



Management Information Circular

March 14, 2011

**MELCOR DEVELOPMENTS LTD.
MANAGEMENT INFORMATION CIRCULAR
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INVITATION TO SHAREHOLDERS

Dear Fellow Shareholders:

On behalf of Melcor's Board of Directors and our management team, I invite you to attend the 2011 annual general meeting of shareholders. We are pleased to host this event at:

WHERE: Citadel Theatre
Zeidler Hall
9828 101 a Avenue
Edmonton, Alberta

WHEN: Thursday, April 26, 2012
11:00 AM MDT

At the meeting, our management team will review the Company's 2011 operating and financial performance, as well as our plans for the remainder of 2012. You will have an opportunity to meet members of our management team and Board of Directors to discuss items of interest to you.

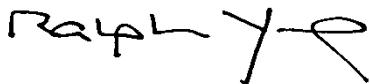
The business items to be dealt with are described in the notice of meeting and management information circular.

We are enclosing the Annual Report with the management information circular and related proxy materials. Additional documentation and information concerning Melcor is available on our website at www.melcor.ca.

If you are unable to attend the annual general meeting in person, or if you hold your shares in the name of a nominee, such as a brokerage firm, I encourage you to vote your proxy by any of the means available to you.

I look forward to seeing you at the Annual Meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph Young". The signature is stylized with a large, sweeping "Y" and "R".

Ralph B. Young
President and CEO

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual general meeting (the "Meeting") of the Shareholders of Melcor Developments Ltd. ("Melcor" or the "Company") will be held at the Citadel Theatre, 9828 101 a Avenue, Edmonton, Alberta, on Thursday, April 26, 2012, at 11:00 AM (MDT), to:

1. **Receive** the consolidated financial statements of the Corporation for the fiscal year ended December 31, 2011 and the auditor's report thereon;
2. **Fix** the number of members of the Board of Directors to be elected at the Meeting at eight (8);
3. **Elect** nominees to the Board of Directors of Melcor;
4. **Appoint** PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year at a remuneration to be fixed by the Board of Directors;
5. **Transact** such other business as may properly be brought before the Meeting or any adjournment thereof.

Shareholders are referred to the Information Circular appended to this Notice for more detailed information with respect to the matters to be considered at the Meeting.

If you cannot attend the Meeting or any adjournment thereof in person you may vote by proxy, by telephone or over the internet (see page 8 for information). **In order to be valid and acted upon at the Meeting, the proxy must be received by Valiant Trust Company (the "Trustee") at least 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the Meeting or any adjournments thereof.**

Shareholders are cautioned that the use of the mail to transmit proxies is at shareholders' risk. The Chair of the Meeting has discretion to accept late proxies.

The Board of Directors has fixed the record date for the Meeting as the close of business on March 14, 2012. Only shareholders of the Corporation of record as at that date are entitled to receive notice of and to vote at the Meeting unless a shareholder transfers shares after the record date and the transferee of those shares establishes ownership of the shares and demands not later than the close of business 10 days before the Meeting that the transferee's name be included in the list of shareholders entitled to vote.

Dated as of the 26th day of March, 2012.

BY ORDER OF THE BOARD OF DIRECTORS



Jonathan W. Chia, CA
Chief Financial Officer and Corporate Secretary
Melcor Developments Ltd.

GENERAL INFORMATION

Meeting

This management information circular (the "Circular") is provided in regard to the solicitation of proxies by the Board of Directors and management of Melcor Developments Ltd. ("Melcor" or the "Company") for use at the Annual General Meeting of Shareholders ("AGM") to be held on April 26, 2012 and at all adjournments of that meeting.

Date of Information

Information in this circular is as of March 14, 2012, unless otherwise noted (the "Circular Date").

Mailing of Circular

This circular, a proxy and Melcor's 2011 annual report will be mailed to shareholders by March 30, 2012. The 2011 annual report is being mailed to:

- all registered shareholders, except those who asked not to receive it; and
- beneficial shareholders who requested a copy.

Melcor will provide proxy materials to brokers, custodians, nominees and fiduciaries and request that the materials be forwarded promptly to its beneficial shareholders.

All references to shareholders in this Circular and the accompanying form of proxy and Notice of Meeting are to shareholders of record unless specifically stated otherwise. Where documents are stated to be available for review or inspection, such items will be shown upon request to a Registered Shareholder who produces proof of their identity.

Registered and Beneficial Shareholders

You are a Registered Shareholder if your shares are held in your name and you have a share certificate.

You are a Beneficial Shareholder if your shares are held in the name of a nominee. That is, your certificate was deposited with a bank, trust company, securities broker, trustee or other institution.

Annual Report and Interim Reports

If you are a registered shareholder, a copy of Melcor's 2011 annual report is included in this package, unless you asked not to receive it. If you (i) do not wish to receive Melcor's annual report next year; or, (ii) wish to receive Melcor's interim reports, please fill out and return the card enclosed with this package.

Melcor's annual report can be accessed at www.melcor.ca or you can request a copy as set out under Additional Information on page 28.

VOTING INFORMATION

Who is soliciting my proxy?

The management of the Company is soliciting your proxy for use at the Meeting. In connection with this solicitation, the management of the Company is providing you with this Information Circular (the "Circular").

How are proxies solicited?

The solicitation of proxies will be primarily by mail. However, certain employees of the Company may also solicit proxies by telephone or in person. The cost of solicitation will be borne by the Company.

What will I be voting on?

Shareholders will be voting on:

- Fixing the number of members of the Board of Directors to be elected at the Meeting at eight (8)
- Election of directors
- Appointment of PricewaterhouseCoopers LLP as auditors
- Other business, if any

How will these matters be decided at the Meeting?

A majority of the votes cast, by proxy and in person, will constitute approval of matters at the Meeting. For a special resolution, 66 2/3% of the votes cast will constitute approval.

Who counts the votes?

Proxies will be counted and tabulated by the Company's transfer agent, namely Valiant Trust Company.

Is my vote confidential?

The Company's transfer agent maintains the confidentiality of individual shareholder votes. However, proxies will be submitted to management where they contain comments clearly intended for management, in the event of a proxy contest or to meet legal requirements.

How many votes do I have?

You will have one vote for each common share you held at the close of business on March 14, 2012, the record date for the Meeting. The list of shareholders entitled to vote will be available for inspection after March 14, 2012, during usual business hours, at the offices of Valiant Trust Company, 310, 606 – 4th Street S.W., Calgary, Alberta, T2P 1T1, and at the Meeting.

To vote common shares you acquired after the record date, you must, not later than 10 days before the Meeting:

- Request that your name be added to the voters' list; and
- Produce properly endorsed share certificates or otherwise establish that you own the common shares

How will my proxy be voted?

On your form of proxy, you may indicate how you wish your proxyholder to vote your common shares. Common shares represented by properly executed forms of proxy in favour of the Company's officers, named on the enclosed form of proxy, will be voted or withheld from voting on any ballot that may be called for and, where you have specified a choice with respect to any matter to be acted upon, your common shares will be voted in accordance with the choice you have made.

If you have not specified a choice, your common shares will be voted:

- **FOR** the fixing of the number of members of the Board of Directors to be elected at the Meeting at eight (8);
- **FOR** the election of each of the proposed nominees as Directors; and
- **FOR** the appointment of PricewaterhouseCoopers LLP as auditors and authorize the Directors to fix their remuneration.

How many shares are entitled to vote?

The Company has an authorized capital consisting of an unlimited number of common shares without nominal or par value of which 30,033,297 common shares are issued and outstanding as of the close of business on the Circular Date.

How do I vote?

If you are eligible to vote and your common shares are registered in your name, you may vote your common shares in person at the Meeting, or by proxy, as outlined under "Registered Shareholder Voting".

If your common shares are held in the name of a nominee, please read the instructions below under "Beneficial Shareholder Voting".

What is quorum for the Meeting?

The by-laws of the Company provide that a quorum for the transaction of business at any meeting of shareholders shall be at least two (2) persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxy or representative for any absent shareholder so entitled, and representing in the aggregate no less than five (5%) percent of the outstanding common shares of the Company carrying voting rights at the Meeting.

What if there are amendments or if other matters are brought before the Meeting?

The enclosed form of proxy gives the persons named on it authority to use their discretion in voting on amendments or variations to matters identified in the Notice.

As of the time of printing of this Circular, management is not aware of any other matter to be presented for action at the Meeting. If, however, other matters properly come before the Meeting, the persons named on the enclosed form of proxy will vote on them in accordance with their judgment, pursuant to the discretionary authority conferred by the form of proxy with respect to such matters.

Are there any principal shareholders?

Based upon public filings, as of March 14, 2012, the following person beneficially owns, directly or indirectly, or exercise control or direction over more than ten percent (10%) of the issued and outstanding common shares of the Company.

Name of Shareholder	Number of Common Shares Beneficially Owned	Percentage of Outstanding Common Shares Beneficially Owned or Controlled
Melton Holdings Ltd. ¹	14,607,850	48.63%

- 1 Mr. Timothy C. Melton and Mr. Andrew J. Melton together control more than 50% of the voting shares of Melton Holdings Ltd.

To the knowledge of the Company's directors and executive officers, no other person or company beneficially owns, or controls or directs, directly or indirectly, more than 10% of the common shares.

REGISTERED SHAREHOLDER AND BENEFICIAL SHAREHOLDER VOTING

REGISTERED SHAREHOLDER VOTING

You are a registered shareholder if your shares are held in your name and you have a share certificate.

Voting Options

- In person at the Meeting (see below);
- By proxy (see below);
- By telephone (see proxy); or
- By internet (see enclosed proxy).

Voting in Person

If you plan to attend the AGM and wish to vote your shares in person, don't complete or return the enclosed proxy. Your vote will be taken and counted at the meeting. Please register with the transfer agent, Valiant Trust Company, when you arrive.

Voting by Proxy

Whether or not you attend the meeting, you can appoint someone else to attend and vote as your proxyholder. You can use the enclosed proxy or any other proper form of proxy to do this. The persons named in the enclosed proxy are directors or officers. **You can also choose another person to be your proxyholder by printing that person's name in the space provided.** Then complete the rest of the proxy, sign it and return it. Your votes can only be counted if the person you appointed attends the meeting and votes on your behalf. If you have voted by proxy, you may not vote in person at the meeting, unless you revoke your proxy.

BENEFICIAL SHAREHOLDER VOTING

You are a beneficial shareholder if your shares are held in the name of a nominee. That is, your certificate was deposited with a bank, trust company, securities broker, trustee or other institution.

Therefore, Beneficial Shareholders should ensure that voting instructions are properly communicated to the appropriate person in advance of the Meeting.

Voting Options:

- In person at the Meeting (see below);
- By voting instructions (see below);
- By telephone (see enclosed voting instruction form); or
- By internet (see enclosed voting instruction form).

Voting in Person

If you plan to attend the AGM and wish to vote your shares in person, insert your own name in the space provided on the enclosed voting instruction form. Then follow the signing and return instructions provided by your nominee. Your vote will be taken and counted at the meeting so don't complete the voting instructions on the form. Please register with the transfer agent, Valiant Trust Company, when you arrive.

Voting Instructions

Whether or not you attend the meeting, you can appoint someone else to attend and vote as your proxyholder. Use the enclosed voting instruction form to do this. The persons named in the enclosed voting instruction form are directors and officers. **You can also choose another person to be your proxyholder by printing that person's name in the space provided.** Then complete the rest of the voting instruction form, sign it and return it. Your vote can only be counted if the person you appointed attends the meeting and votes on your behalf. If you have sent in your voting instruction form, you may not vote again at the meeting unless you revoke your instructions.

Return your completed proxy in the envelope provided, or mail it to Valiant Trust Company, Attn: Proxy Department, 600-750 Cambie St, Vancouver BC V6B 0A2 or fax it to 604-681-3067 so that it arrives by 5:00 PM (MDT) on April 20, 2012 or, if the meeting is adjourned at least 48 hours (excluding weekends and holidays) before the time set for the meeting to resume.

REGISTERED SHAREHOLDER VOTING

Revoking Your Proxy

You may revoke your proxy at any time before it is acted on. You can do this by delivering a written statement that you want to revoke your proxy to the registered office of the Company at 900, 10310 Jasper Avenue, Edmonton, Alberta T5J 1Y8, not later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time set for the Meeting, or any adjournment thereof, or to the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof. You may also revoke your proxy by delivering a properly executed proxy of later date or in any other manner permitted by law, on April 20, 2012 to the Company's transfer agent: Valiant Trust Company, Attn: Proxy Department, 600 – 750 Cambie Street, Vancouver, BC V6B 0A2 Fax: 604-681-3067 or to the chair of the meeting on April 26, 2012, prior to the start of the meeting.

Return your completed voting instruction form in the envelope provided or fax it to one of the numbers set out in the form so that it arrives by 5:00 PM (MDT) on April 20, 2012 or, if the meeting is adjourned at least 48 hours (excluding weekends and holidays) before the time set for the meeting to resume.

BENEFICIAL SHAREHOLDER VOTING

Revoking Voting Instructions

Follow the procedures provided by your nominee. Your nominee must receive your request to revoke the instructions prior to 5:00 PM (MDT) on April 20, 2012. This will give your nominee time to submit the revocation to us.

A Beneficial Shareholder receiving a proxy with a Broadridge sticker on it cannot use such proxy to vote his or her shares directly at the Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to have the shares voted at the Meeting.

BUSINESS TO BE COMPLETED AT THE MEETING

To the knowledge of the directors of the Company, the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting.

IN THE ABSENCE OF INSTRUCTIONS MADE ON A PROXY, IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE FOR THE APPROVAL OF ALL THE MATTERS REFERRED TO IN THE NOTICE AND AS OUTLINED BELOW.

1. Presentation of Consolidated Financial Statements

The audited consolidated financial statements of the Company for the year ended December 31, 2011 and the auditors' report thereon, which accompany this Circular, shall be placed before the shareholders. These audited consolidated financial statements have been reviewed and recommended for approval by the Audit Committee of the Board of Directors and approved by the full Board of Directors of the Company. A copy of the audited consolidated financial statements is available on the Company's website at www.melcor.ca.

Shareholders are not required to vote on these audited consolidated financial statements.

2. Fixing the Number of Directors

For this forthcoming year, it is proposed that the Board of Directors shall consist of eight (8) members. Management intends to place before the Meeting, for approval, with or without modification, a resolution fixing the Board of Directors at eight (8) members for the ensuing year. The number of nominees presented by management at the Meeting will be eight (8) nominees.

3. Election of Directors

It is proposed that the following persons will be nominated at the Meeting to serve as directors. The Board of Directors and management of Melcor believe the nominees are well qualified to serve as directors, all nominees have confirmed their eligibility and willingness to serve, and knows of no reason why a nominee would be unavailable for election. If for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion unless the shareholder has specified in his proxy that the common shares are to be withheld from voting in the election of directors.

Each director elected will hold office until the next annual meeting of the shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Company.

Information about the Director nominees includes:

Name, Municipality of Residence and Position with the Company	Principal Occupation	Director Since ¹	Common Shares Beneficially owned at March 14, 2011 ²
William D. Grace, FCA ^{3,4,6} Edmonton, Alberta Lead Director	Corporate Director	1994	21,000
Ross A. Grieve ^{3,6} Edmonton, Alberta Director	Chairman, PCL Construction Holdings Ltd.	2003	78,000
Catherine M. Roozen ^{4,6} Edmonton, Alberta Director	Director & Secretary, Cathton Holdings Ltd.	2007	125,600
Allan E. Scott ^{3,6} Edmonton, Alberta Director	Corporate Director	2007	3,000
Gordon J. Clanachan, FCA ^{4,6} Edmonton, Alberta Director	Corporate Director and Consultant	2009	7,000
Timothy C. Melton ⁵ Edmonton, Alberta Executive Chairman	Executive Chairman, Melcor Developments Ltd.	1973	1,619,660
Andrew J. Melton ⁵ Calgary, Alberta Executive Vice-Chairman	Vice-Executive Chairman, Melcor Developments Ltd.	1985	53,600
Ralph B. Young Edmonton, Alberta President & CEO	President & CEO, Melcor Developments Ltd.	1976	1,381,900

- 1 The term of office for each proposed director will expire on the date of the next annual general meeting of shareholders.
- 2 Not including common shares to be issued pursuant to the exercise of share options not issued as of this date.
- 3 Member of the Corporate Governance and Compensation Committee. Mr. Allan E. Scott is the Chairman of the Corporate Governance and Compensation Committee.
- 4 Member of the Audit Committee. Mr. Gordon J. Clanachan is the Chairman of the Audit Committee.
- 5 14,607,850 common shares are registered in the name of Melton Holdings Ltd., which Mr. Timothy C. Melton and Mr. Andrew J. Melton together control more than 50% of its voting shares.
- 6 Independent directors.

The following directors of the Company are directors of other reporting issuers:

Director	Reporting Issuer	Exchange
Catherine Roozen	Corus Entertainment	TSX, NYSE

Cease Trade Orders or Bankruptcies

No proposed director, within 10 years before the date of this Management Information Circular, has been a director, chief executive officer or chief financial officer of any company that:

- (a) Was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an “Order”) that was issued while the proposed director was acting in the capacity as Director, chief executive officer or chief financial officer; or
- (b) Was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

Except as noted below, no proposed Director is or has been, within 10 years before the date of this Management Information Circular, a Director or executive officer of any company that, while the proposed Director was acting in that capacity, or within a year of the proposed Director ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Personal Bankruptcies

No proposed director has, within 10 years before the date of this Management Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such proposed director.

Penalties and Sanctions

No proposed director has been subject to:

- (a) Any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) Any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed Director

4. Appointment of Auditors

At the Meeting, shareholders will be asked to appoint PricewaterhouseCoopers LLP, Chartered Accountants (“PWC”), as auditors of the Company until the next annual general meeting of shareholders at a remuneration to be fixed by the directors of the Company upon the recommendation of the Company’s Audit Committee. PWC are currently the auditors of the Company and were first appointed auditors of the Company effective in 1968.

The appointment of the auditors will be effected by an ordinary resolution requiring the approval of more than 50% of the votes cast in respect of the resolution by or on behalf of shareholders present in person

or represented by proxy at the Meeting. It is the intention of the persons named in the enclosed form of proxy, if named as proxy and not expressly directed to the contrary in the form of proxy, to vote those proxies **FOR** of the appointment of PWC as auditors of the Company.

Certain information regarding the Company's Audit Committee that is required to be disclosed in accordance with National Instrument 52-110 – "*Audit Committees*" is contained in the Company's annual information form dated March 14, 2012, under the heading "Audit Committee", and a copy of the Terms of Reference of the Audit Committee is attached to the annual information form as Schedule "A". Melcor's annual information form is available on the Company's SEDAR profile at www.sedar.com.

5. Other Business

Management does not intend to present any other business at the meeting and we are not aware of amendments to proposed matters or any other matters calling for your action.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth in this Circular, none of the directors or senior officers of the Company, nor any person who has held such a position since the beginning of the last completed financial year of the Company, nor any proposed nominee for election as a director of the Company, has any material interest, direct or indirect by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation matters are managed by the CGCC, which is composed of Mr. Allan E. Scott, Mr. William D. Grace and Mr. Ross A. Grieve. The mandate of the CGCC is to review and make recommendations to the Board concerning appointment of officers of Melcor, and the hiring, compensation, performance evaluation, and succession planning of senior executive officers of the Company. The Board is confident that each of the CGCC members possesses the necessary skills and experience to make decisions on the suitability of Melcor's compensation policies and practices.

Skills and Experience of CGCC Members

Committee Member	Relevant
Allan E. Scott - Chair Independent	Mr. Scott is a graduate of the University of Alberta and holds an MBA from York University. Mr. Scott brings a broad range of executive experience from both the public and private sector. During his business career, he served as President & CEO of Edmonton Economic Development Corporation, the President & COO of Telus Communications. Mr. Scott has significant experience in compensation matters. He served on the Compensation Committee of Associated Engineering for ten years. In his various executive capacities, Mr. Scott has been responsible for directing compensation policy for several organizations ranging from 50 to 10,000 employees.
William D. Grace Independent	Mr. Grace is a graduate of the University of Alberta and a Fellow Chartered Accountant. From 1988 to 1994, he was the managing partner in the Edmonton office of PriceWaterhouse. Mr. Grace is a past president of both the Alberta and Canadian Institute of Chartered Accountants. During his business career, he has served as a director of several Canadian corporations where he has been extensively engaged in compensation policies and human resource matters.
Ross A. Grieve Independent	Mr. Grieve is a graduate of the University of Manitoba, holding a degree in civil engineering. He is the Chairman of the board for the PCL Construction Holdings Ltd. Mr. Grieve served as President & CEO of PCL from 1997 to 2009 and was recognized as Canada's Outstanding CEO of the Year in 2009. In his professional career, Mr. Grieve has been engaged in numerous compensation evaluation and policy decisions.

The CGCC is responsible for reviewing and providing recommendations to the Board of Directors with respect to compensation and benefits for the Executive Chairman, the President & CEO, the Company's senior executive officers and certain key employees. The CGCC receives data on market salary levels from the Company and from third-party compensation surveys.

Executive Compensation Philosophy and Strategy

Melcor's compensation philosophy is designed to align the interests of management with that of the shareholders.

Comprised of base salaries, perquisites, short-term incentives in the form of cash bonuses, and long-term incentives in the form of share options, the overall objectives of Melcor's compensation program are to:

- attract qualified executives who demonstrate exceptional leadership and management skills;
- motivate and retain the services of outstanding individuals who will contribute to long-term success;
- align the interests of executive management with corporate objectives and the creation of shareholder value; and
- ensure a significant portion of compensation is at risk and directly linked to Melcor's success.

The compensation program is designed to ensure that the Melcor's executive compensation is competitive with other companies of similar size, and is commensurate with the experience, performance and contribution of the individuals involved, and the overall performance of the Company.

Total Compensation Components

The following table describes the components of Melcor's executive compensation structure:

Component	Form	Performance Period	Purpose
Base Salary	Cash	1 year	- Provides fixed level of compensation for day-to-day activities - Used to provide income certainty - Used for attraction and retention
Short-term Incentive	Annual Cash Bonus	1 year	- Provides cash-based reward for achievement of corporate objectives and personal performance. - Used for attraction and retention
Long-term Incentive	Share Options	Vest over 3 years	- Provides equity-based reward for the creation of shareholder value - Used for attraction and retention

Base Salary

The base salary for the Executive Chairman and the President & CEO is set by the Board on the recommendation of the CGCC and have been targeted to reflect market conditions. The base salaries for the other senior executives are reviewed and approved by the CGCC on the recommendation of the President & CEO.

Actual salary levels are based on a number of factors, including the individual's performance, responsibilities and experience, and reflect the contribution of each executive officer. Salaries, benefits and perquisites are generally reviewed annually and adjustments are made when determined appropriate.

Annual Cash Incentive

All Named Executive Officers (“NEO”) are eligible for annual cash bonuses tied to the Company’s achievement of financial, operational and strategic objectives and the executive’s personal performance.

Executive Officers

The annual cash bonus for the Executive Chairman and the President & CEO (together, the “Executive Officers”) are based on an earnings-based formula (“Bonus Formula”):

Pre-tax earnings
Less: Fair value gains ¹
Add: Gains on sale of investment property assets based on initial cost ¹
Less: 4.5% of opening equity ²
Total: Basis of pre-tax earnings for annual cash bonus
Total is multiplied by the Executive Factor ³

Notes:

1. Adjustment to pre-tax earnings related to fair value and gains/losses on sale of investment properties is to ensure the cash bonus is based upon realized gains/losses on assets.
2. Opening equity adjustment to pre-tax earnings establishes a minimum return on equity before the cash bonus begins to accrue.
3. Executive Factor is a percentage set annually by the Board for each Executive Officer. In determining the Executive Factor, the CGCC considers each Executive Officer’s experience, responsibilities, individual performance, and market conditions.

The reduction of opening equity and the Executive Factor is set individually for each position annually by the Board on the recommendation of the CGCC based on market conditions and corporate and individual performance. In 2011, the Executive Factor ranged from 0.5% to 2%.

Other Senior Executives

The annual discretionary cash bonus for the Company’s other senior executives (i.e. excluding the Executive Officers) is based on the individual’s and the Company’s performance, and encourage employees to contribute to Melcor’s overall success.

The purpose of the discretionary cash bonus is to:

- Reward individuals for creating value in the current year that may not be realized for several years (which reflects the longer earnings cycle of real estate companies);
- Tailor payment amounts based on individual performance; and
- Determine amounts that directly correlate to the financial results of the Company.

The annual cash bonus for each senior executive is reviewed and approved by the CGCC on the recommendation of the President & CEO.

Long-Term Equity Based Incentives

Long-term incentives are provided through the Company’s Share Option Plans (see “Share Option Plans”).

Performance in the context of the long-term equity based incentives is based on the employee’s position within the Company and their contribution to Melcor’s success. The program is designed to align the interests of Melcor’s executives and shareholders and encourage employee share ownership. The plan is also designed to retain the services of key employees and to represent a significant portion of their overall, long-term compensation package.

The Board of Directors approves the annual grants of share options on the recommendation of the CGCC after review and recommendations from the President & CEO, which include considerations of the employee's individual performance and previous share option grants.

Assessment of Risk Associated with the Company's Compensation Policies and Practises

The Board understands the compensation practices and policies of the Company and reviews them annually. The Board ensures during its review that total compensation is directly tied to Melcor's success within all executive level roles. This reduces the overall risk of Melcor's compensation policies and practices by ensuring incentive plans and payments are in line with the Company's health and profitability.

Compensation Decision-Making Process

Executive Officers

The financial results for fiscal 2011 are determined during the first quarter of 2012 and serve as the basis for the Bonus Formula for the Executive Officers. The CGCC reviews the Company's financial results and discusses any variations between the Company's fiscal targets and its actual results. In addition, the CGCC reviews the President & CEO's performance relative to various targets and objectives set near the beginning of the preceding fiscal year.

The CGCC also reviews the results of the Bonus Formula that determines the annual cash bonus payable to the Executive Officers for the previous fiscal year and their base salary for current fiscal year. The CGCC may recommend an additional discretionary bonus amount based on market conditions and individual performance.

While the achievement of the Company's yearly fiscal targets is a primary consideration in the CGCC's determination of the Executive Officers' incentive based compensation, the CGCC is of the view that strict adherence to formulas for the determination of compensation may result in unintended, counterproductive consequences. Accordingly, the CGCC exercises its own judgment and discretion in assessing any particular executive's performance.

The CGCC then recommends to the Board, for approval, the base salary and incentive based compensation (both short and long-term) for the Executive Officers for the previous fiscal year. The CGCC also recommends to the Board, for approval, the opening equity adjustment and Executive Factor to be used in the Bonus Formula for the current fiscal year.

Other Senior Executives

The President & CEO presents recommendations for annual cash bonuses to be paid to the Company's other senior executives to the CGCC. In assessing the proposed amounts, the CGCC evaluates actual financial results relative to various targets and objectives and the performance of each senior executive in their respective roles. The CGCC also compares the proposed bonus to the bonus paid to each senior executive in the previous year. In carrying out these functions, the CGCC takes into account both the performance of the Company and the individual executive's performance.

The CGCC then approves the incentive based compensation (both short and long-term) for all other senior executives for the previous fiscal year.

Compensation Consultants

In assessing the various elements of compensation the Corporate Governance and Compensation Committee has the power to retain special legal, accounting, financial or other consultants, including executive search firms and/or compensation consulting firms, for advice at the Company's expense.

During fiscal 2010, an executive compensation review was completed by Mercer (Canada) Ltd., an independent compensation consultant. Upon review of the results, the CGCC concluded that Melcor's total compensation structure was within an acceptable range in comparison to industry peers. In the fiscal year ended December 31, 2011 no such specialized compensation consultants were retained. The CGCC plans to undertake a further compensation review in 2012.

The fees paid to compensation consultants were:

Mercer (Canada) Ltd.	2011	2010
Executive Compensation – Related Fees	-	\$17,735

SUMMARY COMPENSATION TABLES FOR NAMED EXECUTIVE OFFICERS

Compensation for the chief executive officer, chief financial officer, and the next three most highly compensated executive officers (named executive officers or NEOs) is summarised in the following table:

Name and Principal Position	Fiscal Year	Base Salary	Annual cash bonus ¹	Option-based awards ²	All other compensation ³	Total compensation
Ralph B. Young President and CEO	2011	380,000	1,150,724	69,600	9,624	1,609,948
	2010	370,000	851,806	202,950	9,624	1,434,380
	2009	330,000	260,880	167,300	9,624	767,594
Jonathan W. Chia⁴ VP Finance and CFO	2011	142,323	100,000	197,100	8,458	447,881
Timothy C. Melton Executive Chairman	2011	320,000	863,043	139,200	7,973	1,330,216
	2010	335,000	638,854	248,050	7,973	1,229,877
	2009	300,000	195,660	234,220	7,973	737,853
Brian D. Baker⁵ Executive VP and COO	2011	215,000	350,000	311,000	12,776	888,776
	2010	162,000	200,000	112,750	12,376	487,126
	2009	144,000	175,000	50,190	12,208	381,398
W. Peter Daly Executive VP, Community Development	2011	203,545	400,000	52,200	9,698	665,443
	2010	220,500	375,000	112,750	9,845	718,095
	2009	210,000	240,000	50,190	9,601	509,791

- 1 Amount consists of annual cash bonuses awarded for the fiscal year noted, to be paid in 3 equal instalments in the subsequent year.
- 2 The fair value of option based awards granted in the fiscal year noted is calculated using the Black-Scholes model in accordance with International Financial Reporting Standards. Please refer to Melcor's consolidated financial statements for assumptions and estimates used on www.sedar.com. The Company does not have a share-based awards plan or program.
- 3 Represents payments for car allowances, parking and other fees. Also includes contributions by the Company under the Registered Retirement Savings Plan that match employee contributions up to \$2,900.
- 4 Mr. Chia joined Melcor and was appointed Chief Financial Officer on January 24, 2011.
- 5 Mr. Baker was appointed Executive Vice President and Chief Operating Officer on June 1, 2011.

The annual cash bonus is accrued in the 2011 financial statements and paid to employees in three equal instalments in 2012; with the first instalment in mid-February, the second instalment at the end of April and the last instalment at the end of June.

Fiscal 2011 Compensation Mix Targets

Melcor's "pay-for-performance" compensation philosophy results in a significant portion of each executive's compensation being "at risk", which, combined with the Company's long-term equity based incentive plans, provides motivation to Melcor's executives and aligns their interests with the creation of long-term shareholder value. While it is the Company's objective to ensure that the compensation paid to its executives will always be competitive, this executive compensation philosophy is also designed to ensure that executives have 'skin-in-the-game' and that superior performance will result in superior compensation.

The components of each executive's overall compensation vary with each executive's position.

The following table illustrates the executive's total compensation mix for the fiscal year ended December 31, 2011.

Name and Title	Base Salary	Annual Cash Bonus	Long-Term Incentives Options ¹	Total Compensation ²	Percentage of Total Compensation at Risk
Ralph B. Young President & CEO	380,000	1,150,724	244,362	1,775,086	78%
Jonathan W. Chia VP Finance & CFO	142,323	100,000	-	242,323	41%
Timothy C. Melton Executive Chairman	320,000	863,043	346,832	1,529,875	79%
Brian D. Baker Executive VP & COO	215,000	350,000	85,080	650,080	67%
W. Peter Daly Executive VP, Community Development	203,545	400,000	70,020	673,565	70%

1 Long-term incentive options represent the value of options which were 'in-the-money' that vested during fiscal 2011.

2 Total Compensation assumes that in-the-money options were exercised in the current year.

Pension Plan Benefits

The Company does not have a pension plan for its NEOs or other employees.

Employment Contracts

There are no contracts, agreements, plans or arrangements that provide payments to any NEOs in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, change of control of the Company or a change in duties or responsibilities.

Option-Based Awards - Outstanding

Name and principal position	Option-based Awards ^{3, 4}			
	Number of Securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options ²
Ralph B. Young President & CEO	30,000	19.34	Dec 17, 2012	-
	33,400	10.94	Dec 17, 2014	74,482
	45,000	13.74	Dec 13, 2015	-
	20,000	12.76	Dec 20, 2016	8,200
Jonathan W. Chia ¹ VP Finance and CFO	30,000	14.38	Feb 2, 2016	-
	15,000	12.76	Dec 20, 2016	6,150
Timothy C. Melton Executive Chairman	45,000	19.34	Dec 17, 2012	-
	33,400	3.71	Dec 15, 2013	315,964
	70,000	10.94	Dec 17, 2014	156,100
	55,000	13.74	Dec 13, 2015	-
	40,000	12.76	Dec 20, 2016	16,400
Brian D. Baker Executive Vice President and COO	10,000	7.64	July 26, 2012	55,300
	4,000	16.60	July 27, 2013	-
	7,500	19.34	Dec 17, 2012	-
	10,000	3.71	Dec 15, 2013	94,600
	15,000	10.94	Dec 17, 2014	33,450
	25,000	13.74	Dec 13, 2015	-
	50,000	16.05	June 3, 2016	-
	25,000	12.76	Dec 20, 2016	10,250
W. Peter Daly Executive VP, Community Development	4,000	16.60	July 27, 2013	-
	10,000	19.34	Dec 17, 2012	-
	10,000	3.71	Dec 15, 2013	94,600
	15,000	10.94	Dec 17, 2014	33,450
	25,000	13.74	Dec 13, 2015	-
	15,000	12.76	Dec 20, 2016	6,150

- 1 Mr. Chia was appointed Chief Financial Officer on January 24, 2011.
- 2 The closing price of Melcor shares of \$13.17 as of December 31, 2010, was used for the purpose of calculating the aggregate value of the unexercised in-the-money options.
- 3 All option-based awards are granted with an exercise price equal to the volume weighted average trading price of the Company's common shares for the 20 trading days prior to the grant date, in accordance with appropriate share option plans.
- 4 Only option-based awards have been awarded to NEOs. The Company does not have a share-based awards plan or program.

Incentive Plan Awards – Value Vested or Earned During 2011

Name and principal position	Options-based awards Value vested during 2011 ¹	Non-equity plan compensation value earned during 2011
Ralph B. Young	244,362	1,150,724
Jonathan W. Chia	-	100,000
Timothy C. Melton	346,832	863,043
Brian D. Baker	70,020	350,000
W. Peter Daly	85,080	400,000

1 Option-based awards include only those options which were 'in-the-money' on the vesting date.

DIRECTOR COMPENSATION

As at March 14, 2012, the Company has 8 directors, including 5 independent directors and 3 executive directors. The Company defines independent directors according to the definition contained in National Instrument 52-110 – “*Audit Committees*”.

The Corporate Governance and Compensation Committee is responsible for reviewing the adequacy and form of compensation of the directors and the Lead Director to ensure compensation realistically reflects the responsibilities and risks involved in being an effective director.

Director compensation (other than those who are also officers of the company) is made up of an annual retainer and Director/chair retainer and meeting fees.

Retainers and Fees

Effective January 1, 2012, director compensation was structured as follows:

- Annual director retainer	\$20,000 per year
- Board and Committee meeting fee	\$1,500 per meeting
- Lead director retainer ¹	\$2,500 per year
- Audit chair retainer ¹	\$10,000 per year
- Corporate governance and compensation chair retainer ¹	\$5,000 per year
- Special committee fees	\$1,200 per meeting

1 Paid in addition to annual director retainer and meeting fees.

The Directors do not receive option-based awards, share-based awards, non-equity incentive plan compensation or pension income.

Director Compensation Summary

Director	Annual retainer ¹	Meeting fees	All other compensation	Total
William D. Grace	22,500	15,600	1,200 ²	39,300
Ross A. Grieve	20,000	10,800	-	30,800
Catherine M. Roozen	20,000	12,000	-	30,800
Allan E. Scott	25,000	10,800	1,200 ²	37,000
Gordon J. Clanachan ³	27,500	12,000	1,200 ²	40,700

- 1 Includes lead director and committee chair retainers.
- 2 Special committee fees.
- 3 Mr. Clanachan was appointed Chair of the Audit Committee February 1, 2011.

SHARE OPTION PLANS

2000 Share Option Plan

A share option plan was approved by the Board on September 28, 2000 (the "Plan") and approved by the shareholders at the Company's annual general meeting on May 17, 2001. Amendments to this plan were approved by the shareholders at the Company's general and special meeting on April 19, 2007. The purpose of the Plan was to assist the Company to attract, retain and motivate full-time employees of the Company by permitting those persons to participate in the growth and development of the Company through the acquisition of Common Shares. All full time employees and consultants are eligible to participate in the Plan.

The Plan initially provided for 3,000,000 Common Shares of the Company to be reserved for granting of options pursuant to the Plan. The aggregate number of shares issuable pursuant to options under the Plan is subject to adjustment in accordance with Section 10 of the Plan. The price payable upon the exercise of any option is set at the time of the grant, subject to regulatory requirements. The option price could not be less than the market price of the shares defined as the weighted average trading price on the TSX for the 20 consecutive days during which Common Shares were traded on the TSX immediately prior to the granting of the option. The Plan restricts the granting of options to any one person or Insider, within a one year period, to 5% of the outstanding Common Shares and restricts the granting of options to all insiders to 10% of the outstanding Common Shares. The Plan does not allow for any financial assistance by the Company to an Optionee to exercise options.

The termination of employment of an Optionee for cause by the Company, shall extinguish as of the date of termination of employment all right or entitlement of the Optionee to exercise any option that may be otherwise outstanding on that date. Upon the termination of employment of an Optionee without cause by the Company including death or permanent disability, the options shall remain exercisable for 6 months following the termination date to the extent that the Optionee was entitled to exercise the option on the termination date. Upon termination of employment of an Optionee due to retirement or resignation, the option shall remain exercisable for 60 days following the termination date to the extent that the Optionee was entitled to exercise the option on the termination date.

The Plan may be amended by the Board at any time, subject to applicable law (including, without limitation, the rules, regulations and policies of The Toronto Stock Exchange), if any, that requires the approval of shareholders or any governmental or regulatory body. Without limiting the generality of the foregoing, the Board may make the following types of amendments to the Plan without seeking shareholder approval:

- a) amendments of a “housekeeping” nature;
- b) amendments necessary to comply with the provisions of applicable law or regulation;
- c) a change to the vesting provisions of a security or the Plan;
- d) a change to the termination provisions of an option or the Plan which does not entail an extension beyond the original expiry date;
- e) amendments respecting administration of the Plan;
- f) the addition, removal or modification of a cashless exercise feature, payable in cash or Common Shares, provided that there is a full deduction of the number of underlying common shares from the Plan reserve;
- g) amendments necessary to suspend or terminate the Plan; and
- h) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law (including, without limitation, the rules, regulations and policies of The Toronto Stock Exchange).

Shareholder approval will be required for the following types of amendments:

- i) amendments to the number of Common Shares issuable under the Plan, including an increase to a fixed maximum number of Common Shares or a change from a fixed maximum number of Common Shares to a fixed maximum percentage;
- ii) any amendment which reduces the exercise price or purchase price of an option held by an insider;
- iii) any amendment extending the term of an option beyond its original expiry date except as otherwise permitted by the Plan;
- iv) the adoption of any option exchange involving the cancellation and re-issuance of options;
- v) any amendment expanding participants to include non-employee directors; and
- vi) amendments required to be approved by shareholders under applicable law (including, without limitation, the rules, regulations and policies of The Toronto Stock Exchange).
- vii) To the extent of any conflict between subsections a) to h) and subsections i) to vi) above, the latter shall prevail. The Board may, in its discretion, suspend or terminate, or fix a date for the termination of the Plan. No such termination shall affect any grants previously made which have neither expired nor been terminated.

Although the Board may determine that options shall expire unless exercised on or before the tenth anniversary from the date of grant, the Board will normally use the seventh anniversary from the date of grant as the option expiry date. Options are not assignable. The Company does not have the ability to transform the option into a stock appreciation right involving the issuance of securities from treasury. The right to exercise an option vests in accordance with the limitations as set out in Section 6.4 of the Plan. The vesting period was established by the Board at the time of the grant and was normally over five years. Subject to prior approval, if required, of the TSX, the Board may amend or discontinue the Plan. It has been the intention of the Board since February 23, 2007 to not grant any options from this plan.

2007 Share Option Plan

A new share option plan was approved by the Board on February 23, 2007 (the "2007 Plan") and by the shareholders at the Company's annual general meeting on April 19, 2007. A copy of the 2007 Plan is attached to the Information Circular of the Company filed March 16, 2006 and may be accessed on SEDAR at www.sedar.com. The purpose of the 2007 Plan is to assist the Company and its Subsidiaries to attract, retain and motivate eligible participants of the plan being full-time employees and directors and persons who provide key services to the Company or its Subsidiaries by permitting those persons to participate in the growth and development of the Company through the acquisition of Share options.

The 2007 Plan provides for 3,000,000 Common Shares of the issued and outstanding common shares to be reserved for granting of options. The aggregate number of common shares issuable pursuant to options under the 2007 Plan is subject to adjustment in accordance with Section 8 of the 2007 Plan. The price payable upon the exercise of any Option is set at the time of the grant, subject to regulatory requirements, and shall not be less than Market Price, as such term is defined in the 2007 Plan. The Plan restricts the granting of options to any one person or Insider, within a one year period, to 5% of the outstanding Common Shares and restricts the granting of options to all insiders to 10% of the outstanding Common Shares.

The terms of the Option shall be a period of time fixed by the Board, not to exceed the maximum period of time permitted by the TSX. Options shall be exercisable in whole or in part at any time during this period in accordance with such vesting provisions, in accordance with limitations as set out in Articles 7 and 9 of the 2007 Plan. The vesting period is established by the Board at the time of the grant. No financial assistance is provided by the Company to Optionees to facilitate the purchase of securities with respect to the 2007 Plan.

If an Optionee ceases to be a director, officer, employee or Service Provider of the Company or a Subsidiary for any reason other than death, including the resignation or retirement and termination of employment by the Company or a Subsidiary, the Option shall remain exercisable for 60 days following the effective date of such notice of resignation or retirement to the extent that the Optionee was entitled to exercise the Option on the termination date. In the event of termination of employment for cause by the Company or a Subsidiary, the Option shall expire and terminate immediately at the time of delivery of notice of termination of employment. In the event of death or Permanent Disability of an Optionee, the Option shall remain exercisable for six months from the date of death or the date of Permanent Disability, subject to such shorter period as may be otherwise specified in a share option agreement. Options are not transferable or assignable unless specifically provided or to the extent, if any, permitted by TSX.

Subject to prior approval, if required, of the TSX, the Board may amend the terms of the 2007 Plan without the consent of the Optionee provided that the amendment will not adversely alter or impair any Option previously granted except as permitted by Article 13.2(c) and the adjustment provisions of Article 8. If the 2007 Plan is terminated, the provisions of the 2007 Plan and any administrative guidelines adopted by the Board and in force on the date of termination will continue in effect as long as any Option or any rights pursuant thereto remain outstanding and the Board will remain able to make such

amendments to the 2007 Plan or the Options outstanding.

Securities Authorized for Issuance under Share Option Plans

Certain NEOs, directors, employees and independent contractors have been granted share options pursuant to the share option plan of the predecessor companies prior to amalgamation and the Plan.

As at the end of the Company's most recently completed year-end, the Company had outstanding share options granted, as adjusted to reflect any amalgamations, to its directors, officers, employees and independent contractors as set out in the following table:

Plan Category ¹ as at December 31, 2011	Number of shares to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of shares available for issuance
2000 and 2007 Share Option Plans	1,603,767	\$12.550	1,326,466

1 The Company does not currently have equity compensation plans which are not approved by shareholders.

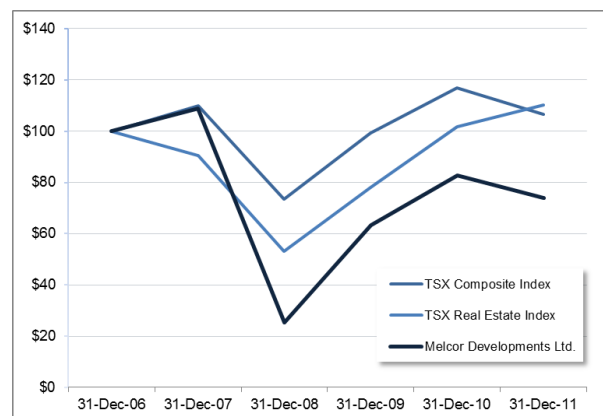
In the period between the December 31, 2011 and March 14, 2012, 17,067 share options were exercised under the plans.

PERFORMANCE GRAPH

5-Year Performance Graph

The following graph compares total shareholder return for \$100 invested in our common shares at December 31, 2006 (assuming all dividends are reinvested), against the total return of the S&P TSX Composite Index and the TSX Real Estate Index.

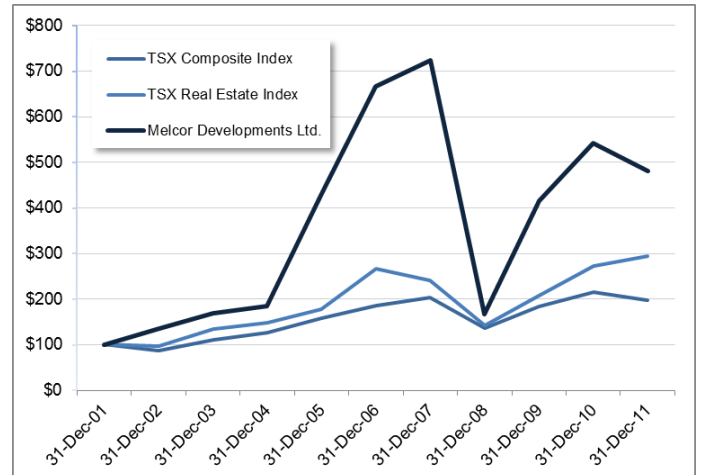
Year	TSX Composite Index	TSX Real Estate Index	Melcor Developments Ltd.
31-Dec-06	100	100	100
31-Dec-07	110	90	109
31-Dec-08	74	53	25
31-Dec-09	99	78	63
31-Dec-10	117	102	83
31-Dec-11	107	110	74



10-Year Performance Graph

The following graph compares total shareholder return for \$100 invested in our common shares at December 31, 2001 (assuming all dividends are reinvested, adjusted for the 10-to-1 stock split completed in 2006), against the total return of the S&P TSX Composite Index and the TSX Real Estate Index.

Year	TSX Composite Index	TSX Real Estate Index	Melcor Developments Ltd.
31-Dec-01	100	100	100
31-Dec-02	88	98	136
31-Dec-03	111	134	169
31-Dec-04	127	149	185
31-Dec-05	158	179	431
31-Dec-06	185	267	667
31-Dec-07	203	241	724
31-Dec-08	136	142	167
31-Dec-09	184	208	416
31-Dec-10	216	272	542
31-Dec-11	197	294	481



NORMAL COURSE ISSUER BID

On August 30, 2011, the Company obtained approval from the TSX to purchase up to 1,512,274 (a maximum of 5%) of its issued and outstanding common shares in a twelve-month period. The NCIB commenced on the September 1, 2011 and terminates on August 31, 2012. Purchases of common shares under the NCIB were effected through the facilities of the TSX at the market price at the time of purchase. A total of 304,000 common shares at an average weighted price of \$11.36 were purchased pursuant to the NCIB in the year (2010 – 277,500 shares at \$11.65).

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

On February 8, 2011, the Company completed the issuance and sale of \$40,000,000, 6.25% convertible unsecured subordinated debentures. \$20,000,000 of the convertible debentures were issued to Melton Holdings Ltd., of which greater than 50% of the voting shares are controlled by Mr. Timothy C. Melton and Mr. Andrew J. Melton. \$2,000,000 of the convertible debentures were issued to Cavell Holdings Ltd., which is controlled by Mr. Timothy C. Melton.

REPORT OF THE CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE

The CGCC is responsible for assisting the Board in ensuring that Melcor's human resources strategies, policies and programs support corporate objectives and create shareholder value, and in measuring Board performance with respect to governance standards.

The primary mandate of the CGCC's is to:

- Review the development, implementation and assessment of effective governance principles;
- Oversee the form and adequacy of compensation and benefits provided by Melcor to its senior executives and employees;
- Administer all incentive compensation plans and programs and monitor the Company's succession plan;
- Considers the composition of the Board and its committees and prepares recommendations for director nominees

The members of the CGCC are three independent directors (Messrs. Scott, Grace and Grieve). Mr. Scott serves as the Chair of the CGCC.

The CGCC held 3 meetings in 2011 and held *in camera* sessions without the presence of management of the Company during each meeting.

CGCC Approval

The CGCC has reviewed and discussed with the management of the Company the compensation disclosure in this document, including information in the Board of Directors section, the Executive Compensation section and the Directors' Compensation section. It has recommended that the disclosure be included in the Management Information Circular.

On behalf of the Corporate Governance and Compensation Committee

Allan E. Scott (Chair)
William D. Grace
Ross A. Grieve

STATEMENT OF GOVERNANCE PRACTICES

The Board of Directors and management of Melcor recognize that effective corporate governance practices are fundamental to the long-term success of the Company. As such, the Board of Directors and management have implemented a series of governance policies and procedures or exceed applicable Canadian stock exchange and regulatory rules. The Corporate Governance and Compensation Committee monitor regulatory changes and best practices and periodically review, evaluate and modify corporate governance processes as necessary. The Board of Directors and management are committed to maintaining a high level of corporate governance,

A description of Melcor's corporate governance practices under National Instrument 58-101, "*Disclosure of Corporate Governance Practices*", is provided in Appendix A.

ADDITIONAL INFORMATION

Additional information relating to the Company's business is available on SEDAR at www.sedar.com or under the 'Melcor Corporate' tab on the Company's website at www.melcor.ca.

Additional financial information about the Company is provided in the comparative consolidated financial statements and management's discussion and analysis in its annual report for the year ended December 31, 2011.

Copies of these documents and any other documents incorporated by reference, additional interim financial statements for periods subsequent to December 31, 2011 and additional copies of this MIC are available on request.

Please direct your request for materials to:

By Mail: Investor Relations
 Melcor Developments Ltd.
 900, 10310 Jasper Avenue
 Edmonton, Alberta T5J 1Y8

By Phone: 780-423-6931

By Fax: 780-426-1796

Or by Email: ir@melcor.ca

BOARD OF DIRECTORS APPROVAL

Melcor's board of directors has approved the content and the sending of this Management Information Circular to the Shareholders.

A handwritten signature in blue ink, appearing to read 'J. Chia', with a horizontal line extending to the right.

Jonathan W. Chia, CA
Chief Financial Officer and Corporate Secretary
Melcor Developments Ltd.

**SCHEDULE A
MELCOR DEVELOPMENTS LTD.
STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The following table summarizes Melcor’s governance procedures in accordance with National Instrument 58-101 - “Disclosure of Corporate Governance Practices”.

Corporate Governance Guideline	Comments
1. Board of Directors	
a) Disclose the identity of directors who are independent.	<p>The independent directors are:</p> <p>William. D. Grace (Lead Director) Gordon J. Clanachan Ross A. Grieve Catherine M. Roozen Allan E. Scott</p>
b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	<p>The following directors are not considered independent as defined NI 58-110 S.1.4(1), <i>Audit Committees</i>:</p> <ul style="list-style-type: none"> - Ralph B. Young – President & CEO of Melcor - Timothy C. Melton – Executive Chairman of Melcor - Andrew J. Melton – Executive Vice-Chairman of Melcor <p>Mssrs. Timothy C. Melton & Andrew J. Melton together control greater than 50% of the voting shares of Melton Holdings Ltd., the controlling shareholder of Melcor Developments Ltd.</p>
c) Disclose whether or not a majority of directors are independent.	Five of Melcor’s eight directors (62.5%) are independent.
d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	All directorships with other public entities for each director are disclosed in the Melcor’s management information circular.
e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.	<p>The independent directors periodically hold <i>in camera</i> sessions at Board and committee meetings. The Audit Committee also holds <i>in camera</i> sessions with the external auditors and management.</p> <p>In meetings where <i>in camera sessions</i> were not held, the Directors determined that all issues had been openly and candidly as facilitated by the Executive Chairman and/or Lead Director and that separate <i>in camera</i> sessions were not required.</p> <p>FY2011 In Camera sessions: Board: 1 Audit Committee: 4 Corporate Governance and Compensation: 3</p>

f) Disclose whether or not the chair of the Board of Directors is an independent director. If the Board of Directors has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities.

The Chairman of the Board of Directors is Mr. Timothy. C. Melton who is not an independent director.

The Board has appointed Mr. William. D. Grace as the Lead Director. The role and responsibilities of the Lead Director are as follows:

- to develop the agenda for the Executive Sessions of the Board as required
- to act as a liaison between the Company's management and the Board where and if required
- to chair the meetings of the Board in the absence of the Executive Chairman
- to ensure the Board is carrying out its responsibilities in accordance with (a) good governance practices (b) the constating documents of the Company, and (c) the approved corporate governance guidelines
- to consider any other appropriate structures and procedures to ensure that the Board can function independently of management
- to undertake the lead on any other corporate governance matters that the Board may require or request from time to time

g) Disclose the attendance record of each director for all meetings of the Board of Directors held since the beginning of the issuer's most recently completed financial year.

Director	Committee Meetings	Board Meetings	%
Timothy C. Melton	-	7/8	88%
Andrew J. Melton	-	8/8	100%
Gordon J. Clanachan	5/5	7/8	92%
William D. Grace	8/8	8/8	100%
Ross A. Grieve	3/3	8/8	100%
Catherine M. Roozen	4/4	8/8	100%
Allan E. Scott	4/4	8/8	100%
Ralph B. Young	-	8/8	100%

In fiscal 2010, the Board appointed a special committee (Messrs. Grace, Clanachan and Scott) to oversee the issuance and sale of a \$40M debenture in Q1-11. The special committee had one meeting in 2011.

2. Board of Directors' Mandate

Disclose the text of the Board of Directors' mandate.

The Board has adopted a Mandate which, amongst other matters, set out the Board's principal responsibilities which are:

- adoption of a corporate strategic planning process;
- managing risks and protecting shareholder value;
- succession planning including appointing, developing and monitoring senior management;
- communications policy;
- internal corporate controls and management information systems;
- corporate governance; and
- knowledge and understanding of the business and maintaining high levels of integrity in business conduct.

3. Position Descriptions

(a) Disclose whether or not the Board of Directors has developed written position descriptions for the chair and the chair of each committee of the Board of Directors.

The Board of Directors has developed written position descriptions for the Executive Chairman, Executive Vice-Chairman, Lead Director and the Chairman of each Board committee.

(b) Disclose whether or not the Board of Directors and CEO have developed a written position description for the CEO.

The Board of Directors has developed and approved a written description for the CEO.

4. Position Descriptions	
(a) Briefly describe what measures the Board of Directors takes to orient new directors regarding:	
i. the role of the Board of Directors, its committees and its directors	Each director has a 'Director's Manual' that contains a board charter that outlines Melcor's expectations with respect to director behavior, roles and responsibilities. Each committee has a Charter or Terms of Reference that outlines the specific responsibilities of the committee.
ii. the nature and operation of the issuer's business.	<p>Arrangements are made for briefing sessions from appropriate senior personnel to help directors better understand Melcor's strategy and business operations.</p> <p>Senior managers and other Melcor employees make frequent presentations at board meetings on a variety of business issues and strategies. In addition, external resources occasionally present at board meetings. Directors also participate on tours from time-to-time with local management. This provides an opportunity to meet with employees and learn more Melcor's business, development activities and asset holdings.</p>
(b) Briefly describe what measures the Board of Directors takes to provide continuing education for its directors.	<p>Subject to board approval, directors may enroll in professional development courses at Melcor's expense.</p> <p>No directors were enrolled in professional development courses at Melcor's expense in 2011.</p>
5. Ethical Business Conduct	
(a) Disclose whether or not the Board of Directors has adopted a written code for the directors, officers and employees. If the Board of Directors has adopted a written code:	Melcor has a Business Code of Conduct that is applicable to all directors, officers and employees.
i. disclose how a person or company may obtain a copy of the code	<p>Melcor's Business Code of Conduct is available on the Company's website at www.melcor.ca and on SEDAR at www.sedar.com.</p> <p>It will be mailed to anyone on request by contacting Melcor's CFO.</p>
ii. describe how the Board of Directors monitors compliance with its code, or if the Board of Directors does not monitor compliance, explain whether and how the Board of Directors satisfies itself regarding compliance with its code	<p>All new employees are required to read and sign-off on the Code as part of the orientation process.</p> <p>All employees are required to review and confirm compliance with Melcor's policies annually, including the Business Code of Conduct.</p>

<p>iii. provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p>	<p>The Board has not granted any waiver of the Code of Conduct nor has a material change report been required or filed pertaining to the conduct of a director or executive officer.</p>
<p>(b) Describe any steps the Board of Directors takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>	<p>Melcor's Business Code of Conduct outlines the Company's conflict of interest guidelines.</p> <p>If a director has a material interest in a specific topic, they are not permitted to be present when the matter is discussed or voted upon. Care is taken to ensure all director conflicts are documented in the meeting minutes.</p>
<p>(c) Describe any other steps the Board of Directors takes to encourage and promote a culture of ethical business conduct.</p>	<p>Ethical business conduct is a constant focus of the Board. Board members are encouraged to interact with employees and members of the management team. The Board encourages senior management to promote ethical conduct among all employees.</p>
<p>6. Nomination of Directors</p>	
<p>(a) Describe the process by which the Board of Directors identifies new candidates for Board of Directors nomination.</p>	<p>The Corporate Governance and Compensation Committee is responsible for identifying new candidates for recommendation to the Board. The Committee considers the composition of the Board and prepares recommendations for director nominees. In process is performed in consultation with the Executive Chairman, CEO and directors.</p>
<p>(b) Disclose whether or not the Board of Directors has a nominating committee composed entirely of independent directors.</p>	<p>The Corporate Governance and Compensation Committee is responsible for director nominations and is composed entirely of independent directors.</p>
<p>(c) If the Board of Directors has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</p>	<p>The Corporate Governance and Compensation Committee is responsible for director nominations.</p>
<p>7. Compensation</p>	
<p>(a) Describe the process by which the Board of Directors determines the compensation for the issuer's directors and officers.</p>	<p>The Corporate Governance and Compensation Committee is responsible for reviewing and approving the compensation of all executive officers of Melcor, including general salary structure and short- and long-term incentive programs and bonuses. The Committee also discusses personnel and human resource matters, including recruitment and management succession plans.</p> <p>See Compensation Discussion and Analysis contained in this information circular for additional information.</p>

(b) Disclose whether or not the Board of Directors has a compensation committee composed entirely of independent directors.	The Corporate Governance and Compensation Committee is composed entirely of independent directors.
(c) If the Board of Directors has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The Corporate Governance and Compensation Committee is responsible for reviewing the compensation levels of senior management, for succession planning and for providing advice to the Board with respect to oversight of compensation and governance matters. See the Corporate Governance and Compensation Committee report contained in this information circular for additional information.
(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained.	No compensation consultants or advisors were retained in fiscal 2011. Mercer (Canada) Ltd. was retained in 2010 to perform an executive compensation review.
8. Other Board Committees	
If the Board of Directors has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Board has no other Committees.
9. Assessments	
Disclose whether or not the Board of Directors, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board of Directors satisfies itself that the Board of Directors, its committees, and its individual directors are performing effectively.	The Corporate Governance and Compensation Committee has the responsibility for assessing the Board's effectiveness as a whole. A periodic self-assessment is conducted with the findings reported to the full Board. The assessment process examines the effectiveness of the Board as a whole and specifically reviews areas that the Board members believe could be improved to ensure the continued effectiveness of the Board in the execution of its responsibilities. An assessment of each individual director is not performed.