

A N N U A L I N F O R M A T I O N F O R M  
M A R C H 1 1 , 2 0 1 5



**MELCOR**  
LIVE. WORK. SHOP. PLAY.



## Table of Contents

<b>Date of Information</b>	<b>2</b>
<b>Other Information</b>	<b>2</b>
<b>Forward-looking Statements</b>	<b>2</b>
<b>Corporate Structure</b>	<b>3</b>
Name, Address and Incorporation	3
Intercorporate Relationships	3
<b>General Development of the Business</b>	<b>4</b>
<b>Description of the Business</b>	<b>6</b>
Products and Services	6
Specialized Skill and Knowledge	6
Competitive Conditions	6
Financing	6
Environmental Protection	7
Employees	7
Risk Factors	7
Community Development	7
Property Development	8
Melcor REIT	9
Investment Properties	9
Recreational Properties	10
<b>Dividends   Capital Structure   Market for Securities</b>	<b>11</b>
Dividends	11
General Description of Capital Structure	11
Market For Securities	11
<b>Directors &amp; Officers</b>	<b>12</b>
Directors	12
Executive Officers	12
<b>Additional Information</b>	<b>13</b>
Transfer Agent & Registrar	13
Legal Proceedings & Regulatory Actions	13
Interest Of Management & Others in Material Transactions	13
Names & Interests of Experts	13
Material Contracts	13
Additional Information	13
<b>Audit Committee</b>	<b>14</b>
Audit Committee Charter	14
Composition of the Audit Committee	14
Preapproval Policy	14
External Auditor Fees	14
<b>Appendix A   Audit Committee Charter</b>	<b>15</b>
<b>Appendix B   Position Description – Audit Committee Chair</b>	<b>19</b>

## Date of Information

All information contained in this annual information form is as at December 31, 2014 unless otherwise stated.

## Other Information

Additional information about Melcor Developments Ltd. (Melcor), including our information circular, annual and quarterly reports, and all documents incorporated by reference in the Annual Information Form (AIF) are available on our website at [Melcor.ca](http://Melcor.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## Forward-looking Statements

In order to provide our investors with an understanding of our 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 AIF and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent Melcor's intentions, plans, expectations, and beliefs and are based on our experience and our 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 our strategic initiatives for 2015 and beyond, future development plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results of or outlook of our operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond our control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that our actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. We caution readers of this document not to place undue reliance on forward-looking statements. Assumptions about the performance of the Canadian and US economies and how this performance will affect Melcor's business are material factors we consider in determining our forward-looking statements. For additional information regarding material risks and assumptions, please see the discussion "Business Environment & Risks" in our annual MD&A for the year ended December 31, 2014, which is incorporated by reference.

Readers 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, we do not undertake to update any forward-looking statement, whether written or oral, made by the company or on its behalf.



## CORPORATE STRUCTURE

### Name, Address and Incorporation

Melton Real Estate Ltd. was amalgamated under the Companies Act of Alberta on August 1, 1967 and changed its name to Melcor Developments Ltd. on June 4, 1976. Melcor 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, Melcor received a Certificate of Continuance pursuant to the Business Corporations Act of Alberta.

On April 13, 2006, the Certificate of Amalgamation was amended by dividing each authorized and unissued common share into ten common shares, so that after giving effect to the division, Melcor's authorized capital 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 Melcor's Articles to change the authorized common voting shares from 100,000,000 to an unlimited number; the number of First Preferred shares authorized to be issued from 50,000,000 to an unlimited number; and to create a new class of common non-voting shares authorized to an unlimited number.

On May 1, 2013, Melcor formed the Melcor Real Estate Investment Trust (the "Melcor REIT") through an initial public offering of Melcor REIT Units. Units of the Melcor REIT trade on the TSX under the symbol "MR.UN". As part of this transaction Melcor sold interests in a portfolio of 27 income-producing properties to the Melcor REIT for total consideration of \$266.03 million. Melcor currently has a 56.5% effective interest in the Melcor REIT and continues to manage, administer and operate the Melcor REIT and its properties under an asset management agreement and property management agreement. Melcor reflects the public's 43.5% interest in the Melcor REIT as a financial liability on its financial statements.

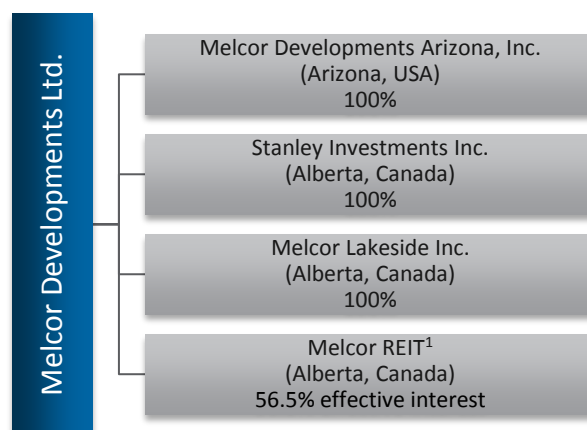
Melcor's head office and registered office is located at:

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

### Intercompany Relationships

Our corporate structure as at March 4, 2015 is depicted in the diagram below. Certain subsidiaries have been excluded on the basis that the subsidiary does not have assets or revenues greater than 10% of Melcor's total consolidated assets or revenues. The combined assets or revenues of all omitted subsidiaries do not exceed 20% of Melcor's total consolidated assets or revenues.

1. Held through Melcor Holdings Limited Partnership, a wholly-owned subsidiary of Melcor Developments Ltd.



## 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 are summarized below:

#### 2012

- The Community Development division added several parcels of raw land:
  - Acquired a 50% interest in 166 acres of land in St. Albert, AB in the first quarter.
  - Added 233 acres of land in the third quarter, strategically located near existing land holdings in St. Albert, AB and Red Deer, AB.
- The Investment Properties division acquired a multi-tenant industrial warehouse in Lethbridge in the second quarter and took over management of approximately 70,000 square feet (including four free-standing bank buildings) transferred from the Property Development division.
- The Property Development division completed approximately 125,000 square feet (11 buildings) in leasable space in 2012.
- Mr. Brian D. Baker was appointed President and Chief Operating Officer on June 1, 2012.

#### 2013

- On January 8, Melcor announced that it had commenced a strategic process to advance its business interests through the creation of a real estate investment trust.
- On March 6, Melcor announced that Mr. Ralph B. Young would be retiring and that Mr. Brian D. Baker would be named as his successor.
- On March 21, the preliminary prospectus for the Melcor REIT was filed.
- On May 1, the Initial Public Offering of the Melcor REIT was completed.
- On May 9, Melcor declared a special dividend of \$0.50 per share.
- Mr. Brian D. Baker was appointed Chief Executive Officer on July 2, 2013.

- The Community Development division acquired 474.02 acres of raw land inventory, including:
  - 180.17 acres in St. Albert, AB
  - 42.66 acres of residential land in the Lethbridge, AB area
  - 155.00 acres in Kelowna, BC
  - 2.59 acres in the Calgary, AB area
  - 35% interest in 93.60 acres in Aurora, CO
  - Remaining 25% interest on 1,032 acres in Aurora, CO planned for future residential development.
- The Property Development division completed 103,388 square feet of leasable space in 2013 (13 buildings).
- The Investment Property division acquired remaining 50% interest in Lethbridge Centre from its joint venture partner for a net purchase price of \$14.34 million. They also acquired 6 buildings (44,681 sf) from the Property Development division.

#### 2014

- On May 9, 2014 Melcor sold two commercial properties (54,126 sf) to Melcor REIT for \$13.50 million, of which \$7.40 million was satisfied by the issuance to Melcor of Class B LP Units of Melcor REIT Limited Partnership, a subsidiary of Melcor REIT, at \$10.65.
- On June 24, 2014, Melcor issued a redemption notice with respect to its previously issued \$40.0 million aggregate principal amount 6.25% convertible unsecured subordinated debentures. Prior to the redemption date, all debenture holders exercised their conversion rights resulting in the issuance of 2,160,993 common shares at an issue price of \$18.51 per common share.
- On December 18, 2014 Melcor sold six commercial properties (738,080 sf) to Melcor REIT for \$138.50 million, of which \$45.0 million was satisfied by the issuance to Melcor of Class B LP Units of Melcor REIT Limited Partnership, a subsidiary of Melcor REIT, at \$10.25.

- The Community Development division acquired 845.42 acres of raw land inventory, including:
  - 73.86 acres in Calgary, AB
  - 36.91 acres in Lethbridge, AB
  - 147.27 acres in Edmonton, AB
  - 122.85 acres in Arizona
  - 310.86 acres in Red Deer, AB
  - 153.67 acres in Leduc, AB
- The Property Development division completed 555,010 square feet of leasable space in 2014 (22 buildings). Another 236,900 square feet remains under construction.
- The Investment Property division acquired two office buildings (59,220 sf) in Arizona for \$12.27 million and 6 additional condo units in the US. They also received 22 commercial buildings (555,010 sf) from the Property Development division). The Investment Property division now manages a portfolio of 3.38 million sf of commercial space (at 100% ownership) and 1,286 residential units.
- See also Melcor REIT's 2014 Annual Information Form, which is incorporated by reference and is located at [www.sedar.com](http://www.sedar.com).

## DESCRIPTION OF THE BUSINESS

### General Information

Melcor is a real estate development and asset management company that traces its history back to 1923. It has operated and prospered for over 90 years due to stable and committed ownership and loyal and dedicated staff who are focused on the real estate industry. Melcor trades on the Toronto Stock Exchange under the symbol “MRD.”

Our main operations are in Alberta, specifically in the metropolitan areas of Calgary, Edmonton, Lethbridge, and Red Deer. We also hold and operate assets across Western Canada (British Columbia and Saskatchewan) and the United States (Arizona, Colorado and Texas). We have five primary business segments: Community Development, Property Development, Melcor REIT, Investment Properties and Recreational Properties.

The following information applies in general to each of Melcor’s segments. Where individual segment characteristics differ, those differences are noted under the segment descriptions below.

### Products and Services

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

Melcor’s depth of experience in the real estate industry provides a competitive advantage. Our business model is focused on sustainable returns over a longer-term horizon.

### Specialized Skill and Knowledge

Melcor employs management and administrative personnel to manage our business. We use third-party contractors to carry out development and construction activities (such as planning, design, engineering, architecture, utilities servicing).

We also contract property management services for some assets in our Investment Properties and Melcor REIT divisions and we employed approximately 289 seasonal staff in our Recreational Properties division over the golf season.

### Competitive Conditions

The real estate development and management industry is highly competitive, with a large number of well-financed companies operating in the same markets as Melcor. Our operations and assets are concentrated in and around major population and employment centers. We develop long-term relationships with the municipalities, construction industry, financial institutions and the people who live in these communities.

Our competitive position is shaped by our:

- Financial strength and proven track record
- Solid asset base, including raw land holdings
- Experience and integrity of personnel

The majority of our assets are located in Alberta, where oil and gas activity is a significant economic driver. While our direct reliance on oil and gas is minimal, our business is reliant on overall market conditions and consumer confidence.

Melcor has a strong financial position, enabling us to take advantage of purchase opportunities that softer real estate market may provide.

### Financing

Melcor maintains strong relationships with its major lenders. Our capital structure and liquidity allow continued access to financing in spite of fluctuations to credit markets and the economic environment.

Melcor uses fixed rate, long-term mortgages on its revenue producing assets to raise capital for acquisitions, development activities, and other business expenditures. As such, most of Melcor’s borrowings are in the form of long-term financings secured by specific assets.

Operations are supplemented by a syndicated operating line of credit with Canadian chartered banks, which margins Melcor’s land development assets (raw land inventory, land under development and agreements receivable). We also use fixed rate, long-term mortgage financing on our revenue producing assets to raise capital for acquisitions, development activities, and other business expenditures. As such, most of our borrowings are in the form of long-term, property specific financings such as mortgages or project financings secured by specific assets. At the end of 2014, Melcor had project specific financings on four residential community projects

and two commercial development projects. At December 31, 2014 this debt totalled \$34.21 million.

### Environmental Protection

Melcor's development activities are subject to laws and regulations concerning the protection of the environment. 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 Melcor to incur significant compliance and other costs, and can severely restrict or prevent development in environmentally sensitive regions or areas. We employ a rigorous due diligence process prior to acquiring raw land, development sites or investment properties to mitigate our exposure to these potential issues.

Environmental protection requirements did not have a significant financial or operational effect on our capital expenditures, earnings or competitive position during 2014 and we do not expect significant effects in future years.

### Employees

Melcor had 139 employees at December 31, 2014 and employed an average of 310 seasonal employees in the summer months, primarily in the Recreational Properties division.

Total full-time permanent staff grew 12% over December 31, 2013. The following table shows the distribution of staff on that date.

	2013	2014	% change
<b>Corporate</b>	31	31	-
<b>Community Development</b>	31	33	6
<b>Investment Properties</b>	30	36	20
<b>Property Development</b>	11	10	(9)
<b>Recreational Properties</b>	21	23	10
<b>Total</b>	<b>124</b>	<b>133</b>	<b>7</b>

### Risk Factors

Reference is made to pages 35-36 of Melcor's 2014 annual report, which is incorporated by reference, under the heading "Business Environment & Risks".

### Community Development

Community Development acquires raw land and plans, services and markets 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 plans, services and markets large-scale commercial and industrial centres. In

2014, this segment accounted for 48% of consolidated revenues (2013 – 71%).

The following table summarizes Melcor's raw land inventory in acres by region at December 31, 2014:

Region (in acres)	Residential	Commercial /Industrial	Total
<b>Northern Alberta</b>			
Edmonton	835	-	835
Leduc	482	232	714
Spruce Grove	368	356	724
County of Parkland	571	-	571
St. Albert	400	-	400
<b>Southern Alberta</b>			-
Airdrie	606	-	606
Calgary	725	63	788
Chestermere	11	-	11
Cochrane	174	-	174
County of Rockyview	-	843	843
Lethbridge	536	-	536
<b>Central Alberta</b>			-
Red Deer	1100	80	1180
Innisfail	-	129	129
Penhold	126	-	126
Sylvan Lake	212	-	212
<b>BC &amp; Saskatchewan</b>			-
Regina, SK	-	616	616
Kelowna, BC	421	26	447
Fraser-Fort George, BC	94	-	94
<b>United States</b>			-
Aurora, CO	1032	-	1032
Tomball, TX	-	2	2
Phoenix, AZ	203	-	203
Tucson, AZ	-	6	6
	7,896	2,353	10,249
<b>Average cost per acre</b>	<b>\$44,267</b>	<b>\$13,513</b>	

### Seasonality

The Community Development division is seasonal by nature. The cyclical nature of real estate markets, the mix of land sold, and the mix of joint arrangement sales activity can cause period-to-period fluctuations in results.

The division is also subject to the seasonality of the construction industry. Revenue is recognized when plans are registered, which tends to happen in the fourth quarter when development activity slows down and builders gain possession of lots.

For additional information regarding the Community Development division, see Melcor's 2014 management's discussion and analysis incorporated by reference in this AIF and filed on [www.sedar.com](http://www.sedar.com).

## Property Development

Property Development acquires prime serviced 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. In 2014, this segment accounted for 33% of consolidated revenues (2013 - 8%).

Once completed and substantially leased, these assets are transferred to the Investment Properties division where they are held and managed. The Property Development division has developed over 2.2 million square feet of office, retail and industrial space, with a further 236,900 square feet under current development. Participants in commercial projects include companies such as ATB, BMO, Canadian Tire, Canadian Western Bank, Cara, CIBC, Home Depot, Loblaws, McDonald's, Rexall, Rona, Royal Bank, Save-On-Foods, Scotiabank, Shoppers Drug Mart, Staples, Starbucks, Subway, TD Bank, Tim Hortons, Wal-Mart, Winners and more.

The following table provides a summary of Melcor's active property development sites at December 31, 2014:

Project	Location	Project Current <sup>1</sup> / Total Size (sq) <sup>2</sup>
<b>Chestermere Station<sup>3,4</sup></b>	Chestermere, AB	219,000 / 308,000
A 32-acre regional shopping centre located at Highway 1A and Windermere Blvd. This site is shadow-anchored by Safeway, and includes tenants such as ATB, RBC, TD Bank, Shoppers Drug Mart, Boston Pizza and Tim Hortons. Future development plans include a 46,000 sf professional building and 2 CRUs.		
<b>Kingsview Market<sup>4</sup></b>	Airdrie, AB	117,000 / 331,000
A 46-acre regional shopping centre located at QEII Highway and Yankee Valley Blvd. This site is shadow-anchored by Home Hardware and includes national tenants such as RBC, Shoppers Drug Mart, Starbucks and ESSO. Development plans for 2015 include 2 CRUs and an anchor tenant site for a national grocer.		
<b>Clearview Market<sup>3</sup></b>	Red Deer, AB	141,000 / 151,000
A 21-acre regional shopping centre located at 67 <sup>th</sup> Street and 30 <sup>th</sup> Avenue. This site is shadow-anchored by Loblaws and includes national tenants such as RBC, TD Bank, Servus, CIBC and Shoppers Drug Mart. An office building was completed in 2014. An additional CRU will complete the project and is expected to commence in 2015.		
<b>Village at Blackmud Creek<sup>4</sup></b>	Edmonton, AB	57,364 / 725,000
A 33-acre regional business park located at Ellerslie Road and Calgary Trail. This project started in 2012 with a 48,335 sf office building. An 9,029 sf CRU has also been built. We have an approved development permit for an additional 95,000 sf office and will commence construction once prelease thresholds are met.		

Project	Location	Project Current <sup>1</sup> / Total Size (sq) <sup>2</sup>
<b>West Henday Promenade<sup>4</sup></b>	Edmonton, AB	96,627 / 378,000
A 25-acre regional mixed-use commercial centre located at Anthony Henday Drive and 87 <sup>th</sup> Avenue. Tenants include Sobeys, RBC, CIBC, Petro Canada, Sobeys Liquor and Shoppers Drug-Mart. One pad remains to be developed on the first 12.5 acres of traditional retail. Planning is underway for mixed-use residential on the remaining 12.5 acres.		
<b>Telford Industrial<sup>4</sup></b>	Leduc, AB	86,699 / 600,000
A 80-acre industrial park. Melcor completed an additional 10,000 sf building in 2014. 44,000 sf will be completed in 2015 for a national oil company.		
<b>The District at North Deerfoot</b>	Calgary, AB	- / 2,500,000
A 115-acre regional business/industrial park located at QEII Highway and Country Hills Blvd SE. Construction commenced in 2014 and 22,770 sf retail will be completed in 2015. Construction on a 95,000 sf office building will commence once prelease thresholds are met.		

1. Current size equals existing total leasable square footage in the project, including buildings sold to retailers.
2. Total project size represents the estimated total square footage to be developed in the project when fully built out. This includes sites that may be individually sold to retailers or end-users.
3. Joint arrangement project.
4. Completed buildings have been acquired by Melcor REIT.

The following table summarizes Melcor's future property development sites. An additional 3,686,000 sf of future development potential, including 236,900 sf under current development, remains in the active project sites described above.

Project	Location	Total Project Size (sq) <sup>1</sup>
<b>Shops at Jagare Ridge<sup>2</sup></b>	Edmonton, AB	105,000
A 12-acre regional shopping centre located at 141 <sup>st</sup> Street and 28 <sup>th</sup> Avenue. This project is scheduled to commence in 2016.		
<b>Greenwich</b>	Calgary, AB	395,000
A 16-acre regional shopping centre and office park located at Highway 1 and 83 <sup>rd</sup> Street NW. Due to servicing delays from the City of Calgary and interchange delays from the province this project is scheduled to commence in 2017+.		
<b>West Calgary Marketplace</b>	Calgary, AB	800,000
An 80-acre regional power centre located at Highway 1 and Old Banff Coach Road. This project is scheduled for 2018+.		
<b>Keystone Common</b>	Calgary, AB	775,000
An 80-acre regional power centre located at Stoney Trail and 11 <sup>th</sup> Street NE. This project is scheduled to commence in 2018+.		
<b>The Shoppes at Canyons</b>	Lethbridge, AB	105,000
A 12-acre regional shopping centre located at University Drive and Chinook Trail West. This project is scheduled to commence in 2016.		
<b>West Pointe Marketplace</b>	Lethbridge, AB	750,000
An 85-acre regional power centre located at Highway 3 and University Drive West. This project is scheduled for 2018+.		

1. Total project size represents the estimated total square footage to be developed in the project when fully built out. This includes sites that may be individually sold to retailers or end-users.
2. Joint arrangement project.



### Seasonality

The Property Development division is seasonal by nature. Construction activity is highly weather dependant. Delays may increase the cost of construction.

For additional information regarding the Property Development division, see Melcor's 2014 management's discussion and analysis incorporated by reference in this AIF and filed on [www.sedar.com](http://www.sedar.com).

### Melcor REIT

See Melcor REIT's 2014 Annual Information Form, which is incorporated by reference and is located at [www.sedar.com](http://www.sedar.com).

### Investment Properties

Melcor acquires and owns a portfolio of high-quality residential, office, retail, and industrial properties, which are held as long-term investments. The Investment Properties division manages and leases these Melcor-owned properties in addition to the 38 assets held in the Melcor REIT. In total, Investment Properties manages over 3.38 million sf GLA in commercial revenue-generating properties and 1286 residential units located across Western Canada and the southern United States. In 2014, this segment accounted for 8% of consolidated revenues (2013 - 7%).

The following tables detail Melcor's investment property holdings:

Commercial Properties	Year Acquired	Type	GLA (100%) <sup>2,3</sup>	% Leased 2014	% Leased 2013
Chauncey	2014	Office	35,066	96	-
Chestermere Station <sup>3</sup>	2013-14	Retail	32,666	100	100
Clearview Market <sup>1</sup>	2012-14	Retail/mixed	104,608	90	98
Kingsview Market <sup>3</sup>	2013-14	Retail	24,209	56	100
McKenzie Industrial	2014	Industrial	67,274	82	-
Perimeter	2014	Office	24,154	88	-
Robertson Gallery	2008	Retail	6,000	100	100
Stoneycreek	2014	Retail/mixed	190,615	82	-
West Henday <sup>3</sup>	2014	Retail	22,633	34	-
Total @ 100% ownership			507,224	79	-
Total net of JV ownership			287,723		-

1. Owned through joint arrangement.
2. Leasable Square Feet is updated periodically, typically as leases renew.
3. Gross leasable area includes only buildings that have not been sold to the Melcor REIT. Melcor REIT owns a portion of Chestermere Station, Kingsview Market and West Henday Promenade.

Residential Properties	Location	Year Acquired	Units	% Leased	
				2013	2012
Augusta Meadows	Tomball (Houston), TX	2011	264	97	92
Brownstones at Biltmore	Phoenix, AZ	2011	10	100	90
Dakota at Camelback	Phoenix, AZ	2009	113	98	98
Edward Street Apartments	Edmonton, AB	2006	11	100	100
Lakeside 121	Lewisville (Dallas), TX	2011	240	93	94
Pebble Creek	Sugarland (Houston), TX	2010	240	96	96
The Artesia	Scottsdale, AZ	2011	1	100	100
The Edge at Grayhawk	Scottsdale, AZ	2011	99	94	94
Watergrove <sup>1</sup>	Calgary, AB	1995	308	100	100
Total			1,286	97	94

1. Watergrove is a land lease community that Melcor manages for the Melcor REIT

Parking Lots	Location	Year Acquired	Number of Stalls
104 <sup>th</sup> Street	Edmonton, AB	2001	28
102 <sup>nd</sup> Street	Edmonton, AB	2009	45
Executive Terrace	Regina, SK	2007	59
Lethbridge Centre	Lethbridge, AB	2007	497
Phillips Lofts	Edmonton, AB	2002	28
Richter Street	Kelowna, BC	2007	26
Royal Bank	Edmonton, AB	2005	330
Total			1,013

Development Sites	Location	Year Acquired	Size (Sf)
Jasper Avenue Park	Edmonton, AB	2005	24,000
Market Tire Site	Edmonton, AB	2011	15,000

For a list of Melcor REIT owned properties that Investment Properties manages under Property Management and Asset Management agreements, refer to the Melcor REIT 2014 Annual Information Form, incorporated by reference.

### Seasonality

The Investment Properties division enters long-term leases and is not subject to seasonal variations.

For additional information regarding the Investment Properties division see the Melcor and Melcor REIT 2014 management's discussion and analysis incorporated by reference in this AIF and filed on [www.sedar.com](http://www.sedar.com).

## Recreational Properties

Melcor owns and manages three 18-hole championship golf courses in Alberta and British Columbia, and has a 50% interest in a fourth course managed by a third party as follows:

Golf Course	Ownership	Location
The Links at Spruce Grove	100%	Spruce Grove, AB
Black Mountain Golf Club	100%	Kelowna, BC
Lewis Estates Golf Course	60%	Edmonton, AB
Jagare Ridge Golf Club <sup>1</sup>	50%	Edmonton, AB

1. Managed by third party.

## Competitive Conditions

The number of golf courses in the Edmonton region has grown substantially over the past 25 years, leading to pressure to remain competitively priced and offer a great golf experience. In spite of challenging competitive conditions and unpredictable weather conditions over the golf season, Melcor's golf courses remain profitable.

Our competitive advantage is that our golf courses are optimized to balance consistent playing conditions and player experience while paying close attention to the bottom line.

## Seasonality

This division is significantly impacted by weather conditions. Revenue is highly dependent on the number of golf rounds that can be sold throughout the golf season and maintenance and operations costs can be impacted by precipitation and weather patterns throughout the whole year as well as severe weather events.

For additional information regarding the Recreational Properties division, see Melcor's 2014 management's discussion and analysis, incorporated by reference in this AIF and filed on [www.sedar.com](http://www.sedar.com).

## DIVIDENDS | CAPITAL STRUCTURE | MARKET FOR SECURITIES

### Dividends

In setting dividends, Melcor's Board of Directors considers relevant factors such as company performance and financial condition, earnings, availability of cash and capital requirements. The board determines the timing and amount of future dividends on Melcor's common shares based on these factors.

The following table sets forth the cash dividends paid out per common share:

Per common share	2014	2013	2012
Payable on or before June 30	\$0.28	\$0.25	\$0.22
Payable on or before December 31	\$0.30	\$0.25	\$0.23
Special dividend <sup>1</sup>	-	\$0.50	-
<b>Total</b>	<b>\$0.58</b>	<b>\$1.00</b>	<b>\$0.45</b>

1. On May 9, 2013, Melcor declared a Special Dividend of \$0.50 per share, payable on June 28, 2013 to shareholders of record on June 14, 2013.

### General Description of Capital Structure

Melcor has the following share capital:

- Unlimited Voting Common Shares (33,115,691 issued and outstanding as at December 31, 2014)
- Unlimited Non-Voting Common Shares (none issued)

- Unlimited Non-Voting First Preferred Shares (none issued)

### Market For Securities

Melcor's common shares are listed on The Toronto Stock Exchange (TSX) under the symbol "MRD". Trading information (TSX platform only) for the period January 1, 2014 to December 31, 2014 is set out below:

	High	Low	Close	Volume
January	\$20.25	\$19.55	\$20.00	167,379
February	\$20.68	\$19.55	\$20.54	309,512
March	\$21.98	\$19.97	\$21.62	232,067
April	\$22.90	\$21.52	\$22.90	107,397
May	\$25.15	\$23.00	\$25.00	97,751
June	\$27.00	\$24.40	\$26.50	259,076
July	\$27.60	\$24.57	\$24.88	434,972
August	\$27.00	\$24.60	\$25.11	113,347
September	\$25.23	\$23.10	\$23.36	216,813
October	\$24.89	\$22.12	\$24.61	137,756
November	\$24.86	\$21.17	\$21.51	196,457
December	\$21.60	\$17.89	\$19.65	423,154

## DIRECTORS & OFFICERS

### Directors

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

Name and Municipality of Residence	Position with Melcor	Principal Occupation	Director Since
<b>Gordon J. Clanachan, FCA, ICD.D<sup>1</sup></b> Edmonton, Alberta	Director	Corporate Director and Consultant	2009
<b>Ross A. Grieve<sup>2</sup></b> Edmonton, Alberta	Director	Chair, PCL Construction Holdings Ltd.	2003
<b>Eric P. Newell<sup>1</sup></b> Edmonton, Alberta	Director	Corporate Director	2014
<b>Catherine M. Roozen<sup>1</sup></b> Edmonton, Alberta	Director	Director & Secretary, Cathton Investments Ltd.	2007
<b>Allan E. Scott<sup>2,4</sup></b> Edmonton, Alberta	Lead Director	Corporate Director	2007
<b>Timothy C. Melton<sup>3</sup></b> Edmonton, Alberta	Executive Chairman	Executive Chair, Melcor Developments Ltd.	1973
<b>Andrew J. Melton<sup>3</sup></b> Calgary, Alberta	Vice-Executive Chair	Vice-Executive Chair, Melcor Developments Ltd.	1985
<b>Ralph B. Young<sup>2,3</sup></b> Edmonton, Alberta	Director	Chancellor, University of Alberta (June 2013 – present)	1976

1. Member of the Audit Committee. Mr. Clanachan is the Chair of the Audit Committee.
2. Member of the Corporate Governance and Compensation Committee (CGCC). Mr. Scott is the Chair of the CGCC.
3. Mr. T.C. Melton, Mr. A.J. Melton and Mr. Young are not considered independent based on their positions or prior positions with Melcor. Mr. R.B. Young retired as Chief Executive Officer of Melcor effective July 2, 2013.
4. Mr. A.E. Scott was appointed Lead Director effective March 12, 2014.

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

- Mr. Andrew J. Melton, who held the position of Principal at Avison Young Commercial Real Estate until October 2010.
- Mr. Ralph Young, who was the Chief Executive Officer of Melcor until his retirement in 2013.

### Executive Officers

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

Name and Municipality of Residence	Executive Officer Since	Principal Occupation in 5 Preceding Years
<b>Timothy C. Melton</b> Edmonton, Alberta	January 1973	Executive Chair
<b>Andrew J. Melton</b> Calgary, Alberta	October 2010	Executive Vice Chair Principal (Avison Young Real Estate: 1995 to October 2010)
<b>Brian D. Baker</b> Edmonton, Alberta	October 2004	President & Chief Executive Officer President & Chief Operating Officer (July 2012 – July 2013) Executive Vice President & Chief Operating Officer (June 2011 – June 2012) Vice President, Property Development (October 2004 – June 2011)
<b>Jonathan W. Chia, CA</b> Edmonton, Alberta	January 2011	Chief Financial Officer Chief Financial Officer (Matrikon Inc. – 2008-2010)
<b>Darin A. Rayburn</b> Edmonton, Alberta	November 2005	Executive Vice President, Investment Properties

The Directors and Executive Officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 59.80% of Melcor's outstanding common shares as at March 4, 2015.



## ADDITIONAL INFORMATION

### Transfer Agent & Registrar

Valiant Trust Company is Melcor's transfer agent and registrar. Valiant Trust Company provides services to Melcor shareholders through its offices in Edmonton, Alberta.

### Legal Proceedings & Regulatory Actions

Melcor 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 covered by insurance, subject to applicable deductibles) will not have a material adverse effect on its financial position or results of operations.

### Interest Of Management & Others in Material Transactions

To Melcor's knowledge, no director or executive officer of Melcor, or any of their associates or affiliates has any material interest, directly or indirectly, in any transaction within the three most recently completed fiscal years that has materially affected or will materially affect Melcor, other than as noted below:

On February 8, 2011, Melcor completed the issuance and sale of \$40,000,000, 6.25% convertible unsecured subordinated debentures. \$20,000,000 of the convertible debenture 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.

Each of Melton Holdings Ltd. and Cavell Holdings Ltd. exercised their conversion rights on August 6, 2014, resulting in the issuance of 1,080,497 common shares to Melton Holdings Ltd. and 108,049 common shares to Cavell Holdings Ltd.

### Names & Interests of Experts

PricewaterhouseCoopers LLP, Chartered Accountants, Suite 1501, 10088 – 102 Avenue NW, Edmonton, Alberta, T5J 3N5 are Melcor's independent external auditors. PricewaterhouseCoopers LLP are independent of Melcor in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Altus Group Limited, Suite 780, 10180 – 100 Street NW, Edmonton, Alberta, T5J 3S4, are Melcor's independent valuers. Altus Group Limited, a member of the Appraisal Institute of Canada, prepares and certifies a report with respect to the valuation of Melcor's investment properties as required to be presented in accordance with International Financial Reporting standards. Altus Group Limited is independent of Melcor in accordance with the Canadian Uniform Standards of Professional Appraisal Practices, which regulates the Appraisal Institute of Canada.

### Material Contracts

Melcor did not enter into any material contracts outside the ordinary course of business in 2014.

### Additional Information

Additional information relating to Melcor's business is available on SEDAR at [www.sedar.com](http://www.sedar.com) or under the 'Investor Relations' tab on Melcor's website at [www.melcor.ca](http://www.melcor.ca).

Additional financial information about Melcor is provided in the comparative consolidated financial statements and management's discussion and analysis in the annual report for the year ended December 31, 2014.

You will find information on directors' and officers' remuneration, the principal holders of Melcor shares, and the number of shares that are authorized for issuance under our equity compensation plans in our 2014 information circular.

Copies of these documents and any other documents incorporated by reference, additional interim financial statements for periods subsequent to December 31, 2014 and additional copies of this Annual Information Form are available on request.

Please direct your request for materials to:

**By Mail:** Investor Relations  
900, 10310 Jasper Avenue  
Edmonton, Alberta T5J 1Y8

**By Phone:** 780-423-6931

**By Fax:** 780-426-1796

**By Email:** [ir@melcor.ca](mailto:ir@melcor.ca)

## AUDIT COMMITTEE

### Audit Committee Charter

The Audit Committee Charter is attached as Appendix A. The Audit Committee Chair Position Description is attached as Appendix B.

### Composition of the Audit Committee



Gordon Clanachan



Eric Newell



Catherine Roozen

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:

Committee Member	Relevant Education & Experience
Gordon Clanachan, FCA, ICD.D  <i>Chair</i> <i>Member since 2009</i> <i>Independent</i>	Mr. Clanachan is a graduate of Glasgow University, Scotland. He is 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. From 1994 to 1999, he served as President & CEO of RailLink Ltd., a TSX-listed public company and Canada's largest regional railway. Mr. Clanachan is a director of Millar Western Forest Products Ltd., Chandos GP Corp. and is Chair of the Board of Trustees of the Edmonton Pipe Industry Pension and Health and Welfare Funds.
Eric Newell  <i>Member since 2014</i> <i>Independent</i>	Mr. Newell is a retired Alberta business executive with a history of corporate leadership and achievement. During his career with Syncrude, his positions included CEO, VP Finance and Administration and Chair of the Internal Audit Committee. He was also a member of the Syncrude Board Audit Committee and served on a number of public company audit committees, including Canfor, Terasen and Nexen.  Mr. Newell has also served in a finance and audit/financial stewardship capacity to many not-for-profit entities including CAREERS: The Next Generation Foundation, University of Alberta Board of Governors,

Committee Member	Relevant Education & Experience
	Conference Board of Canada, and Crown Corporations including Alberta Innovates, Energy and Environment Solutions Corporation, and Climate Change and Emissions Management Corporation.  Mr. Newell's education includes an MSc, Management Science, from the University of Birmingham, UK.
Catherine Roozen  <i>Member since 2007</i> <i>Independent</i>	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 Ltd. Ms. Roozen also currently serves as a director of Corus Entertainment Inc., EPCOR Utilities and Covenant Health.

### Preapproval Policy

The Audit Committee pre-approves the annual audit plan 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 requires specific pre-approval by the Audit Committee.

### External Auditor Fees

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

	2014	2013
Audit fees	\$145,000	\$142,000
Audit-related fees <sup>1</sup>	143,850	154,600
Tax fees <sup>2</sup>	80,500	157,850
Internal Controls Compliance	41,500	41,200
All other fees <sup>3</sup>	22,700	23,250
<b>Total</b>	<b>\$433,550</b>	<b>\$518,900</b>

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

## APPENDIX A | AUDIT COMMITTEE CHARTER

The term "**Company**" refers to Melcor Developments Ltd. and its subsidiaries and the term "**Board**" refers to the board of directors of the Company.

### PURPOSE

The Audit Committee (the "**Committee**") is a standing committee appointed by the Board to assist the Board in fulfilling its oversight responsibilities with respect to the Company's financial reporting including responsibility to:

- oversee the integrity of the Company's consolidated financial statements and financial reporting process, including the audit process and the Company's internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- oversee the performance, qualifications, independence and compensation of the Company's external auditors;
- oversee the work of the Company's financial management and external auditors in these areas; and
- provide an open avenue of communication between the external auditors, the Board and the officers (collectively, "**Management**") of the Company.

In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board.

### COMPOSITION AND PROCEDURES

In addition to the procedures and powers set out in any resolution of the Board, the Committee will have the following composition and procedures:

#### 1. Composition

The Committee shall consist of no fewer than three members. None of the members of the Committee shall be an officer or employee of the Company or any of its subsidiaries and each member of the Committee shall be an "independent director" (in accordance with the definition of "independent director" established from time to time under the requirements or guidelines for audit committee service under applicable securities

laws and the rules of any stock exchange on which the Company's shares are listed for trading).

#### 2. Appointment and Replacement of Committee Members

Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on the Committee by election from among its members. The Board shall fill any vacancy if the membership of the Committee is less than three directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its power so long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be elected by the Board annually and each member of the Committee shall hold office as such until the next annual meeting of shareholders after his or her election or until his or her successor shall be duly elected and qualified. The Chair of the Committee shall be designated by the Board.

#### 3. Meetings

Regular meetings of the Committee are held at least 4 times each year. Committee meetings may be called by the Committee Chair or by a majority of the Committee members. At any meeting of the Committee, a quorum of at least two committee members must be present for the Committee to exercise any of its powers. Meetings may be conducted with members present, or by telephone or other communication facilities which permit all persons participating in the meeting to communicate with each other.

#### 4. Financial Literacy

All members of the Committee must be "financially literate" (as that term is interpreted by the Board in its reasonable judgment or as may be defined from time to time under the requirements or guidelines for audit committee service under securities laws and the rules of any stock exchange on which the Company's shares are listed for trading) or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

## 5. Chair

The Chair of the Committee shall have the duties and responsibilities set forth in Appendix "II".

## 6. Separate Executive Meetings (in camera sessions)

The Committee meets at least once every quarter, and more often as warranted, with the Chief Financial Officer and with the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

## 7. Professional Assistance

The Committee may retain special legal, accounting, financial or other consultants to advise the Committee at the Company's expense.

## 8. Review of Charter and Audit Committee Disclosures

The Committee will periodically review and reassess the adequacy of this Charter as it deems appropriate and recommend changes to the Board. The Committee will evaluate its performance with reference to this Charter.

The Committee will approve the form of disclosure of this Charter and any Audit Committee information, where required by applicable securities laws or regulatory requirements, in the annual proxy circular or annual report of the Company.

## 9. Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

## 10. Reporting to the Board

The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

### SPECIFIC MANDATES OF THE COMMITTEE

The Committee shall have authority over, and shall be responsible for the following specific matters:

#### I. External Auditors

- (a) Oversee the work and review the performance and qualifications of the external auditors of the Company who are accountable to the Committee and the Board as the representatives of the shareholders of the Company, and make recommendations to the Board as to the reappointment or appointment of the external auditors of the Company to be proposed in the Company's proxy circular for shareholder approval and shall have authority to terminate the external

auditors. In performing this oversight and review, the Committee will:

- i. At least annually, obtain and review a report by the external auditors describing (A) the external auditors' internal quality control procedures; (B) any material issues raised by the most recent internal quality control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues; and (C) (to assess the auditors' independence) all relationships between the external auditors and the Company;
  - ii. Take into account the opinions of management; and
  - iii. Review and evaluate the Lead Partner of the external auditors.
- (b) review the reasons for any proposed change in the external auditors of the Company which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed replacement auditors before making its recommendation to the Board;
  - (c) approve the annual audit plan, terms of engagement and the compensation to be paid by the Company to the Company's external auditors;
  - (d) review the independence of the Company's external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
  - (e) adopt policies and procedures for the pre-approval of all audit and permitted non-audit services to be provided to the Company or any of its affiliates by the external auditors or any of their affiliates, subject to any de minimus exception allowed by applicable law; the Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this subsection;
  - (f) review the disclosure with respect to its pre-approval of audit and non-audit services provided by the Company's external auditors;
  - (g) approve any hiring by the Company or its subsidiaries of employees or former employees of the Company's external auditors;



- (h) review a written or oral report describing:
  - i. critical accounting policies and practices to be used in the Company's annual audit,
  - ii. alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Company's management and that are significant to its consolidated financial statements, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors, and
  - iii. other material written communication between the Company's external auditors and the Company's management, such as any management letter or schedule of unadjusted differences;
- (i) review with the external auditors and the Company's management the general audit approach and scope of proposed audits of the consolidated financial statements of the Company, the objectives, staffing, locations, co-ordination and reliance upon the Company's management in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits;
- (j) if a review engagement report is requested of the external auditors, review such report before the release of the Company's interim consolidated financial statements;
- (k) discuss with the external auditors any difficulties or disputes that arose with the Company's management during the course of the audit, any restrictions on the scope of activities or access to requested information and the adequacy of the Company's management's responses in correcting audit-related deficiencies;

## **II. Financial Disclosure**

- (a) review with the external auditors and the Company's management:
  - i. the Company's audited consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements, the annual report, the annual information form, the financial information of the Company contained in any prospectus or information circular or other disclosure documents or regulatory filings, or any other disclosures relating to financial information of the Company, the recommendations for approval of these documents from the CEO and CFO of

- the Company and based on such recommendations provide, where applicable, its own recommendations to the Board for their approval and release to the public;
- ii. the Company's interim consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements and any other disclosures relating to financial information, the recommendations for approval of these documents from the CEO and CFO of the Company and based on such recommendations provide, where applicable, its own recommendations to the Board for their approval and release to the public;
- iii. the quality, appropriateness and acceptability of the Company's accounting principles and practices used in its financial reporting, changes in the Company's accounting principles or practices and the application of particular accounting principles and disclosure practices by the Company's management to new transactions or events;
- iv. all significant financial reporting issues and judgments made in connection with the preparation of the Company's consolidated financial statements, including the effects of alternative methods in respect of any matter considered significant by the external auditor within generally accepted accounting principles on the consolidated financial statements;
- v. the effect of regulatory and accounting initiatives on the Company's consolidated financial statements and other financial disclosures;
- vi. any reserves, accruals, provisions or estimates that may have a significant effect upon the consolidated financial statements of the Company;
- vii. the use of special purpose entities and the business purpose and economic effect of off balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Company and their impact on the reported financial results of the Company;
- viii. any legal matter, claim or contingency that could have a significant impact on the consolidated financial statements, the Company's compliance policies and any material reports, inquiries or other correspondence received from regulators or

governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Company's consolidated financial statements;

- ix. any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Committee by the CEO and CFO during their certification process in documents filed with applicable securities regulators;
- x. review the treatment for financial reporting purposes of any significant transactions that are not a normal part of the Company's operations;
- xi. the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles;
- (b) review and resolve disagreements between the Company's management and its external auditors regarding financial reporting or the application of any accounting principles or practices;
- (c) receive from the CEO and the CFO of the Company a certificate certifying in respect of each annual and interim report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws;
- (d) review and discuss with management the Company's guidelines and policies with respect to risk assessment and the Company's major financial and business risk exposures and the steps taken to monitor and control such exposures;
- (e) review earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Company gives earning guidance (if applicable);
- (f) receive quarterly a report from the Company's internal auditor (if applicable).

### **III. Insurance**

- (a) review periodically insurance programs relating to the Company and its investments;

### **IV. Internal Audit**

- (a) review periodically management's decision related to the need, scope and sourcing for an internal audit function.

### **V. Internal Controls**

- (a) review the adequacy and effectiveness of the Company's internal accounting and financial controls based on recommendations from the Company's management and the external auditors for the improvement of accounting practices and internal controls;
- (b) oversee compliance with internal controls and the Code of Business Conduct, particularly as it relates to financial reporting;
- (c) review and approve the expense accounts of the Chair of the Board. This function may be delegated to the Chair of the Committee.

### **VI. Compliance**

- (a) review with the Company's Chief Financial Officer, other members of management and the external auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Company's financial statements or accounting policies;
- (b) review with the Company's external legal counsel matters that may have a material impact on the financial statements or accounting policies;
- (c) establish procedures for:
  - i. the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters;
  - ii. the confidential, anonymous submission by employees of the Company with concerns regarding any accounting or auditing matters.

### **VII. Other Items**

- (a) on an annual basis review and assess Committee member attendance and the Committee's performance and report thereon to the Board and review this Charter and, if required implement amendments to this Charter;
- (b) review, as required, any claims of indemnification pursuant to the by-laws of the Company;
- (c) on a quarterly basis review any related party transactions and the development of policies and procedures related to those transactions;
- (d) on an annual basis review compliance with the Disclosure Policy of the Company; and
- (e) on a periodic basis, review reports on the Company's information technology systems that support the financial reporting process.

## APPENDIX B | POSITION DESCRIPTION – AUDIT COMMITTEE CHAIR

The Chair of the Audit Committee of Melcor Developments Ltd. has the duties and responsibilities described below:

- Provide overall leadership to facilitate the effective functioning of the Committee, including:
  - Overseeing the structure, composition, membership and activities delegated to the Committee;
  - Chairing every meeting of the Committee and encouraging free and open discussion at meetings of the Committee;
  - Setting the agenda for Committee meetings with input from Committee members and management as appropriate;
  - Facilitate the timely distribution of meeting materials and minutes;
  - encouraging Committee members to ask questions and express viewpoints during meetings; and
  - taking all other reasonable steps to ensure that the responsibilities and duties of the Committee, as outlined in its Charter, are well understood by the Committee members and executed as effectively as possible.
- Foster ethical and responsible decision making by the Committee and its individual members;
- Encourage the Committee to meet in separate, regularly scheduled in camera sessions with the independent auditors, without the presence of management; and.
- Following each meeting of the Committee, report to the Board of Directors on the activities, decisions and recommendations of the Committee.