MELCOR DEVELOPMENTS LTD.

News Release
Thursday, May 6, 2010

For Immediate Release

Melcor Developments Ltd., (TSX:MRD) Reports Strong First Quarter Results

Melcor Developments Ltd., an Alberta based real estate development company recorded net earnings of $4,637,000 or $0.15 per share (basic) on revenue of $30,247,000 for the three months ended March 31, 2010 compared with net earnings of $183,000 or $0.01 per share (basic) on revenue of $16,083,000 for the same period in 2009.

The Company has declared a semi-annual dividend of $0.15 per share, payable on June 30, 2010 to shareholders of record on June 16, 2010. This compares to a semi-annual dividend of $0.10 per share paid on June 30, 2009.

The first quarter earnings and revenues are higher than during the same period in 2009 due to increased sales in the Company's Community Development Division. The division sold 167 single family lots compared to 78 sold during the same period in 2009 and recorded one multi-family sale compared to none during the same period in 2009. The residential market in general, has been relatively strong aided by low interest rates.

The Community Development Division added to its land holdings in the current quarter, purchasing 145 acres in Red Deer and 74 acres in Lethbridge.

The Property Development Division remains active with multiple projects underway in the Edmonton and Calgary regions. New in 2010 will be the commencement of projects in Red Deer and Airdrie.

The market for office and commercial real estate remains stable and our Investment Property Division's results increasingly contribute to the Company's earnings. Subsequent to quarter end, the deal to purchase a 240 unit residential complex comprising 11.5 acres near Houston, Texas, became unconditional with closing expected in June 2010. The Division continues to pursue other opportunities in the United States.

The Company believes that Alberta residential real estate markets have stabilized and buyer confidence is returning. We are cautiously optimistic that this trend will lead to increased sales and earnings for the Company in the future.

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CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

	For the three months ended	
Unaudited – ($000s)	**March 31, 2010**	March 31, 2009
Revenue	**30,247**	16,083
Cost of sales	**(16,786)**	(9,764)
	13,461	6,319
Interest income	**471**	415
Interest expense	**(2,945)**	(2,802)
General and administrative expenses	**(2,698)**	(2,306)
Amortization expense	**(1,851)**	(1,711)
Gain on sale of investment property	**-**	339
Earnings before income taxes	**6,438**	254
Income tax expense	**(1,801)**	(71)
Net earnings for the period	**4,637**	183
Retained earnings, beginning of the period	**314,457**	298,754
Retained earnings, end of the period	**319,094**	298,937
Basic earnings per share	**.15**	.01
Diluted earnings per share	**.15**	.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended	
Unaudited – ($000s)	**March 31, 2010**	March 31, 2009
Net earnings for the period	**4,637**	183
Other comprehensive income (loss)		
Unrealized gains (losses) on translation of financial statements of self sustaining foreign operation	**(271)**	322
Comprehensive income	**4,366**	505

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	For the three months ended	
Unaudited – ($000s)	**March 31, 2010**	March 31, 2009
Balance, beginning of period	**(1,512)**	(230)
Other comprehensive income (loss)	**(271)**	322
Balance, end of period	**(1,783)**	92

CONSOLIDATED BALANCE SHEET

($000s)	March 31, 2010	December 31, 2009
ASSETS	**(Unaudited)**	(Audited)
Cash and cash equivalents	**6,714**	3,947
Accounts receivable	**11,067**	10,306
Income taxes recoverable	**3,243**	1,450
Agreements receivable	**75,286**	81,316
Land inventory (Note 3)	**418,866**	413,667
Investment properties	**180,000**	180,123
Capital assets	**424**	439
Deferred costs and other assets	**17,916**	16,955
	713,516	708,203
LIABILITIES		
Bank operating loan	**67,882**	68,026
Accounts payable and accrued liabilities	**16,205**	17,707
Provision for land development costs	**44,161**	43,154
Debt on land inventory	**70,072**	65,556
Debt on investment properties	**162,654**	165,110
Future income taxes	**21,530**	22,130
	382,504	381,683
SHAREHOLDERS' EQUITY		
Share capital (Note 2)	**13,018**	13,003
Contributed surplus	**683**	572
Retained earnings	**319,094**	314,457
Accumulated other comprehensive loss	**(1,783)**	(1,512)
	331,012	326,520
	713,516	708,203

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the three months ended	
Unaudited – ($000s)	**March 31, 2010**	March 31, 2009
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net earnings for the period	**4,637**	183
Non cash items:		
Amortization of investment properties	**1,142**	1,107
Amortization of tenant leasing costs	**679**	568
Amortization of capital assets	**30**	36
Stock based compensation expense	**111**	34
Gain on sale of investment property	**-**	(339)
Future income taxes	**(600)**	(900)
	5,999	689
Agreements receivable	**6,030**	7,558
Development activities	**5,917**	444
Operating assets and liabilities	**(5,649)**	(9,031)
	12,297	(340)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of land inventory (Note 3)	**(1,538)**	-
Proceeds from sale of investment properties	**-**	559
Investment property additions	**(1,337)**	(8,098)
Capital asset additions	**(15)**	(2)
	(2,890)	(7,541)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Bank operating loan	**(52)**	8,110
Proceeds from land development financing	**-**	1,511
Repayment of debt on land inventory	**(4,055)**	(3,355)
Proceeds from investment property financing	**-**	1,920
Repayment of debt on investment properties	**(2,456)**	(942)
Share capital issued	**15**	-
	(6,548)	7,244
FOREIGN EXCHANGE GAIN (LOSS) ON CASH HELD IN FOREIGN CURRENCY	**(92)**	257
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	**2,767**	(380)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**3,947**	1,788
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**6,714**	1,408

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements have been prepared by the Company, following the same accounting policies and methods as those disclosed in the audited financial statements for the year ended December 31, 2009. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in Canada have been omitted. These interim financial statements should be read in conjunction with the December 31, 2009 audited financial statements and the notes thereto. In the opinion of management, all adjustments, which are of a normal and recurring nature, necessary for a fair presentation of the balance sheet, results of operations, and cash flows of these interim periods, have been included.

Earnings will fluctuate from one quarter to another due to the timing of plan registrations and the cyclical nature of the real estate markets.

2. SHARE CAPITAL

Issued and outstanding common shares at March 31, 2010 are 30,286,730 (December 31, 2009 – 30,283,730). There were 3,000 options exercised during the current quarter. There were no options exercised during the same period in the prior year.

3. LAND INVENTORY

($000s)	**March 31, 2010**	December 31, 2009
	(Unaudited)	(Audited)
Undeveloped land and carrying costs	**256,458**	245,409
Pre development costs	**52,057**	54,701
Developed land inventory cost	**110,351**	113,557
	418,866	413,667

During the three months ended March 31, 2010, the Company purchased 219 acres of land at a cost of $10,109,000 and received vendor financing of $8,571,000. During the same period in the prior year, the Company did not purchase any land.

Land inventory expensed to cost of sales during the quarter was $12,290,000 (2009 - $3,895,000).

4. FINANCIAL GUARANTEES

In the normal course of operations, the Company issues letters of credit as security for the completion of obligations pursuant to development agreements signed with municipalities. At March 31, 2010 the Company had $25,736,000 (December 31, 2009 - $30,437,000) in letters of credit outstanding. A substantial portion of the costs for which the letters of credit have been provided as security, have been recorded in the provision for land development costs in respect of these development agreements.

Normally, obligations, along with letters of credit securing such obligations, diminish as the developments proceed, through a series of staged reductions over a period of years (average of three to four) and are ultimately extinguished when the municipality has issued final completion certificates.

The Company enters into joint venture agreements and, in doing so, may take on risk beyond its proportionate interest in the joint venture. These situations generally arise where preferred financing terms can be arranged on the condition that the strength of the Company's covenant will backstop that of the other joint venture participant(s) who also provide similar guarantees. The Company will have to perform on its guarantee only if a joint venture participant was in default of their guarantee. At March 31, 2010 the Company had guaranteed $3,187,000 (December 31, 2009 - $6,268,000) in loans and $4,444,000 (December 31, 2009 - $6,597,000) in letters of credit in support of other participant's interests. The loan guarantees include those which are ongoing, as they relate to the relevant lines of credit, and those which have staged reductions as they relate to the financing of specific assets or projects such as infrastructure loans, short-term land loans or mortgages.

To mitigate the possibility of financial loss, Melcor is diligent in its selection of joint venture participants. As well, Melcor has various remedies available to it within the joint venture agreement.

5. SEGMENTED INFORMATION

A summary of the Company's wholly owned subsidiary, with operations in the United States, are as follows:

	For the three months ended	
($000s)	**March 31, 2010**	March 31, 2009
External revenue	**122**	8
Loss	**(7)**	(25)
Interest Income	**-**	-
Assets	**12,364**	9,629
Equity	**7,753**	9,581

5. SEGMENTED INFORMATION (continued)

The business units of the Company report the following activities:

($000s)	For the three months ended March 31, 2010			For the three months ended March 31, 2009		
REVENUE	Segment Revenue	Inter-segment Eliminations	External Revenue	Segment Revenue	Inter-segment Eliminations	External Revenue
Community development	19,757	-	19,757	6,968	-	6,968
Property development	4,103	(4,100)	3	18	-	18
Investment property	10,660	(238)	10,422	9,328	(243)	9,085
Recreation property	69	(4)	65	23	(11)	12
	34,589	(4,342)	30,247	16,337	(254)	16,083
($000s)					Inter-segment Eliminations	External Earnings
EARNINGS (LOSS)						
Community development	6,729	-	6,729	687	-	687
Property development	613	(800)	(187)	(134)	-	(134)
Investment property	2,341	-	2,341	1,953	-	1,953
Recreation property	(712)	-	(712)	(637)	-	(637)
	8,971	(800)	8,171	1,869	-	1,869
Non-allocated items:						
Interest income			**-**			62
Interest expense			**(539)**			(671)
General and administrative expenses			**(1,194)**			(1,006)
Earnings before income tax expense			**6,438**			254
Income tax expense			**(1,801)**			(71)
Net earnings for the period			**4,637**			183
($000s)	Per	Inter-segment	Per Financial	Per	Inter-segment	Per Financial
INTEREST	Segment	Eliminations	Statement	Segment	Eliminations	Statement
Interest Income:						
Community development	467	-	467	346	-	346
Property development	-	-	-	-	-	-
Investment property	4	-	4	7	-	7
Recreation property	-	-	-	-	-	-
Non-allocated	-	-	-	62	-	62
	471	-	471	415	-	415
Interest Expense:						
Community development	(161)	-	(161)	(220)	-	(220)
Property development	-	-	-	-	-	-
Investment property	(2,196)	-	(2,196)	(1,852)	-	(1,852)
Recreation property	(49)	-	(49)	(59)	-	(59)
Non-allocated	(539)	-	(539)	(671)	-	(671)
	(2,945)	-	(2,945)	(2,802)	-	(2,802)

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") MAY 6, 2010

The following discussion and analysis of the interim operating results and financial position of Melcor Developments Ltd. as at March 31, 2010 should be read in conjunction with the unaudited interim financial statements for the three months ended March 31, 2010 and the audited financial statements and notes to those statements for the years ended December 31, 2009 and 2008 and the 2009 annual MD&A. Certain statements in this discussion can be considered forward looking, and readers are cautioned that such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contained in these forward looking statements. These risks and uncertainties are described elsewhere in this discussion and in other regulatory filings.

The balance sheet is presented without reference to current assets or current liabilities. The operating cycle of an entity involved in real estate investment and development is normally considered to be longer than one year. Thus, the concept of current assets and current liabilities is not considered relevant and there is no need to segregate the balance sheet to disclose assets or liabilities which are expected to be settled within the immediately following year.

DIVISIONAL ACTIVITIES

A. COMMUNITY DEVELOPMENT OPERATIONS

Operating Review ($000)	**Three months ended March 31, 2010**	Three months ended March 31, 2009
Revenue	**19,757**	6,968
Cost of sales	**(12,290)**	(3,895)
Allowance adjustments	**-**	(760)
Option deposit forfeited	**-**	(709)
	7,467	1,604
Interest revenue	**467**	346
Interest expense	**(161)**	(220)
	7,773	1,730
Administrative expenses	**(1,044)**	(1,043)
Divisional earnings	**6,729**	687

	Three months ended March 31, 2010			Three months ended March 31, 2009		
Revenue analysis ($)	(1) External Revenue	(2) Units/Acres @ 100 %	(3) Gross Average Revenue Per Unit/Acre	(1) External Revenue	(2) Units/Acres @ 100 %	(3) Gross Average Revenue Per Unit/Acre
Single family lots	18,583,000	167	145,200	6,853,000	78	107,900
Multiple family lots	811,000	2.4	575,000	-	-	-
Commercial	-	-	-	-	-	-
Industrial	-	-	-	-	-	-
Non-strategic parcels	48,000	0.2	219,800	-	-	-
Other land	-	-	-	-	-	-
Management fees & other	315,000			115,000		
	19,757,000			6,968,000		

(1) External Revenue excludes inter- divisional sales. (See Segmented Information note to Consolidated Interim Financial Statements).

(2) Units/Acres are not prorated for joint venture interests.

(3) Gross average revenue per unit/acre is based on the inclusion of the joint venture participant's interests in both revenue and in the unit/acres sold.

Three months ended March 31, 2010						
			(Acres)			
Regional sales analysis	Single Family Lots	Gross Average Revenue Per Unit	Multi-Family	Commercial	Industrial	Raw Land
Edmonton	146	146,200	2.4	-	-	0.2
Calgary	2	301,500	-	-	-	-
Red Deer	3	171,800	-	-	-	-
Lethbridge	13	92,800	-	-	-	-
Kelowna	3	195,000	-	-	-	-
	167	145,200	2.4	-	-	0.2

Three months ended March 31, 2009						
			(Acres)			
Regional sales analysis	Single Family Lots	Gross Average Revenue Per Unit	Multi-Family	Commercial	Industrial	Raw Land
Edmonton	26	141,600	-	-	-	-
Calgary	10	104,500	-	-	-	-
Red Deer	39	85,200	-	-	-	-
Lethbridge	2	80,900	-	-	-	-
Kelowna	1	209,000	-	-	-	-
	78	107,900	-	-	-	-

Residential Lot Sale Inventory *(including joint ventures at 100%)*	**Three months ended March 31, 2010**	Three months ended March 31, 2009
Opening Balance	**561**	1,112
New Developments	**66**	-
Sales	**(167)**	(78)
Ending Balance	**460**	1,034

Multi-Family / Commercial / Industrial Site Inventory *(in acres – incl. joint ventures at 100%)*	**Three months ended March 31, 2010**	Three months ended March 31, 2009
Opening Balance	**164**	161
New Developments	**10**	5
External Sales	**(3)**	-
Internal Transfers	**-**	-
Ending Balance	**171**	166

Revenues in the first quarter of 2010 showed a significant increase over the comparable period in 2009. The Division has seen surprising strength in several regions given continuing uncertainty in global economies. Edmonton as a region has seen the strongest sales in the current year as compared with other regions. Strong lot sales in Edmonton were partially related to a carry over from a plan registration in December of 2009.

Inventory levels have now returned to satisfactory levels whereas at this time last year, large lot inventory was one of the Division's major concerns. Now that inventory levels are appropriate, the Division has ended all discount programs and is working to re-establish higher margins to be more consistent with historical averages. The Division has several plans in place for the creation of new lot inventory, particularly in areas of current high demand.

Shareholders are reminded that earnings can fluctuate significantly from one year to another due to the timing of plan registrations, the cyclical nature of real estate markets, the mix of lot sizes and product types, and the mix of joint venture sales activity.

During the quarter, the Company acquired two new land holdings. Specifically, the Company purchased 145 acres in Red Deer and 74 acres in Lethbridge. The Company continues to investigate real estate property acquisitions throughout Alberta, Saskatchewan, British Columbia and in the United States.

B. PROPERTY DEVELOPMENT OPERATIONS

Operating Review ($000)	**Three months ended March 31, 2010**	Three months ended March 31, 2009
Revenue	**4,103**	18
Cost of sales	**(3,300)**	-
Net operating income	**803**	18
Administrative expenses	**(190)**	(152)
Divisional earnings	**613**	(134)

During the current quarter, construction of a 7,400 sq. ft. building for a national chartered bank in Leduc Common was completed. This building was transferred to the Investment Properties Division during the current quarter at a sales price of $4,100,000 for an intersegment gain of $800,000 to the Division.

Leduc Common

In addition to the building transferred to Investment Properties as described above, the Division completed the construction of a 6,000 square foot Commercial Rental Unit ("CRU") building in Phase 1 in Leduc Common. The building is now fully leased and will be transferred to the Investment Properties Division in the second quarter. With active interest remaining for this site, the Division plans to commence construction of an additional CRU building in Leduc Common Phase 3. The remaining development of Leduc Common will be completed within the next five years.

Miller Commercial

The pharmacy building transferred in the prior year has been open for the past 6 months and has experienced favorable activity. It is expected that the construction of the remaining CRU buildings will commence in the second quarter of 2010 with available space for tenant possession in the third quarter. The addition of the two CRU buildings will complete this 3.3 acre development located in Edmonton's northeast.

Westgrove Common

This development, located in Spruce Grove, continues to grow. The construction of a bank site is currently underway with anticipated transfer to Investment Properties to occur in the third quarter. Future development of 23,000 sq. ft. of retail space will complete the current phase. Additional commercial sites adjacent to the Westgrove Common could be developed in 2 to 5 years.

Chestermere Station

Activity in Chestermere Station remains strong. The Division will be commencing construction on three separate buildings totaling just over 10,000 sq. ft. of retail space in the second quarter. The Division also received a Development Permit to construct a 53,000 sq. ft. Professional Building.

Kingsview Market

The Division has initiated construction at the Kingsview Market, a 38 acre development in Airdrie. Phase one will include the construction of three buildings totaling approximately 40,000 sq. ft. Leasing interest has been very strong.

Other Projects

Currently the division is engaged in obtaining planning approvals, design and pre-leasing of a number of projects in multiple regions including Red Deer, Airdrie, Lethbridge, Calgary, and South Edmonton and West Edmonton.

C. INVESTMENT PROPERTY OPERATIONS

Operating Review ($000)	**Three months ended March 31, 2010**	Three months ended March 31, 2009
Rental revenue	**10,660**	9,328
Operating expenses	**(4,242)**	(4,132)
Net operating income	**6,418**	5,196
Interest income	**4**	7
Interest expense	**(2,196)**	(1,852)
Amortization of investment properties	**(999)**	(962)
Amortization of tenant leasing costs	**(679)**	(568)
Administrative expenses	**(207)**	(207)
Earnings from operations	**2,341**	1,614
Gain on sale of investment property	**-**	339
Net earnings	**2,341**	1,953

The Investment Property Division recorded earnings from operations of $2,341,000 during the first quarter of 2010 compared to $1,614,000 during the first quarter of 2009. Net operating income (NOI) as a percentage of revenue for the year to date (60.2%) is up in comparison to the same period in 2009 (55.7%).

Comparison of same asset NOI from portfolio assets held during both periods is $5,693,000 for the first three months of 2010 which compares to $5,260,000 during the same period in 2009 - an increase of 8.2% or $433,000. NOI growth from portfolio assets is expected to continue to increase over the next few years as leases turn over at higher rental rates.

Rental rates have remained stable during the first quarter of 2010. Occupancy is at 91% as at March 31, 2010.

Subsequent to quarter end, the deal to purchase a 240 unit residential complex comprising 11.5 acres near Houston, Texas, became unconditional with closing expected in June 2010. The Division continues to pursue other opportunities in the United States.

D. RECREATIONAL PROPERTY OPERATIONS

Operating Review ($000)	**Three months ended March 31, 2010**	Three months ended March 31, 2009
Revenue	**69**	23
Operating costs	**(258)**	(275)
	(189)	(252)
Interest expense	**(49)**	(59)
Administrative expenses	**(331)**	(181)
Depreciation expense	**(143)**	(145)
Earnings from operations	**(712)**	(637)
Gain on sale of assets	**-**	-
Divisional earnings	**(712)**	(637)

This Division owns and manages three 18-hole championship golf courses, two that are in the Edmonton region (one of which is 60% owned), and one in the Black Mountain region of Kelowna, British Columbia. In addition, the Division owns a 50% interest in another golf course in south west Edmonton.

The golf courses wintered well and opened in excellent early season condition. This, together with better spring weather than we have enjoyed in recent years, has the courses off to a good start in 2010.

LIQUIDITY AND CAPITAL RESOURCES

The US sub-prime lending debacle, that sent global financial markets into a crisis, continues to impact liquidity for many enterprises. The Company's liquidity has been affected in several ways, both negatively and positively. Real estate, by its nature, is more liquid in good markets and less liquid in poor markets. In the current real estate market, our real estate is clearly less liquid in the short term, but current economics still support the fundamental value of the Company's real estate assets.

The Company uses two sources of funding to finance operations depending on the division:

- The Community Development Division uses a bank line of credit which margins the land development assets of the Company. These credit lines are used to fund the operations of the Company. Due to recent reductions in the prime borrowing rates, this Division has benefited by being able to borrow at rates fluctuating with prime. Even with an increase in the spread over prime, the cost of borrowing on a floating basis is currently lower compared to historical cost of funds. We had experienced some borrowing pressure as the repayment terms for certain of our agreements receivable were extended, which negatively impacted our margining ability. However, our builders were able to move their inventory and most have paid off those agreements which had been extended. Overdue agreements receivable are just above normal levels. We continue to work with our main lender to modify the terms of our credit facility to better reflect our borrowing requirements.
- The Investment Property Division uses fixed rate, long term mortgage financing on its revenue producing assets to raise capital. Financing terms had tightened in 2009 as many lenders curtailed lending activity. This was compounded by the loss of the asset backed lending market. The tightening of terms included the reduction of loan amortization (from 25 years to 20 years), lower loan to value ratios (from 75% to 60%), tighter restrictions on debt coverage, increased pricing of loans as premium spreads have increased (from 125 basis points to 330 basis points) and a movement away from non-recourse loans. The effect to the Company has not been significant, given that the market value of the investment property assets have risen as a result of increased rental revenues. As such, the Company is still able to finance increased loan amounts from its existing portfolio of buildings. The Company continues to see a greater appetite from traditional lenders to lend with terms that continue to be more competitive with each passing month. Also, more and more lenders who left the mortgage market a year ago are now back lending money, adding to the number of choices available to borrowers. In those situations where the Company provides a limited recourse on the loan, amortizations are back to 25 years, spreads are in the 180 – 210 basis point range over the benchmark Canada bond yield and loan to value ratios have risen to 65-70% range with some as high as 75%.

OFF-BALANCE SHEET ARRANGEMENTS
CRITICAL ACCOUNTING ESTIMATES
FINANCIAL INSTRUMENTS
RECENT ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

There are no material changes to the above titled sections at March 31, 2010 in comparison to the December 31, 2009 annual MD&A.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer have evaluated whether there were material changes to internal control over financial reporting during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified.

CHANGE IN ACCOUNTING POLICY

International Financial Reporting Standards

In February 2008, the AcSB confirmed that IFRS will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011. Our first annual IFRS financial statements will be for the year ending December 31, 2011 and will include the comparative period of 2010. Starting in the first quarter of 2011, we will provide unaudited consolidated interim financial information in accordance with IFRS including comparative figures for 2010.

The Company commenced its IFRS conversion project in 2008. A formal project plan and a project team, including an external advisor, have been established. Regular reporting is provided to senior management, the Audit Committee and the Board of Directors.
The conversion plan consists of the following phases:

Diagnostic phase – This phase includes a high-level impact assessment of the differences between current Canadian GAAP and IFRS, focusing on the areas which will have the most significant impact to the Company. A preliminary conversion roadmap has been prepared as part of this phase.

Design, planning and solution phase – This phase focuses on determining the specific impact on the Company based on the application of the IFRS requirements. Accounting policies will be finalized, first-time adoption exemptions will be considered, draft financial statements and disclosures will be prepared and a detailed implementation plan and timeline will be developed. This phase also includes the development of a training plan.

Implementation and review phase – This phase includes execution of changes to accounting policies and practices, and implementation and testing of business processes, systems and internal controls. It also includes training programs for the company finance and other staff, as necessary.

The Company completed the diagnostic assessment phase in 2008 by performing comparisons of the differences between Canadian GAAP and IFRS. This assessment has provided insight on the high risk and complex areas relating to the conversion. The Company has determined that the most significant impact of IFRS conversion is to Investment Properties. Conversion to IFRS may have a significant impact on how the Company accounts for its Investment Property assets. Under Canadian GAAP, Investment Properties are recorded at cost less accumulated amortization and accumulated impairment losses. IAS 40 "Investment Properties", gives Companies the choice between the cost model or the fair value model. If the Company is to adopt the fair value model under IFRS to account for its Investment Property assets, this will materially affect the Company's financial statements.

Work has commenced on the design, planning and solution phase and the Company has begun assessing the impact and designing solutions to address the differences, focusing initially on those differences that may require changes to our financial systems or that are more complex or time-consuming to resolve. Appropriate resources have been secured to complete the changeover on a timely basis. We have detailed project plans and progress reporting in place to support and communicate the changeover.

Several IFRS standards are in the process of being amended by the IASB. Amendments to existing standards are expected to continue until the transition date of January 1, 2011. The Company is monitoring the IASB's active projects and all changes to IFRS will be incorporated as required.

At the current stage of the project, Melcor cannot reasonably determine the full impact that adopting IFRS would have on its financial position and future results; however, such impact may be material. Additional information will be provided as we move towards the changeover date.

SUMMARY OF QUARTERLY RESULTS

Financial information for the prior eight fiscal quarters are as follows:

	($000s)	($000s)	Earnings Per Common Share	
	Revenues	Net Earnings	Basic	Diluted
March 31, 2008	20,932	4,373	.14	.14
June 30, 2008	19,779	3,702	.12	.12
September 30, 2008	25,967	18,542	.59	.58
December 30, 2008	41,758	14,404	.47	.47
March 31, 2009	16,083	183	.01	.01
June 30, 2009	27,279	3,746	.12	.12
September 30, 2009	44,374	9,377	.32	.31
December 31, 2009	48,872	9,918	.33	.33
March 31, 2010	30,247	4,637	.15	.15