MELCOR DEVELOPMENTS LTD.

ANNUAL INFORMATION FORM

MARCH 8, 2011

MELCOR DEVELOPMENTS LTD.
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ANNUAL INFORMATION FORM

Date of Information

All information contained in this annual information form is dated December 31, 2010 unless otherwise stated. All documents incorporated by reference in this annual information form are available on SEDAR at www.sedar.com.

Forward Looking Statements

To provide investors with an understanding of Melcor Development Ltd.'s ("Melcor" or the "Company") current results and future prospects, our public communications often include written or verbal forward-looking statements. Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions, courses of action and include future-oriented financial information.

This annual information form ("AIF") and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent the Company's intentions, plans, expectations, and beliefs and are based on the Company's experience and its assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Future-looking statements may involve, but are not limited to, comments with respect to the Company's strategic initiatives for 2011 and beyond, future development plans and objectives, targets, expectations of the real estate, financing and economic environments, the Company's financial condition or the results of or outlook of its operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond the Company's control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that the Company's actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. The Company cautions the readers of this document not to place undue reliance on its forward-looking statements. Assumptions about the performance of the Canadian and US economies and how this performance will affect the business are material factors we consider in determining our forward-looking statements in the AIF and the management's discussion and analysis for the year ended December 31, 2010.

For additional information regarding material risks and assumptions, please see the discussion under Risk Factors in the management's discussion and analysis for the year ended December 31, 2010, which is incorporated by reference in this AIF.

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

CORPORATE STRUCTURE

Name, Address and Incorporation

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

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

On April 19, 2007, the shareholders approved an amendment to the Articles of the Company to authorize a change in authorized amount for the common voting shares of the Company from 100,000,000 to an unlimited number; the number of First Preferred shares authorized to be issued was changed from 50,000,000 to an unlimited number; and the creation of a new class of common non-voting shares to an unlimited number.

The head office and registered office of Melcor is located at:

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

Intercorporate Relationships

Subsidiary	Percentage of Voting Shares	Jurisdiction of Incorporation
Melcor Developments Arizona, Inc.	100%	Arizona, USA
Stanley Investments Inc.	100%	Alberta, Canada
Melcor Lakeside Inc.	100%	Alberta, Canada

Certain subsidiaries of the Company have been excluded on the basis that the subsidiary does not have assets or revenues greater than 10% of the total consolidated assets or revenues of the Company. The combined assets or revenues of all omitted subsidiaries do not exceed 20% of the total consolidated assets or revenues of the Company.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

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

2008

- In the second quarter, acquired a 6,200 sq. ft. Building in downtown Edmonton, Alberta. This acquisition included a 7,400 sq. ft. development site currently being used as a surface parking lot.
- In the third quarter, disposed of the Crowfoot West Business Centre in northwest Calgary, Alberta, which resulted in a gain of $22.05 million dollars, or $0.60 per share.

2009

- In the first quarter, disposed of the Albert Street Building in Regina, Saskatchewan, which resulted in a gain of $0.34 million.
- In the second quarter, acquired 50 condominium units in Phoenix, Arizona

2010

- Through the first 3 quarters of 2010, the Company acquired 653 acres of land in Red Deer, Lethbridge, Edmonton, Calgary, and Phoenix, Arizona for future development.
- In the second quarter, acquired a 240-unit residential complex near Houston, Texas for $20.97 million.
- During the fourth quarter, acquired two industrial warehouses in Saskatchewan for $2.40 million.
- Disposed of the Crowfoot Circle land lease, resulting in a gain of $1.65 million.
- Mr. Andrew J. Melton joins the Company as Executive Vice-Chairman on October 1, 2010.
- Mr. Michael D. Shabada, VP Finance and CFO, resigns from the Company on October 31, 2010.

2011

- Mr. Jonathan W. Chia joins the Company as VP Finance and CFO on January 24, 2011.
- On February 8, 2011, the Company announced the issuance and sale of $40.00 million of 6.25% convertible unsecured subordinated debentures by way of private placement. The Company intends to use the net proceeds for general corporate purposes.

DESCRIPTION OF THE BUSINESS

General Information

Melcor Developments Ltd., which traces its history back to 1923, has operated and prospered for over 86 years, due to stable and committed ownership and loyal and dedicated staff who are focused on the real estate industry. A publicly traded company on the Toronto Stock Exchange under the symbol "MRD", Melcor primarily operates in Alberta, specifically in the metropolitan areas of Calgary, Edmonton, Lethbridge, and Red Deer. Melcor also holds and operates assets across Western Canada (British Columbia and Saskatchewan) and the southern United States (Arizona and Texas). Melcor primarily operates in four primary business segments, which include:

(i) Community Development

The principal segment of the Company's business, the Community Development division involves the acquisition, planning, development and marketing of urban communities. The majority of residential lots and parcels are sold to homebuilders that purchase sites through agreements for sale. The Community Development division also develops large-scale commercial and industrial centres in the Edmonton, Red Deer and Calgary regions. In 2010, this segment accounted for 74% of consolidated revenues (2009 – 67% of consolidated revenues). For additional information regarding the Community Development division, see the Company's 2010 management's discussion and analysis incorporated by reference in this AIF and filed on www.sedar.com.

(ii) Property Development

The Property Development division acquires prime commercial sites from the Community Development division to develop and lease high quality retail, office and industrial revenue-producing properties that deliver asset appreciation gains and/or stable long-term returns. Once completed, these assets are transferred to the Investment Property division where they are held and managed. Since 2003, the Property Development division has developed or leased over 1.15 million square feet of office and retail space. Participants in commercial projects include companies such as Wal-Mart, Rona, Home Depot, General Electric, Canadian Tire, Save-On Foods, Shoppers Drug Mart, Staples, Rexall Drugs, TD Bank, Scotiabank, Royal Bank, Canadian Western Bank, Tim Hortons, and more.

For additional information regarding the Property Development division, see the Company's 2010 management's discussion and analysis incorporated by reference in this AIF and filed on www.sedar.com.

(iii) Investment Properties

The Company owns a portfolio of high-quality residential, office, retail, and industrial properties, which are held as long-term investments. The Investment Property division is responsible for managing these revenue generating properties, representing over two million square feet of rentable space, located across Western Canada and the southern United States. In 2010, this segment accounted for 23% of consolidated revenues (2009 - 28% of consolidated revenues). For additional information regarding the Investment Properties division, and a listing of properties owned by the company, see the Company's 2010 management's discussion and analysis incorporated by reference in this AIF and filed on www.sedar.com.

(iv) Recreational Properties

The Company owns and manages three 18-hole championship golf courses in Alberta and British Columbia, and has a 50% interest in an additional championship golf course in Alberta as follows:

* The Links at Spruce Grove	Spruce Grove, Alberta
* Black Mountain Golf Club	Kelowna, British Columbia
* Lewis Estates Golf Course – 60% owned	Edmonton, Alberta
Jagare Ridge Golf Club – 50% owned	Edmonton, Alberta

* Managed by the Company

This division can be impacted by seasonality of markets and weather conditions, as revenues are strongly dependent on the number of golf rounds that can be sold throughout the golfing season. For additional information regarding the Recreational Properties division, see the Company's 2010 management's discussion and analysis incorporated by reference in this AIF and filed on www.sedar.com.

Production and Services

The Company believes that it has the necessary capabilities to execute the strategic initiatives and achieve performance targets set out in Melcor's business plan. The management team of the Company is focused on ensuring a disciplined approach and hands-on management of its projects, assets, and capital.

Melcor's business model and depth of experience in the real estate industry provides a competitive advantage, with a primary focus on sustainable returns over a longer-term horizon.

The Company employs management and administrative personnel to manage the business and endeavours to utilize third-party contractors to carry out development and construction activities (such as planning, design, engineering, architecture, utilities servicing). The Company also contracts property management services for the Investment Properties division and employs a number of seasonal staff in our Recreational Properties division.

Financing

The Company continues to have strong relationships with its major lenders. The strength of Melcor's capital structure and the liquidity maintained allow the Company to continue accessing financing despite the tightening of credit markets and the ongoing changes in the economic environment.

The Company utilizes fixed rate, long-term mortgage financing for its revenue producing assets to raise capital. As such, most of the Company's borrowings are in the form of long-term, property specific financings such as mortgages or project financings secured by the specific assets.

Operations are also supplemented by an operating line of credit with a Canadian chartered bank, which margins the land development assets of the Company (agreements receivable and land under development).

Subsequent to year end, the Company announced the issuance and sale of $40.00 million of 6.25% convertible unsecured subordinated debentures by way of private placement.

Environmental Protection

The Company is subject to laws and regulations concerning the protection of the environment in connection with its development activities. For example, environmental laws or local bylaws may apply to a development site based on its environmental condition, present and former uses, and its adjoining properties. Environmental laws and conditions may result in delays, cause the Company to incur significant compliance and other costs, and can severely restrict or prevent the development in environmentally sensitive regions or areas. The Company employs a rigorous due diligence process prior to the acquisition of any raw land, development site or investment property to mitigate its exposure.

Environmental protection requirements did not have a significant financial or operational effect on the Company's capital expenditures, earnings or competitive position during 2010 and the Company does not expect significant effects in future years.

Employees

The Company had 86 employees at December 31, 2010 and employs an average of 210 seasonal employees through the summer months, who primarily work in the Recreational Properties division.

RISK FACTORS

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

General Risks
The Company is exposed to the micro- and macro-economic conditions that affect the markets in which it operates and owns assets. In general, a decline in economic conditions will result in downward pressure of Melcor's margins and asset values as a result of lower demand for the services and products we offer. Specifically, general inflation and interest rate fluctuations; population growth and migration; job creation and employment patterns; consumer confidence; government policies, regulations and taxation; and availability of credit and financing could pose a threat to the Company's ongoing business operations.

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

The effects of the recent recession have resulted in additional risk to the Company that goes beyond the normal business risk that management typically plans for. International economic forces and conditions will continue to impact the Company more than any recent time in its history. The Company has adapted its business plan to reflect current conditions and believes that it has sufficient resources to carry its operations through uncertain times. However, each economic crisis has its own characteristics that will present unique challenges for the Company.

Financing Risk

The Company utilizes debt and other forms of leverage in the ordinary course of business to enhance returns to shareholders. Most leveraged debt within the business has recourse only to the assets being financed or margined and has no recourse to the Corporation.

Melcor is subject to general risks associated with debt financing. The following risks may adversely affect the Company's financial condition and results of operations:

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

The Company attempts to mitigate these risks through the use of long-term debt. The terms of various credit agreements and other financing documents require the Company to comply with a number of financial and other covenants, such as maintaining debt service coverage and leverage ratios, and minimum insurance coverage.

These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if the Company had satisfied its payment obligations.

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

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

The Company may enter into financing commitments in the normal course of business and, as a result, may be required to fund these, particularly through its joint ventures. If the Company is unable to fulfil any of these commitments, this could result in damages being pursued against the Company.

Community Development

The Community Development division is subject to risks influenced by the demand for new housing which is impacted by interest rates, growth in employment, migration, new family formations and the size of these families. The division's ability to bring new communities to the market is impacted by municipal regulatory requirements and environmental considerations which affect the planning, subdivision and use of land. The lengthy planning and approval process can take up to eighteen months. During this period, the market conditions in general and / or the market for lots in the size and price range in our developments may change dramatically.

Management must manage its assets to ensure that it has adequate future lands to develop by balancing its inventory of long, medium and short-term lands against the cost of acquiring and holding these lands.

Property Development

The Property Development division is subject to risks that would normally be associated with the construction industry combined with the normal leasing risks that the Investment Property division faces.

The division has to manage the overall costs of projects, the quality of the construction and the suitability of the project in relation to the needs of the tenants who will occupy the completed building. The division is also subject to additional holding costs if the asset is not leased out on a timely basis.

Investment Properties

The Investment Property division is subject to the market conditions in the geographic areas where it owns and manages properties. As these market conditions improve, the ability to achieve higher occupancy rates also improves. These market conditions are influenced by outside factors such as government policies, demographics and employment patterns, the affordability of rental properties, competitive leasing rates and long-term interest and inflation rates.

Recreational Properties

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

COMPETITIVE CONDITIONS

The land development industry is competitive with a large number of well-financed companies operating in the same markets. The Company conducts business in the vicinity of major population and employment centers where it works to develop long-term relationships with the municipalities, construction industry, financial institutions and the people who live in the communities.

The Company has two main features which shape its competitive position, namely:
- Financial strength and proven track record; and
- Experience and integrity of personnel.

DIVIDENDS

The Board of Directors decide upon the actual payment of dividends after consideration of relevant factors including earnings, availability of cash, capital requirements and the financial condition of the Company.

Per common share in dollars	2010	2009	2008
On or before June 30	.15	.10	.25
On or before December 31	.20	.15	.17
Total	**.35**	**.25**	**.42**

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The Company has the following share capital:
- Unlimited Voting Common Shares (30,109,630 issued and outstanding as at December 31, 2010)
- Unlimited Non-Voting Common Shares (none issued)
- Unlimited Non-Voting First Preferred Shares (none issued)

MARKET FOR SECURITIES

The common shares of the Company are listed on The Toronto Stock Exchange (TSX) under the symbol "MRD". Trading information for the period January 1, 2010 to December 31, 2010 is set out in the following table:

	High	Low	Volume
January	11.63	10.80	399,575
February	11.74	10.74	183,869
March	11.95	9.77	578,265
April	13.26	11.31	321,547
May	14.36	12.40	327,474
June	14.24	12.39	125,054
July	12.61	11.40	113,894
August	12.05	11.00	227,755
September	12.00	11.20	404,505
October	14.25	11.62	210,307
November	14.25	13.55	154,155
December	15.20	13.40	151,153

DIRECTORS AND OFFICERS

Directors

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

Name and Municipality of Residence	Position with Melcor	Principal Occupation	Director Since
William D. Grace, FCA[1, 2] Alberta, Canada	Lead Director[4]	Corporate Director	1994
Ross A. Grieve[2] Alberta, Canada	Director	Chairman, PCL Constructors Ltd.	2003
Catherine M. Roozen[1] Alberta, Canada	Director	Director & Secretary, Cathton Investments Ltd.	2007
Allan E. Scott[2] Alberta, Canada	Director, Chair of Corporate Governance and Compensation Committee	Corporate Director	2007
Gordon J. Clanachan, FCA[1] Alberta, Canada	Director, Chair of Audit Committee	Corporate Director and Consultant	2009
Timothy C. Melton[3] Alberta, Canada	Executive Chairman	Executive Chairman, Melcor Developments Ltd.	1973
Andrew J. Melton[3] Alberta, Canada	Vice-Executive Chairman	Vice-Executive Chairman, Melcor Developments Ltd.	1985
Ralph B. Young[3] Alberta, Canada	President & CEO	President & CEO, Melcor Developments Ltd.	1976

1 Member of the Audit Committee

2 Member of the Corporate Governance and Compensation Committee
3 Mr. Timothy C. Melton, Mr. Andrew J. Melton and Mr. Ralph B. Young are not considered independent based on their positions within the Company.
4 Mr. William D. Grace has held the Lead Director position for the past 6 years.

All of the directors have held the principal occupation indicated opposite their names for the previous 5 years, except:

Mr. Allan E. Scott, who held the position of President & CEO of Edmonton Economic Development Corporation until 2007.

Mr. Andrew J. Melton, who held the position of Principal at Avison Young Commercial Real Estate until October 2010.

Mr. William D. Grace and Mr. Gordon J. Clanachan were directors of WavePOINT Systems Inc. ("WavePOINT") from December 2000 until March 2002. On May 29, 2002, WavePOINT made an assignment pursuant to the Bankruptcy and Insolvency Act (Canada), and a trustee in bankruptcy was appointed.

Executive Officers

The following table lists the executive officers of Melcor Developments Ltd., their province of residence, period of service as an executive officer of Melcor and their principal occupation during the five preceding years:

Name and Municipality of Residence	Executive Officer Since	Principal Occupation in 5 Preceding Years
Timothy C. Melton Alberta, Canada	January 1973	Executive Chairman
Andrew J. Melton Alberta, Canada	October 2010	Executive Vice-Chairman Principal (Avison Young Real Estate – 1995 to October 2010)
Ralph B. Young Alberta, Canada	January 1976	President & Chief Executive Officer
Jonathan W. Chia, CA Alberta, Canada	January 2011	Vice President Finance & Chief Financial Officer Chief Financial Officer (Matrikon Inc. – July 2008) Sr. Manager – Finance (Matrikon Inc. – July 2005)
Naomi M. Stefura, CA Alberta, Canada	November 2010 to January 2011	Acting Chief Financial Officer (November 2011 to January 2011) Corporate Controller (August 2008) Senior Accountant, Meyers Norris Penny (May 2006) Senior Accountant, PricewaterhouseCoopers (January 2004)
W. Peter Daly Alberta, Canada	March 2001	Vice President, Community Development
Brett A. Halford Alberta, Canada	March 1998	Vice President, Administration
Brian D. Baker Alberta, Canada	November 2005	Vice President, Property Development
Darin A. Rayburn Alberta, Canada	November 2005	Vice President, Investment Properties

The Directors and Executive Officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 60.3% of the outstanding common shares of the Company as at March 8, 2011.

TRANSFER AGENT AND REGISTRAR

Valiant Trust Company is the transfer agent and registrar for the Company's common shares at its office in Edmonton, Alberta and through its office in Toronto, Ontario.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

INTEREST OF MANAGEMENT AND OTHER PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed below and material change reports filed on www.sedar.com, there were no material interests, direct or indirect, of any director or executive officer, any person or company who owns of record, or is known by the Company to own beneficially, or control or direct, directly or indirectly, more than 10% of the Common Shares of the Company or any associate or affiliate of the foregoing persons or companies in any transaction within the last three financial years or during the current fiscal year that has materially affected or will materially affect the Company.

From January 1, 2010 to September 30, 2010, the Company paid commissions of $299,810 to Avison Young Commercial Real Estate, an organization where Mr. Andrew J. Melton was a Principal. Mr. Melton resigned from this position on September 30, 2010 when he joined the Company as its Executive Vice-Chairman. The commissions were for services with respect to acquisitions, dispositions and leasing of real estate assets. The commissions paid were at or below market rates and the amounts are not considered to be material for financial reporting purposes.

During the same period, the Company also paid $15,000 to 277308 Alberta Ltd., a company controlled by Mr. Andrew J. Melton, for management fees for services rendered in managing an income producing property in Lethbridge. This arrangement was terminated when Mr. Melton joined the Company as Executive Vice-Chairman on September 30, 2010.

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 was 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 was issued to Cavell Holdings Ltd., which is controlled by Mr. Timothy C. Melton.

NAMES AND INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP, Chartered Accountants, Suite 1501, 10088-102 Avenue NW, Edmonton, Alberta, T5J 3N5 are the independent external auditors of the Company. PricewaterhouseCoopers LLP are independent with respect to the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Altus Group Limited, 17327-106a Avenue NW, Edmonton, Alberta, T5S 1M7, are the independent valuators used by the Company. Altus Group Limited, a member of the Appraisal Institute of Canada, prepares and certifies a report with respect to the valuation of the Company's investment properties as required to be presented in accordance with International Financial Reporting standards. Altus Group Limited is independent with respect to the Company in accordance with the Canadian Uniform Standards of Professional Appraisal Practices, which regulates the Appraisal Institute of Canada.

MATERIAL CONTRACTS

The Company did not enter into any material contracts outside the ordinary course of business in 2010.

AUDIT COMMITTEE

Audit Committee Charter

The Terms of Reference of the Company's Audit Committee are included as Appendix I.

Composition of the Audit Committee

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

The Audit Committee is comprised of the following members:

Gordon. J. Clanachan, FCA **Chair of Committee** Member since 2009	Mr. Clanachan is a graduate of Glasgow University, Scotland and a Fellow Chartered Accountant, and holds the ICD.D designation. During the past 5 years, Mr. Clanachan has been a corporate director and consultant providing business advisory services. He is a member of the advisory board for a number of companies and the Vice-Chair of the Board of Governors of the University of Alberta. Mr. Clanachan currently serves as Chair of the Edmonton Regional Airports Authority, is a director of Bridgewater Bank and Alberta Blue Cross and is a trustee of XS Cargo Income Fund.
William D. Grace, FCA Member since 1994	Mr. Grace is a graduate of the University of Alberta and a Fellow Chartered Accountant. During his business career, he served as the Chief Financial Officer with several Alberta corporations. From 1988 to 1994, he was the managing partner in the Edmonton office of PriceWaterhouse. He is a director of Medwell Capital Corp. and several private companies. He is also the independent Chairman of the Edmonton Pipe Industry Pension Trust and Health & Welfare Funds and a director of Covenant Health. Mr. Grace is a past President of both the Alberta and Canadian Institute of Chartered Accountants
Catherine M. Roozen Member since 2007	Ms. Roozen is a graduate of the University of Alberta where she served as a Governor from 1998 to 2005. Since 1981, she has been a Director and the Corporate Secretary of Cathton Investments Ltd. and The Allard Foundation. She is Vice-Chair of Alberta Health Services. From 2001 to January 2010, she served as a director of Corus Entertainment Inc. and has served on

numerous other boards (both private and public).

Preapproval Policy

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

External Auditor Fees

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

	2010	2009
Audit fees	$236,320	$233,000
Audit-related fees[1]	55,053	54,000
Tax fees[2]	31,325	14,000
52-109 Compliance	31,000	31,000
All other fees[3]	38,000	66,000
Total	**$391,698**	**$398,000**

1 Audit related fees include fees for subsidiary companies, joint ventures, and building operating statements and homeowners associations.
2 Tax fees include tax compliance services and tax advisory and planning services.
3 All other fees include services rendered for advice related to accounting policies.

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 information including directors' and officers' remuneration and indebtedness, principal shareholders and securities authorized for issuance under equity compensation plans, is contained in the Company's management information circular dated March 8, 2011, prepared for the Annual Meeting of Shareholders to be held on April 19, 2011. 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, 2010.

Copies of these documents and any other documents incorporated by reference, additional interim financial statements for periods subsequent to December 31, 2010 and additional copies of this AIF 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:	info@melcor.ca

APPENDIX I

Audit Committee - Terms Of Reference (Mandate)

A. Overview and Purpose - The Audit Committee (the "Committee") is appointed by, and responsible to the Board of Directors (the "Board"). The Committee approves, monitors, evaluates, advises and makes recommendations, in accordance with these terms of reference, on matters affecting the external and internal audits**,** risk management matters, the integrity of financial reporting and the accounting control policies and practices of the Company. The involvement of the Committee in overseeing the financial reporting process, including assessing the reasonableness of management's accounting judgments and estimates and reviewing key filings with regulatory agencies is an important element of the company's internal control over financial reporting. The Committee has oversight responsibility for the performance of both the internal auditors (if any) and the external auditors. The Committee also ensures the qualifications and independence of the external auditors. The Committee has oversight of the Company's compliance with legal and regulatory requirements. It is **not** the duty of the Committee to plan or conduct audits, or to determine that the Company's financial statements are complete, accurate, and in accordance with generally accepted accounting principles.

B. Authority and Responsibilities

1. Request such information and explanations in regard to the accounts of the Company as the Committee may consider necessary and appropriate to carry out its duties and responsibilities.
2. Consider any other matters which, in the opinion of the Committee or at the request of the Board, would assist the Directors to meet their responsibilities.
3. Provide reports and minutes of meetings to the Board.
4. Engage independent counsel and other advisors as may be deemed or considered necessary, and determine the fees of such counsel and advisors.

C. Membership

5. The members of the Committee shall be composed of at least three independent Directors, appointed by the Board, all of whom must be financially literate and at least one member shall have accounting or related financial management expertise. For greater clarity, the Board has adopted the definition of independent director as set out in National Instrument 52-110 of the Canadian Securities Administrators.
6. The Chair of the Committee shall be designated by the Board.
7. Attendance by invitation at all or a portion of Committee meetings is determined by the Committee Chair or its members, and would normally include the CFO of the Company, representatives of the external auditors and such other officers or support staff as may be deemed appropriate.

D. Financial Statements and Disclosures

8. Review, and recommend to the Board for approval, the annual audited financial statements.
9. Review, and recommend to the Board for approval, the following public disclosure documents:
   a) the financial content of the annual report;
   b) the annual management information circular and proxy materials;
   c) the annual information form, including any regulatory requirements for audit committee reporting obligations;
   d) the management discussion and analysis section of the annual report; and
   e) the year-end news release on the earnings of the Company.

10. Review and, if appropriate, recommend to the Board for release, the quarterly unaudited financial statements including management's discussion and analysis, the quarterly interim report to shareholders and the quarterly press release on earnings of the Company.

11. Review, and recommend to the Board for approval, all annual financial statements, reports of a financial nature, (other than quarterly unaudited financial statements), and the financial content of prospectuses or any other reports which require approval by the Board prior to submission thereof to any regulatory authority.

12. Review the audit committee information required as part of the annual information form.

13. Review the CEO and CFO certification of annual and interim disclosure as required by the regulatory authorities.

14. Review with management on an annual basis, the Company's obligations pursuant to guarantees that have been issued and material obligations that have been entered into, and the manner in which these guarantees and obligations have been, or should be, disclosed in the financial statements.

15. Review and assess, in conjunction with management and the external auditor, at least annually or on a quarterly basis where appropriate or required:

- a) the appropriateness of accounting policies and financial reporting practices used by the Company, including alternative treatments that are available for consideration;
- b) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Company;
- c) any new or pending developments in accounting and reporting standards that may affect or impact on the Company;
- d) the impact of the Company's capital structure on current and future profitability, and any off-balance sheet structures; and
- e) the key estimates and judgments of management that may be material to the financial reporting of the Company.

16. At least annually, request the external auditor to provide their views on the quality (not just the acceptability) of the Company's annual and interim financial reporting. Such quality assessment should encompass judgments about the appropriateness, aggressiveness or conservatism of estimates and elective accounting principles or methods and judgments about the clarity of disclosures.

17. Review any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the financial statements.

E. External Auditor

18. Assess the performance and consider the annual appointment of external auditor for recommendation to the Board for ultimate recommendation for appointment by the shareholders.

19. Review, approve and execute the annual engagement letter with the external auditor, and ensure there is a clear understanding between the Board, the Committee, the external auditor and management that the external auditor reports directly to the shareholders and the Board through the Committee. The terms of the engagement letter or the annual audit plan should include, but not be limited to, the following:

- a) staffing;
- b) objectives and scope of the external audit work;
- c) materiality limits;
- d) audit reports required;
- e) areas of audit risk;
- f) timetable; and
- g) the proposed fees.

20. Obtain and review a report from the external auditor at least annually regarding the auditor's independence and the profession's or audit firm requirements regarding audit partner rotation.

21. Approve, before the fact, the engagement of the external auditor for all non-audit services and the fees for such services, and consider the impact on the independence of the external audit work of fees for such non-audit services.

22. Review all fees paid to the external auditor for audit services and, if appropriate, recommend their approval to the Board.

23. Receive an annual certification from the external auditor that they participate in the public oversight program established by the Canadian Public Accountability Board (CPAB), and that they are in good standing with the CPAB.

24. Review a report from the external auditors describing

a) the firm's internal quality control procedures; and

b) any material issues raised by the most recent internal quality control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years regarding the audits carried out by the external auditor together with any steps taken to deal with any such issues.

25. Receive and resolve any disagreements between management and the external auditor regarding all aspects of the Company's financial reporting.

26. Review with the external auditor the results of the annual audit examination including, but not limited to, the following:

a) any difficulties encountered, or restrictions imposed by management, during the annual audit;

b) any significant accounting or financial reporting issues;

c) the auditor's evaluation of the Company's internal controls over financial reporting and management's evaluation thereon, including internal control deficiencies identified by the auditor that have not been previously reported to the audit committee;

d) the auditor's evaluation of the selection and application of accounting principles and estimates, and the presentation of disclosures;

e) the post-audit or management letter or other material written communications containing any findings or recommendations of the external auditor including management's response thereto and the subsequent follow-up to any identified internal accounting control weaknesses; and

f) any other matters which the external auditor should bring to the attention of the Committee.

27. Meet with the external auditor at every meeting of the Committee or as requested by the auditor, without management representatives present; and to meet with management, at least annually or as requested by management, without the external auditor present.

28. When there is to be a change in the external auditor, review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Policy 31 and the planned steps for an orderly transition.

29. Review and approve the Company's hiring policies regarding employees and former employees of the present and former external auditors of the Company.

F. Internal Audit

30. Review on as periodic basis the need for an internal audit function, and assess the control systems in place that mitigate the need for an internal audit function.

G. Internal Controls

31. Obtain reasonable assurance, by discussions with and reports from management and the external auditor that the accounting systems are reliable, the system for preparation of financial data reported to the market is adequate and effective, and that the system of internal controls is effectively designed and implemented.

32. Review management's annual report on the effectiveness of internal controls and procedures, as well as quarterly and annual CEO and CFO certificates filed pursuant to securities regulations.
33. Receive reports from management on all significant internal control deficiencies and material weaknesses identified by management.
34. Review annually, or as required, the appropriateness of the system of internal controls and approval policies and practices concerning the expenses of the officers of the Company, including the use of the Company's assets.
35. Review and approve, on a quarterly after-the-fact basis, the expense accounts of the Board Chair of the Company.

H. Compliance/Risk/Fraud

36. Discuss with management the Company's major risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
37. Discuss with management the Company's policies and procedures designed to prevent, identify and detect fraud.
38. Discuss with management the Company's procedures to deal with whistle blower complaints.
39. Discuss with management the Company's policies and procedures designed to ensure an effective compliance and ethics program, including the Company's code of ethics.
40. Discuss with management and the general counsel any legal matters that may have a material impact on the financial statements or the Company's compliance requirements.
41. On an annual basis, review the adequacy of the Company's insurance program.

I. Other

42. Review, as required, any claims of indemnification pursuant to the by-laws of the Company.
43. On a quarterly basis, review all related party transactions as defined by the CICA Handbook and report thereon to the Board.
44. In accordance with the Company's Whistle Blower Policy, review and determine the disposition of any complaints or correspondence received under the policy.
45. Review and determine the disposition of any complaints received from shareholders or any regulatory body.
46. Conduct a bi-annual assessment of the effectiveness of the Committee and provide a report thereon to the Board.
47. Receive comments from the external auditor on their assessment of the effectiveness of the Committee's oversight of internal control over financial reporting.
48. Review annually the terms of reference for the Committee and recommend any required changes to the Board.

J. Meetings

49. Regular meetings of the Committee are to be held at least four times each year.
50. Meetings may be called by the Committee Chair or by a majority of the Committee members, and usually in consultation with management of the Company.
51. Meetings are chaired by the Committee Chair or, in the Chair's absence, by a member chosen by the Committee from among themselves.
52. A quorum for the transaction of business at any meeting of the Committee is a minimum of two appointed members.
53. The Secretary of the Company shall provide for the delivery of notices, agendas and supporting materials to the Committee members at least five (5) days prior to the meeting except in unusual circumstances.

54. Meetings may be conducted with members present, or by telephone or other communications facilities which permit all persons participating in the meeting to hear or communicate with each other.

55. A written resolution signed by all Committee members entitled to vote on that resolution at a meeting of the Committee is as valid as one passed at a Committee meeting.

56. The Secretary of the Company or other representative of the Company shall be the secretary for the Committee and shall keep a record of minutes of all meetings of the Committee.

57. Minutes of the meetings of the Committee shall be distributed by the Secretary of the Company to all members of the Committee within seven (7) working days of each meeting, and shall be submitted for approval at the next regular meeting of the Committee.

58. Minutes of the Committee shall be provided to the Board of Directors.