional amount of

\$106,285. For the year ended and three months ended August 31, 2023, the Company had total unrealized losses on the fair value adjustment on interest rate swaps of \$118 and \$47, respectively. The Company mitigates some interest rate risk by entering into fixed rate interest rate swaps on some of its mortgages.

Income taxes: Income tax expense was \$41,276 for the year ended August 31, 2024 compared to income tax expense of \$5,267 for the year ended August 31, 2023. During the year ended August 31, 2024, the Company recorded a full provision against the carrying value of the Company's tax deposits and deferred tax assets related to unused carryforward amounts, a liability for tax owing, estimated interest, and awarded legal costs for all three sets of reassessments totalling approximately \$51,450. Of the total \$51,450 provision recorded for the year ended August 31, 2024, \$36,672 was recognized to income tax expense and \$14,778 to interest expense and other costs on uncertain tax positions. See "Uncertain Tax Positions" for the details of the Company's tax appeals. A reconciliation of the income tax provision can be found in note 15 of the consolidated financial statements.

Net (loss) income and comprehensive (loss) income: The overall net loss and comprehensive loss for the year ended August 31, 2024 compared to the overall net income and comprehensive income for the year ended August 31, 2023 is explained in the analysis provided above.

Cash flows from operating activities before changes in non-cash operating accounts: For the year ended August 31, 2024, Madison generated \$11,421 of cash flows from its operating activities (before changes in non-cash operating accounts) (year ended August 31, 2023 - \$9,471). The increase compared to the prior year is due primarily to an increase in net property income and a decrease in general and administrative expenses, which was partially offset by an increase in current income tax expense and an increase in net interest expense.

Cash (used in) generated from operating activities: For the year ended August 31, 2024, Madison used \$20,322 of cash in operating activities compared to \$5,837 of cash generated from operating activities for the year ended August 31, 2023. The decrease compared to the prior year is due primarily to cash tax deposits totalling \$31,310 paid to the CRA and ATRA during the year ended August 31, 2024.

Investment properties: Investment properties as at August 31, 2024 increased by \$13,191 compared to August 31, 2023. The increase in investment properties is primarily attributable to the addition of a 50% interest in three multi-family residential properties for a total of \$11,674.

The fair value of investment properties is based primarily on internally prepared valuations applying the income approach, derived from the capitalization rate method. In applying the capitalization rate method, stabilized net operating income ("stabilized NOI") of each property is divided by an appropriate capitalization rate with adjustments for items such as vacancy rates, non-recoverable capital expenditures and other non-recurring items. Stabilized NOI is determined from the terms of an existing lease or market rents for similar properties. The capitalization rates used are generally based on ranges provided by external valuation experts. These assumptions are further compared against information obtained from independent industry experts. Adjustments are made to the carrying values of the investment properties when changes in the underlying valuation assumptions occur.

The table below provides the average capitalization rates applied (excluding properties under development and a right-of-use asset) and the ranges for each market category as at August 31, 2024 as it relates to the Metro Vancouver market where approximately 77% of the Company's properties are located.

	Company average cap rate	Market range⁽²⁾
Industrial	4.34%	4.75% to 6.25%
Retail ⁽¹⁾	4.85%	5.00% to 5.50%
Office	5.71%	5.00% to 6.00%
Multi-family rental	3.73%	3.50% to 4.00%

(1) Excludes retail property held under leasehold interest.

(2) Assumes current market rents on income producing properties.

The following table provides a sensitivity analysis for the weighted average capitalization rate applied at August 31, 2024 except for properties under development and a right-of-use asset of \$2,269:

Capitalization rate increase (decrease)	Weighted average capitalization rate	Fair value of investment properties (at Company's ownership) \$	Fair value variance \$	% Change
(0.75%)	3.69%	867,438	161,367	22.9%
(0.50%)	3.98%	802,723	96,652	13.7%
(0.25%)	4.26%	750,492	44,421	6.3%
August 31	4.53%	706,072	-	-
0.25%	4.79%	667,364	(38,707)	(5.5%)
0.50%	5.05%	633,128	(72,943)	(10.3%)
0.75%	5.31%	602,524	(103,547)	(14.7%)

Investments in associate and joint ventures: Investments in associate and joint ventures as at August 31, 2024 decreased by \$21,945 compared to August 31, 2023. The decrease in investments in associate and joint ventures is primarily attributable to a distribution received of \$35,000 from the Silverdale Hills LP, which was partially offset by the additional equity investment of \$3,137 in the Company's associate to fund the acquisition of additional investment properties, the additional equity investments of \$9,558 into the Company's joint ventures and the equity earnings of associate and joint ventures of \$360. See "Business Overview – Joint Venture Residential Developments" for details regarding the distributions received and additional equity investments made to the Company's joint ventures.

Other non-current assets: Other non-current assets as at August 31, 2024 decreased by \$18,714 compared to August 31, 2023. The Company and its subsidiaries had previously made deposits of \$19,270 to the CRA and ATRA related to its tax court appeals. During the year ended August 31, 2024, the Company recorded a full provision of \$19,270 against the carrying value of these deposits resulting in a carrying value of \$nil. See "Uncertain Tax Positions" for the details of the Company's tax appeals. Fair value assets on interest rate swaps of \$942 were reclassified to current assets during the year ended August 31, 2024 based on the underlying maturity of the interest rate swaps. The decrease in other non-current assets was partially offset by the addition of deposits paid of \$4,362 related to the acquisition of a 50% interest in two multi-family residential investment properties that closed subsequent to the year ended August 31, 2024. See "Business Overview – Multi-Family Rental Properties".

Total assets: Total assets as at August 31, 2024 decreased by \$57,905 compared to August 31, 2023. The decrease in total assets is primarily attributable to the payment of \$31,310 to the CRA and ATRA for the taxes and estimated interest the CRA and ATRA claimed are owed and a full provision of \$19,270 recorded against the carrying value of the tax deposits paid to the CRA and ATRA related to the Company’s tax appeals (see “Uncertain Tax Positions”). The decrease was also attributable to the decrease in fair value assets on interest rate swaps of \$3,905.

Total debt on investment properties: Total debt on investment properties outstanding as at August 31, 2024 decreased by \$5,873 compared to August 31, 2023. During the year ended August 31, 2024, the Company repaid \$55,420 of debt and received net proceeds of \$49,242 from the refinancing of certain properties. The repayment of debt of \$55,420 relates to scheduled principal repayments and repayment of the outstanding loan balance on certain mortgages that have matured during the year.

Uncertain tax liabilities: During the year ended August 31, 2024, the Company had recorded a liability for unpaid taxes, estimated interest and awarded legal costs. During the year ended August 31, 2024, the Company and its subsidiaries paid the estimated liability of \$31,310 to the CRA and ATRA. As at August 31, 2024, the Company has accrued for estimated awarded legal costs of \$500. See “Uncertain Tax Positions” for the details of the Company’s tax court appeals.

Summary of Quarterly Results (in \$000’s except per share amounts)

Quarter ended	Property revenues	Net gain (loss) on fair value adjustment on investment properties	Net income (loss) and comprehensive income (loss)	Net income (loss) attributable to shareholders of the Company	Income (loss) per share attributable to shareholders of the Company
November 30, 2022	9,631	324	6,623	6,422	\$0.11
February 28, 2023	10,464	13,720	16,396	16,014	\$0.27
May 31, 2023	10,527	(679)	3,131	2,975	\$0.05
August 31, 2023	9,845	(7,690)	(7,171)	(6,789)	(\$0.12)
November 30, 2023	10,419	(8,047)	(57,817)	(57,481)	(\$0.97)
February 29, 2024	11,106	12,333	14,388	14,306	\$0.24
May 31, 2024	11,604	(2,678)	(800)	(908)	(\$0.02)
August 31, 2024	11,358	(1,817)	20	(42)	\$0.00

Quarterly Comparison

Overview: Quarterly net income (loss) and comprehensive income (loss) is significantly impacted by current income tax expense, interest expense and other costs on uncertain tax positions, the net gain (loss) on fair value adjustment on investment properties, the gains (losses) on fair value adjustment on interest rate swaps and the equity earnings (losses) of associate and joint ventures. The table above highlights the property revenues and net income (loss) and comprehensive income (loss) by quarter.

Property revenues: Property revenues for the first quarter of fiscal 2024 increased compared to the fourth quarter of fiscal 2023, due to an increase in lease rates on certain properties and the addition of an investment property. Property revenues for the second and third quarters of fiscal 2024 increased compared to the first quarter of fiscal 2024, due to an increase in lease rates on certain properties and the addition of a 50% interest in two investment properties. Property revenues for the fourth quarter of fiscal 2024 decreased compared to the third quarter of fiscal 2024, due to an increase in vacancies, which was partially offset by an increase in lease rates on certain properties and the additional of a 50% interest in one investment property.

Net (loss) income and comprehensive (loss) income: Net (loss) income and comprehensive (loss) income was significantly impacted by current income tax expense, interest expense and other costs on uncertain tax positions (see “Uncertain Tax Positions”), the net gain (loss) on fair value adjustment on investment properties, the gains (losses) on fair value adjustment on interest rate swaps and the equity earnings (losses) of associate and joint ventures. As a result, the quarterly net (loss) income and comprehensive (loss) income amounts are not comparable.

Liquidity and Capital Resources

The Company funds its current operations from its cash flows from operating activities, mortgages, construction loans, a lease liability and a bank line of credit. The Company manages liquidity by maintaining adequate cash balances and by having an appropriate line of credit available.

As at August 31, 2024, the Company had cash and cash equivalents of \$14,631 (August 31, 2023 – \$45,157) and had drawn \$nil (August 31, 2023 – \$nil) against its line of credit. Cash and cash equivalents comprise primarily cash held in interest bearing accounts with major Canadian financial institutions.

For the year ended August 31, 2024, Madison generated \$11,515 of cash flows from continuing operations (before changes in non-cash operating accounts) compared to \$9,471 for the year ended August 31, 2023. See “Results of Operations” for the explanations of changes in the cash flows from operations.

The Company has a maximum line of credit of \$20,000. The line of credit with a Canadian chartered bank bears interest at bank prime rate plus 1%. The line of credit may be used for general business purposes and the amount available for such uses varies with the value of investment properties pledged and the cash flows the properties generate, up to a maximum of \$20,000. Second mortgages against certain of the Company’s investment properties, assignments of rents and insurance, as well as general security agreements creating floating charges over all of the Company’s assets, have been provided as security. Amounts advanced under the line of credit are repayable on demand. The line of credit agreement contains certain financial ratios which must be maintained, for which the Company is in compliance.

The primary objective of the Company’s capital management is to ensure that it maintains adequate capital in order to support its business and maximize shareholder value. The Company manages its capital structure with the goal of minimizing risk to the stability of cash flows from properties. Other goals include maintaining its debt service coverage, interest coverage and debt to equity ratios as well as maintaining minimum amounts of shareholders’ equity as required by the Company’s line of credit agreement. The Company’s capital includes mortgage and construction loans, a lease liability, a line of credit and shareholders’ equity.

The Company’s principal source of financing is from mortgage loans. The ability to obtain a mortgage loan is dependent upon the value of the property and the cash flows the specific property generates and the availability of funds from time to time from lending institutions. The Company expects to renew mortgage loans as they become due.

The real estate industry is capital intensive. The Company requires access to capital to maintain its investment properties and to fund significant capital expenditures from time to time. Upon the expiry or maturity of the term of the financing or refinancing of any particular investment property or debt facilities, the Company may need to refinance. However, there is no assurance that capital will be available when needed or on favourable terms, or that the Company will be able to refinance its indebtedness or on terms as favourable as those currently in place with respect to the indebtedness. If the Company is unable to secure financing or refinance its indebtedness, or is only able to do so on less favourable terms, this may have a material adverse effect on the Company's cash flows, financial position or operating results.

As at August 31, 2024, the Company has total of \$302,908 (August 31, 2023 – \$308,781) mortgage loans with leverage ratio of 42.9% (August 31, 2023 – 44.5%). Leverage ratio is a non-GAAP measure and is not a generally accepted measure under IFRS but management uses it as a supplementary financial measure. The leverage ratio is calculated as total debt on investment properties (before netting of deferred financing costs and fair value adjustments to assumed debt) divided by the fair value of investment properties. The Company's calculation of leverage may differ from other companies and, accordingly, may not be comparable to other companies' calculation of leverage.

The weighted average interest rate on fixed rate mortgage debt as at August 31, 2024 was 4.27% (August 31, 2023 – 3.87%) with fixed interest rates ranging from 2.23% to 6.35% per annum. Mortgage maturities are staggered up to ten years such that as at August 31, 2024, no more than 33.08% (August 31, 2023 – 32.60%) of such debt matures in one year (see "Contractual Obligations"). During the year ended August 31, 2024, the Company has been able to obtain new mortgage financing and renew its existing mortgages although at higher interest rates and lower loan-to-value ratios.

As at August 31, 2024, the Company had entered into interest rate swaps with Canadian chartered banks on seven mortgages to reduce the impact of fluctuating interest rates and fix the Company's interest rates on those mortgages. The swaps had notional amounts as at August 31, 2024 totaling \$106,285, fixed swap rates ranging from 2.52% to 5.94%, and maturity dates ranging from December 2024 to September 2029. The total notional amount of the interest rate swaps represented 35.3% as at August 31, 2024 (August 31, 2023 – 34.8%) of the total debt on investment properties (before netting of deferred financing costs and fair value adjustments to assumed debt and excluding lease liabilities). The Company anticipates holding the mortgages and interest rate swap contracts until maturity.

Borrowings under the Company's line of credit bear interest at variable rates. The Company has \$2,736 (August 31, 2023 – \$nil) in variable rate mortgages. The Barnet LP, of which the Company owns a 50% interest and is accounted for using the equity method, has a floating rate demand loan of \$29,250. The loan matures in September 2025, is payable on demand and the Company has provided a limited guarantee of \$14,625.

The Silverdale Hills LP, of which the Company owns a 50% interest and is accounted for using the equity method, has a floating rate demand construction loan facility to a maximum of \$241 as at August 31, 2024. As at August 31, 2024, letters of credit totaling \$241 had been drawn against the facility. In October 2022, the Silverdale Hills LP obtained a demand floating rate bank loan of \$11,100, which matures in August 2025, is payable on demand and for which the Company provided a limited guarantee of \$5,550. Additionally, the Silverdale Hills LP has a demand floating rate bank loan facility to a maximum of \$70,000 which matures in calendar year 2025, is payable on demand and for which the Company has provided a limited guarantee for \$35,000. As of the date of this MD&A, \$70,000 has been drawn against the facility by the Silverdale Hills LP. In July 2024, the Silverdale Hills LP obtained surety bonds for a total of \$25,804 for which the Company has provided a guarantee.

The loan facilities, together with funds on hand and cash generated from operations, should provide adequate liquidity to meet the Company's obligations as they become due.

Risks and Uncertainties

Real Estate Industry

Investment properties are subject to varying degrees of risk. Such risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an over-supply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from others with available space and the ability of Madison to provide adequate maintenance at an economic cost.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether a property is producing sufficient income to cover such expenses. Madison's real estate properties are subject to mortgages that require ongoing debt payments and repayments of outstanding amounts on maturity. If Madison is unable or unwilling to make mortgage repayments on any property, losses could be sustained as a result of the lenders exercising their rights of foreclosure or sale.

Real estate is relatively illiquid. Such illiquidity will tend to limit Madison's ability to vary its portfolio promptly in response to changing economic or investment conditions. Financial difficulties of other property owners resulting in distress sales may further depress real estate values in many of the markets in which Madison operates.

Madison manages these risks through ownership of good quality properties combined with a diverse tenant base.

Revenue-Producing Properties

Madison's revenue-producing properties generate income through rental receipts from tenants. Upon the expiry of any lease, there is no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Madison than the existing lease. Furthermore, at any time, a tenant of Madison's properties may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of such tenant's lease and a resultant reduction in cash flow available to Madison.

The Company also has interests in multi-family rental properties. In addition to risks similar to commercial income properties, apartments are typically subject to greater government regulations.

Fluctuations in Real Estate Values

The commercial and industrial real estate industry is subject to variability and fluctuations in real estate values. The Company has elected to report its investment properties at fair value. Fair value represents the amount at which the properties could be exchanged between a knowledgeable and willing buyer and seller in an arm's length transaction at the date of valuation. Adjustments will be made to the fair values when changes in the underlying valuation assumptions occur.

Recent geopolitical events in the world have caused global economic disruption resulting in rising inflation and interest rates in 2022 and 2023. This has increased the risk and uncertainty surrounding valuation estimates due to limited market activity for comparable transactions and the resulting impact on the

Company's cash flows from investment properties. Downturns in the real estate market could negatively impact the fair values of the Company's investment properties.

Risks Associated with Residential Development Activities

There are a variety of risks associated with the Company's residential development activities such as municipal regulatory requirements and environmental considerations that affect the approval for planning, subdivision and use of land. During this period, market conditions may change dramatically. Other risks include rising costs of construction, contractual risk, shortage of experienced labour in the construction industry, reduced demand for new residential units, changes in regulations and taxes, and general market risk. The Company is also subject to risk that the actual performance of development properties acquired by the Company may be materially different from the assumptions made by management of the Company when purchasing the properties or initiating development. The Company manages the risks associated with its development activities by entering into joint ventures with experienced developers with a long history of successful development in Metro Vancouver.

Interest Rate Fluctuations

Madison's capital structure involves risks primarily associated with leverage and interest rates. Madison's financing includes some indebtedness with interest rates set on a floating rate basis which could result in fluctuations in Madison's cost of borrowing.

Since the beginning of 2022, the Bank of Canada increased its overnight interest rate by 475 basis points in an attempt to bring inflation under control. During 2022, inflation in Canada rose to its highest level in four decades and was a result of, but not limited to the effects of, the tight labour market, global supply chain disruptions, strong economic growth and the war in Ukraine. Starting in June 2024 to the date of this MD&A, the Bank of Canada decreased its overnight rate by a total of 125 basis points. The Bank of Canada is continuing to monitor inflation figures which could result in further interest rate cuts in its overnight rate.

Madison has also mitigated interest rate risk by refinancing the majority of its debt on investment properties (mortgage loans, excluding lease liabilities) at fixed rates and maintaining a balanced maturity schedule. The Company has not experienced any difficulties in renewing mortgages as they have become due. The Company also mitigates interest rate risk by entering into interest rate swaps.

The Company has a line of credit up to a maximum of \$20,000 that bears interest at bank prime rate plus 1%. As at August 31, 2024, \$nil had been drawn on the line of credit. The Company has \$2,736 (August 31, 2023 – \$nil) in variable rate borrowings, representing 0.9% of total borrowings. The impact of a 1.0% interest rate change on the Company's variable rate debt would increase or decrease interest expense and pre-tax earnings by \$27 (August 31, 2023 – \$nil) per year.

The Company's equity accounted joint venture investments, the Silverdale Hills LP and the Barnet LP, have floating rate financing agreements and instruments. This could lead to fluctuations in borrowing costs, negatively impacting the Company's equity earnings. Additionally, it may necessitate further equity contributions to the joint ventures, adversely affecting Madison's cash flows. See "Liquidity and Capital Resources" for details regarding the Silverdale Hills LP and the Barnet LP's variable rate borrowings.

Environmental Matters and Climate Change Risk

As an owner of investment properties, Madison is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. Such laws provide that Madison could be liable for costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect Madison's ability to sell such real estate or pledge real estate as collateral for borrowing. In addition, such a situation could potentially result in claims against Madison. Madison is not aware of any material pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. It is also possible that asbestos containing material ("ACM") and polychlorinated biphenyls ("PCB") in light fixtures may be present at some properties, which may result in future removal and disposal costs; however, management is not aware of any such presence.

Madison has formal procedures to review and monitor environmental exposure on an ongoing basis and conducts thorough environmental due diligence as part of its acquisition process. Madison has made and will continue to make the necessary capital expenditures to ensure compliance with environmental laws and regulations. Environmental laws and regulations can change at any time and Madison may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on Madison's business, financial condition and results of operations.

Natural disasters and severe weather such as floods, blizzards and rising temperatures may result in damage to the Company's properties. The extent of Madison's casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. Madison is also exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of its buildings. In addition, climate change, to the extent it causes changes in weather patterns, could have effects on the Company's business by increasing the cost of property insurance, and/or energy at the properties. As a result, the consequences of natural disasters, severe weather and climate change could negatively affect the results of operations and financial condition of Madison.

General Uninsured Losses

Madison carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance 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 from wars or environmental contamination) which are either uninsurable or not insurable on an economic basis. Madison currently has insurance for flood and earthquake risks, subject to certain policy limits, deductibles, and self-insurance arrangements, and will continue to carry such insurance so long as it is economical to do so. Should an uninsured or underinsured loss occur, Madison could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, while still being obligated to repay any recourse mortgage indebtedness on such properties. If a loss occurs in excess of insured limits, Madison could lose all or part of its investment in, and anticipated profits and cash flows from such property.

Joint Ventures and Co-ownerships

The Company participates in joint ventures, partnerships and similar arrangements that may involve risks and uncertainties not present absent third-party involvement, including, but not limited to, Madison's dependency on partners, co-tenants or co-venturers that are not under the Company's control and that might become bankrupt or otherwise fail to fund their share of required capital contributions, or suffer reputational damage that could have an adverse impact on the Company. Additionally, the Company's partners might at any time have economic or other business interests or goals that are different than or inconsistent with those of Madison, and the Company may be required to take actions that are in the interest of the partners collectively, but not in Madison's sole best interests. Accordingly, Madison may not be able to favourably resolve issues with respect to such decisions, or the Company could become engaged in a dispute with any of them that might affect its ability to operate the business or assets in question.

Residential Rental Business Risks

Demand for residential rentals fluctuates with changes in general market and economic conditions, such as consumer confidence, employment levels, financing availability for home buyers, interest rates, demographic trends, immigration levels and housing supply and demand. As a landlord of rental apartments, the Company faces risks inherent in the multi-family rental business. These include fluctuations in occupancy levels, individual credit risk, reputation risk, tenant privacy concerns, potential changes to rent control regulations, increases in operating costs (such as utilities), and increased property taxes. Additionally, certain operating costs, such as property maintenance, repairs, insurance, and property taxes, are not directly recoverable from tenants, which can significantly impact the financial performance of the property. In British Columbia, multi-family rental properties are subject to rent control legislation, which can restrict rent increases above an annually prescribed guideline, require sufficient notice before rent increases, or limit the frequency of rent increases. The issue of affordable housing and related policies is becoming increasingly prominent at various government levels. The Company may face risks from new or amended rent control legislation in its operating markets, potentially impacting operations and incurring costs that may not be fully recoverable from tenant rents. Madison mitigates these risks by maintaining a portfolio of well-located managed properties.

Geographic Concentration

Madison currently carries on the majority of its business in British Columbia, and predominantly Metro Vancouver. However, the Company has some geographic diversification with properties located in Alberta and Ontario. An economic downturn in any of these markets could cause leasing rates to decline, which could have a material adverse effect on the business and negatively affect the results of operations and financial condition of Madison.

Contractual Obligations

(in \$000's)	Payments due by						
	Total	August 31					Thereafter
		2025	2026	2027	2028	2029	
Debt on investment properties ⁽¹⁾	301,381	104,427	23,710	85,276	70,678	5,630	11,660
Undiscounted land lease liability	3,359	102	104	107	109	110	2,827

(1) Excluded from the table is the Company's 50% share of a \$29,250 bank loan owed by the Barnet LP, and the Company's 50% share of a \$11,100 bank loan and a \$70,000 bank loan owed by the Silverdale Hills LP, all of which are accounted for using the equity method. Please refer to the "Liquidity and Capital Resources" section for details about these loan facilities.

Uncertain Tax Positions

The Company and certain subsidiaries received tax notices of reassessment for various taxation years from the CRA and ATRA. The reassessments denied the application and usage of certain non-capital losses, capital losses, deductions and investment tax credits arising from prior years. In addition, the CRA and ATRA disallowed unclaimed carryforward non-capital losses of \$657, carryforward capital losses of \$6,494, and carryforward investment tax credits of \$4,457. The Company and its subsidiaries filed notices of objection and notices of appeal to the reassessments with the CRA and ATRA. The Company and its subsidiaries were required to make deposits totalling \$19,270 for a portion of the taxes and interest the CRA and ATRA claim are owed. The Company and its subsidiaries made these deposits at the time of filing the notice of objections.

A trial in the Tax Court of Canada ("TCC") for one of the reassessed companies, Madison Pacific Properties Inc., was heard in 2020, 2022 and in 2023 (the "MPP Appeal"). On December 27, 2023, the TCC released its decision for the MPP Appeal in favour of the CRA's position, confirming the CRA's, and by implication ATRA's, reassessments. The decision denied Madison Pacific Properties Inc.'s ability to use certain carryforward losses as described above for certain taxation years between 2009 and 2017. On January 26, 2024, the Company filed a notice of appeal to the Federal Court of Appeal ("FCA") to appeal the decision issued by the TCC.

Based on the decision of the TCC in respect of the MPP Appeal and other related factors, including the accounting criteria under IFRS regarding tax contingencies, the Company has recorded a full provision against the carrying value of the deposits and deferred tax assets related to unused carryforward amounts and a liability for taxes, estimated interest and awarded legal costs totalling \$51,450 for all three sets of reassessments. The total of these amounts, \$51,450, is recognized partially as income tax expense of \$36,672 and partially as interest expense and other costs on uncertain tax positions of \$14,778 in the results of operation for the year ended August 31, 2024.

The Company and its subsidiaries made an additional payment for the estimated outstanding liability claimed of \$31,310 to the CRA during the year ended August 31, 2024. As of the date of this MD&A, the Company has paid cash tax deposits totalling \$50,580 to the CRA and ATRA for the taxes and estimated interest the CRA and ATRA claimed are owed.

No trial dates have been set for the Company's other subsidiaries. As a result of the TCC decision in the MPP Appeal, the Company will continue to evaluate its defense positions in respect of the two other reassessed subsidiaries. If the Company is ultimately successful in defending its positions, deposits made plus applicable interest will be refunded to the Company. There are no assurances that the Company's objections and appeals will be successful. If the CRA and ATRA are successful, the deposits for potential tax liability would be forfeited to the CRA and ATRA.

Off-Balance Sheet Arrangements

Madison is required to provide letters of credit to municipalities in connection with development charges and rezoning applications. As of the date of this MD&A, there were no outstanding letters of credit held by the Company or its subsidiaries. The Silverdale Hills LP, of which the Company owns a 50% interest and is accounted for using the equity method, has outstanding letters of credit totaling \$42. The Silverdale Hills LP obtained an additional letter of credit facility of up to \$30,000 in June 2024. As of the date of this MD&A, \$nil has been drawn against the \$30,000 letter of credit facility by the Silverdale Hills LP.

The Company enters into interest rate swaps. See "Liquidity and Capital Resources" above.

Transactions with Related Parties

The Company has engaged the services of G.W. Property Services Ltd., a landscaping and building services company owned by a related party. During the year ended August 31, 2024, landscaping, maintenance, construction management and property management services paid to this company totaled \$836 (year ended August 31, 2023 – \$521). There are no long-term commitments with this company, which provides required landscaping, construction management, property management and maintenance on some investment properties.

On January 31, 2024, the Company acquired 328,240 newly issued shares in its equity investee GSP for \$2,137. On April 9, 2024, the Company acquired an additional 153,610 GSP shares from an unrelated GSP shareholder for \$1,000. As at August 31, 2024, the Company has a total ownership interest of 36.04% (August 31, 2023 – 33.85%) in GSP. GSP is a private company where certain of its shareholders and key management personnel are related to a director of Madison.

During the year ended August 31, 2024, the Company jointly acquired three apartment properties with its equity investee GSP (see "Results of Operations" above). During the year ended August 31, 2023, the Company also jointly acquired a 40-unit apartment property with GSP. Subsequent to August 31, 2024, the Company jointly acquired two additional apartment properties with GSP (see "Business Overview – Multi-Family Rental Properties" above).

During the year ended August 31, 2023, the Company made short-term interest bearing advances of \$3,500 to GSP. As at August 31, 2023, the advances were fully repaid to the Company. During the year ended August 31, 2023, the Company earned \$91 of interest at bank prime rate plus 0.5%.

During the year ended August 31, 2024, the Company engaged the services of Western Integrated Electrical Ltd., an electrical contractor controlled by a shareholder of the Company, for which it paid fees of \$8 (year ended August 31, 2023 – \$8).

During the year ended August 31, 2024, rental revenues totaling \$4,203 (year ended August 31, 2023 – \$4,129) were received from Madison Venture Corporation (“MVC”), and Arrow Speed Controls Limited, Continental Electrical Motor Services Ltd., Continental Electrical Motor Services (Northern) Ltd., 0777061 B.C. Ltd., Madison Industrial Equipment Inc., GVIC Communications Corp., Glacier RIG Ltd. and REW Digital Ltd., which are tenants and companies controlled by MVC. These companies have lease agreements with the Company. MVC is a shareholder of the Company and certain of its directors are directors of the Company.

During the year ended August 31, 2024, the Company incurred consulting fees to MVC for various asset management, development, and other management support services, including assistance with challenges to our tax reassessments of \$1,392 (year ended August 31, 2023 – \$1,016), which included the compensation of the Company’s chief executive officer, paid to the shareholder pursuant to a management service agreement for a total of \$480 (July 17, 2023 to August 31, 2023 – \$58). During the year ended August 31, 2023, the Company also incurred a one-time consulting charge of \$2,812 from a shareholder of the Company for asset management services related to the Company’s investment in Silverdale Hills LP.

During the year ended August 31, 2024, the Company incurred fees to GVIC Communications Corp. and MVC for administration services of \$31 (year ended August 31, 2023 – \$19).

The Company has provided a limited guarantee of \$14,726 on the MT Properties Limited Partnership mortgage debt. During the year ended August 31, 2024, a guarantee fee of \$44 (year ended August 31, 2023 – \$44) was paid to the Company.

Key management personnel include the Company’s directors and officers. For the year ended August 31, 2024, compensation awarded to key management personnel included salaries and short-term employee benefits of \$1,987 (year ended August 31, 2023 – \$1,649).

The transactions with the related parties noted above have been recorded at their exchange amounts, which are the amounts agreed to by the related parties.

Outstanding Share Data

As of the date of this MD&A, there were 7,355,420 Class B shares and 52,107,135 Class C shares outstanding.

Share Option Plan

The Company implemented a share option plan (the “Plan”) effective January 1, 2019. Under the Plan, the Company reserves Class B Shares equal to 2% of aggregate outstanding Class B Shares and Class C Shares for issuance upon the exercise of share options granted under the Plan. As of the date of this MD&A, 1,189,251 Class B Shares are reserved for issuance under the Plan. The Plan provides that share options may be issued only to executives, employees and outside directors of the Company or of any of its subsidiaries and that options granted to insiders (as defined by Toronto Stock Exchange rules) shall not exceed 10% of the outstanding Class B Shares.

The Plan and the terms of options granted, including the exercise price, the expiry time, the vesting period and other terms and conditions relating to such options, shall be administered by the Compensation Committee or any other committee to which such authority is delegated by the Board of Directors.

As of the date of this MD&A, no share options had been granted.

Investment properties are carried at fair value. Fair value represents the estimated amount at which the properties could be exchanged between a knowledgeable and willing buyer and seller in an arm's length transaction at the date of valuation. Valuations are prepared by management and are generally based on assumptions relating to cash flow from current leases, rental income from future leases in light of current market conditions and capitalization rates. The capitalization rates used are generally within ranges provided by external valuers. These assumptions are further compared against information obtained from independent industry experts.

Assumptions used in estimating the fair values of investment properties include capitalization rates, components of stabilized NOI, non-recoverable capital expenditures and vacancy rates. The Company examines the significant assumptions at the end of each reporting period and updates these assumptions based on recent leasing activity and external market data available at that time. If there is any change in these assumptions or in regional, national or international economic conditions, the fair value of investment properties may change materially.

Management has estimated the income tax provision and deferred income tax balances in accordance with its interpretation of the various income tax laws and regulations. It is possible, due to the complexity inherent in estimating income taxes that the income tax provision and deferred income tax balances could change. In accordance with IAS 12, Income Taxes, Madison recognized income tax losses as deferred income tax assets. At this time, management has estimated that there will be sufficient future taxable income to utilize the losses. Management uses judgement based on underlying facts and assumptions when determining whether a provision for a tax liability or derecognition of a deferred income tax asset is required for tax positions in dispute with tax authorities.

Based on the decision of the TCC in respect of the Company's appeal and other related factors, including the criteria under IFRS regarding tax contingencies, the Company has recorded a provision in the year ended August 31, 2024 for the uncertain tax positions in dispute with tax authorities, related accrued interest payable and awarded legal costs based on Management's best estimate. Tax authorities may disagree with the interpretation and application of tax laws and rules related to Management's computation of interest expense and awarded legal costs. As a result, the actual interest expense and awarded legal costs paid in future periods may differ from current estimates.

On the acquisition of an investment property, Madison is required to make an allocation for the building component of the property in order to calculate depreciation for income tax purposes.

The Company makes estimates and assumptions related to fair value disclosure of long-term debt. The critical assumptions underlying the fair value disclosure include credit spread. The Company reviews various comparable debt securities and determines a reasonable credit spread applicable to the debt securities.

Effectiveness of the Internal and Disclosure Controls and Procedures

An evaluation has been carried out on the effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures as defined in National Instrument 52-109. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the design and operation of these internal and disclosure controls and procedures were effective.

The Company did not make any changes to the design of its internal controls over financial reporting in the year ended August 31, 2024 that would have materially affected, or would be reasonably likely to materially affect the Company's internal controls over financial reporting.

Management of Madison is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Internal financial controls and procedures have been designed under the supervision of management of Madison.

It should be noted, that while Madison believes that the current disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance, it cannot be expected that existing disclosure controls and procedures or internal financial controls will prevent all human error and circumvention or overriding of the controls and procedures. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Additional Information

Additional information relating to Madison may be found in the Annual Information Form and the Information Circular for its most recent annual general meeting of shareholders. Both of these prescribed filings may be found on the SEDAR+ web site (www.sedarplus.ca).