MELCOR DEVELOPMENTS LTD.

News Release
Thursday, May 10, 2012

For Immediate Release

Melcor reports first quarter earnings for 2012, declares dividend of $0.22 per share

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development company, today reported net income of $5.85 million or $0.19 per share (basic) on revenue of $33.32 million for the three months ended March 31, 2012. These figures represent growth of 48% and 34% over 2011 results for the same period.

Ralph Young, Melcor's President and CEO reported on the quarter: "Development and sales activity are off to a good start in 2012 and our results are in line with the Company's business plan objectives. We are well positioned to have a strong year. The Company has many exciting projects in the planning stage, and we look forward to the development of these communities and property development projects."

Highlights for Q1-2012 include:

- The Community Development division had a strong quarter with an increase in lot sales of 78% over the same period in the last year. The division also acquired a 50% interest in 166 acres of land in St. Albert, Alberta.
- The Investment Properties division continues to purchase assets in the US to build its residential property holdings. The division was also very active in its leasing department, increasing occupancy from 87% at December 31, 2011 to 89% at the end of Q1-2012.
- Fair value gains on investment properties of $1.62 million were reported compared to $1.06 million in the same quarter last year. Changes in capitalization rates on certain office properties and higher leasing activity in the Investment Properties division contributed $1.43 million to these fair value gains.
- The Property Development division has been active in planning and pre-leasing in the current quarter, preparing for multiple construction projects to be completed by the end of this year.
- The Recreational Properties division is pleased to announce that a new clubhouse has been constructed at our The Links at Spruce Grove golf course, which will be open to the public in May 2012.
- Funds from operations (FFO) per share was $0.20 per share in Q1-2012, an increase of $0.05 per share, or 33% from the same quarter last year. FFO per share adjusts for all non-cash earnings items included in income such as fair value adjustments on investment properties and stock based compensation expense.

Melcor's Board of Directors declared a semi-annual dividend of $0.22 per share, payable on June 29, 2012 to shareholders of record on June 15, 2012. This dividend is an eligible dividend for Canadian tax purposes.

Melcor is also pleased to announce that Brian Baker has been appointed to President & COO, effective June 1, 2012. Ralph Young will continue in the role of CEO.

About Melcor Developments Ltd.

Melcor is a diversified real estate development and management company with a rich heritage of integrity and innovation in real estate since 1923.

Through four integrated operating divisions, Melcor manages the full life cycle of real estate development: from acquiring raw land, to community planning, to construction and development, to managing leasable office, retail and residential sites. We develop and manage mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres and golf courses.

Our headquarters are in Edmonton, Alberta, with regional offices throughout Alberta and British Columbia. Our developments span western Canada and the US. We have been trading on the Toronto Stock Exchange since 1968 (TSX:MRD).

For further information please contact:

Business Contact
Ralph B. Young
President & CEO
Tel: (780) 423-6931

Investor Relations
Jonathan Chia, CA
VP Finance & CFO
Tel: (780) 423-6931

www.melcor.ca

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2012

(Unaudited, in thousands of Canadian dollars)

Condensed Interim Consolidated Statements of Income

For the three months ended ($000s) Unaudited	**March 31, 2012**	March 31, 2011
Revenue	33,321	24,859
Cost of sales	(18,772)	(13,558)
	14,549	11,301
General and adminstrative expense	(4,721)	(3,753)
Depreciation expense	(132)	(130)
	9,696	7,418
Fair value adjustment on investment properties (note 4)	1,615	1,060
	11,311	8,478
Interest income	471	565
Interest expense (note 8)	(4,271)	(3,965)
Net finance costs	(3,800)	(3,400)
Income before income taxes	7,511	5,078
Income tax expense (note 7)	(1,663)	(1,138)
Net income for the period	5,848	3,940
Net income attributable to:		
Owners of Melcor	5,857	3,940
Non-controlling interest	(9)	-
Net income for the period	5,848	3,940
Earnings per share attributable to owners of Melcor:		
Basic earnings per share	0.19	0.13
Diluted earnings per share	0.19	0.13

Condensed Interim Consolidated Statements of Comprehensive Income

For the three months ended ($000s) Unaudited	**March 31, 2012**	March 31, 2011
Net income for the period	5,848	3,940
Other comprehensive income		
Currency translation differences	(1,153)	(205)
Comprehensive income	4,695	3,735

Condensed Interim Consolidated Statements of Financial Position

Unaudited ($000s)	March 31, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	18,110	10,703
Accounts receivable	13,468	14,205
Income taxes recoverable	6,144	1,208
Agreements receivable	132,988	139,840
Land inventory (note 3)	533,540	529,803
Investment properties (note 4)	500,384	493,520
Property and equipment	13,486	12,942
Other assets	16,258	16,664
	1,234,378	1,218,885
LIABILITIES		
Accounts payable and accrued liabilities	29,197	41,749
Provision for land development costs	93,537	92,946
General debt (note 5)	450,791	429,689
Deferred income tax liabilities	52,663	51,757
	626,188	616,141
SHAREHOLDERS' EQUITY		
Equity attributable to owners of Melcor		
Share capital (note 6)	14,714	14,446
Contributed surplus	3,252	2,810
Convertible debenture	639	639
Accumulated other comprehensive income (AOCI)	(1,106)	47
Retained earnings	586,678	580,821
	604,177	598,763
Non-controlling interest (NCI)	4,013	3,981
	608,190	602,744
	1,234,378	1,218,885

Condensed Interim Consolidated Statements of Changes in Equity

Unaudited ($000s)	Equity attributable to owners of Melcor						
	Share Capital	Contributed Surplus	Convertible Debenture	AOCI	Retained Earnings	NCI	Total Equity
Balance at January 1, 2012	**14,446**	**2,810**	**639**	**47**	**580,821**	**3,981**	**602,744**
Net income for the period	-	-	-	-	5,857	(9)	5,848
Contributions from							
non-controlling interest	-	-	-	-	-	41	41
Cumulative translation adjustment	-	-	-	(1,153)	-	-	(1,153)
Transactions with equity holders							
Employee share options							
Value of services recognized	-	468	-	-	-	-	468
Share issuance	268	(26)	-	-	-	-	242
Balance at March 31, 2012	**14,714**	**3,252**	**639**	**(1,106)**	**586,678**	**4,013**	**608,190**

Unaudited ($000s)	Equity attributable to owners of Melcor						
	Share Capital	Contributed Surplus	Convertible Debenture	AOCI	Retained Earnings	NCI	Total Equity
Balance at January 1, 2011	13,354	1,015	-	(467)	514,791	-	528,693
Net income for the period	-	-	-	-	3,940	-	3,940
Cumulative translation adjustment	-	-	-	(205)	-	-	(205)
Transactions with equity holders							-
Issuance of convertible debenture	-	-	639	-	-	-	639
Employee share options							-
Value of services recognized	-	449	-	-	-	-	449
Share issuance	180	(6)	-	-	-	-	174
Balance at March 31, 2011	13,534	1,458	639	(672)	518,731	-	533,690

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended ($000s) Unaudited	**March 31, 2012**	March 31, 2011
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net income for the period	**5,848**	3,940
Non cash items:		
Amortization of operating lease incentives	**819**	846
Depreciation of property and equipment	**132**	130
Stock based compensation expense	**468**	449
Non cash interest	**182**	200
Fair value adjustment on investment properties (note 4)	**(1,615)**	(1,060)
Deferred income taxes	**201**	122
	6,035	4,627
Agreements receivable	**6,852**	7,881
Development activities	**2,814**	2,894
Operating assets and liabilities	**(15,456)**	(13,371)
	245	2,031
INVESTING ACTIVITIES		
Purchase of land inventory	**(1,987)**	(1,699)
Payment of tenant lease incentives	**(1,054)**	(2,064)
Additions to investment properties	**(6,497)**	(14,771)
Purchase of property and equipment	**(676)**	(129)
	(10,214)	(18,663)
FINANCING ACTIVITIES		
Bank operating loan	**23,228**	(17,576)
Repayment of debt on land inventory	**(6,457)**	(8,399)
Proceeds from debt on investment properties and golf course assets	**2,083**	6,500
Repayment of debt on investment properties and golf course assets	**(1,663)**	(3,976)
Proceeds from convertible debenture	**-**	39,642
Share capital issued	**242**	174
	17,433	16,365
FOREIGN EXCHANGE LOSS ON CASH HELD IN A FOREIGN CURRENCY	**(57)**	(13)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	**7,407**	(280)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**10,703**	6,391
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**18,110**	6,111
Total income taxes paid	**3,502**	8,459
Total interest paid	**4,880**	4,579

1. CORPORATE INFORMATION

We are a real estate development company with community development, property development, investment properties and recreational properties divisions. We develop and manage mixed-use residential communities, business and industrial parks, office buildings, retail commercial centers, and golf courses.

The parent company is Melcor Developments Ltd. and is incorporated in Canada. The registered office is located at Suite 900, 10310 Jasper Avenue Edmonton, AB T5J 1Y8. We operate in Canada and the United States ("US"). Our shares are traded on the Toronto Stock Exchange under the symbol "MRD".

Our quarterly results are impacted by the cyclical nature of our business. Income can fluctuate significantly from period to period due to the timing of plan registrations, the cyclical nature of real estate and construction markets, the mix of lot sales and product types, and the mix of joint operation sales activity.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting.* The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied and disclosed in the company's financial statements for the year ended December 31, 2011.

These condensed interim consolidated financial statements should be read in conjunction with our annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim financial statements were approved for issue by the Board of Directors on May 10, 2012.

3. LAND INVENTORY

($000s)	**March 31, 2012**	December 31, 2011
Raw land held	**261,137**	263,029
Land under development	**107,775**	96,694
Developed land	**164,628**	170,080
	533,540	529,803

During the three month period ended March 31, 2012 we entered into a joint arrangement of which we have a 50% interest with unrelated parties owning the remaining 50%. This resulted in the recognition of 83 acres of land at a cost of $6,623, and $4,636 in vendor financing.

During the same period in the prior year, we purchased 17 acres of land at a cost of $558 and 60 finished lots in the US for $1,141. No financing was obtained for these purchases.

4. INVESTMENT PROPERTIES

	Three months ended March 31, 2012	Year ended December 31, 2011
Balance - beginning of period	493,520	401,429
Additions		
Direct acquisition	2,676	21,645
Transfer from land inventory	174	2,988
Acquisition through business combination	-	40,838
Property improvements	832	7,009
Property development	3,040	12,149
Capitalized borrowing costs	93	225
Disposals	-	(36,695)
Net fair value adjustment on investment properties	1,615	41,696
Foreign currency translation	(1,566)	2,236
Balance - end of period	500,384	493,520

Investment properties were valued by qualified independent external valuation professionals as at December 31, 2011. We obtained updated market data and considered whether changes to any important valuation model variables resulted in significant changes to any of the property fair values at March 31, 2012. Fair values of investment properties were updated based on the updated data and model variables.

The key valuation metrics are set out in the following table. Fair values are most sensitive to changes in capitalization rates.

	March 31, 2012			December 31, 2011		
	Min	**Max**	**Weighted Average**	Min	Max	Weighted Average
Capitalization rate	5.75%	8.00%	6.87%	5.75%	8.00%	6.88%
Terminal capitalization rate	6.00%	8.50%	7.15%	6.00%	8.50%	7.14%

5. GENERAL DEBT

($000s)	**March 31, 2012**	December 31, 2011
Bank operating loan	114,322	91,094
Debt on land inventory	64,388	66,378
Debt on investment properties and golf course assets	233,085	233,268
Convertible debenture	38,996	38,949
	450,791	**429,689**

6. SHARE CAPITAL

Issued and outstanding common shares at March 31, 2012 are 30,067,000 (December 31, 2011 – 30,033,000). During the three months ended March 31, 2012, there were 34,000 options exercised (Q1-2011 – 36,000). There were no stock options issued to employees of the company in the first quarter of 2012 (Q1-2011 – 30,000).

(Unaudited – in $000s except per share, share and acre amounts)

7. INCOME TAX EXPENSE

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year is 25.8% (2010 – 26.2%) for income except items for which a capital gains rate of 12.5% (2010 – 13.3%) is applicable.

8. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2012, there were debenture coupon payments of $342 (Q1-2011 - $192) paid to companies controlled by two members of our executive management team who are also directors of our company.

These transactions occurred in the normal course of operations and were measured at their exchange amount, which approximates carrying value.

9. SEGMENTED INFORMATION

The following table summarizes our US operations and assets:

For the three months ended (in Canadian dollars)	**March 31, 2012**	March 31, 2011
External revenue	**2,369**	689
Net income (loss)	**(265)**	27

As at (in Canadian dollars)	**March 31, 2012**	December 31, 2011
Assets	**112,574**	111,428
Equity	**10,046**	11,315

Our divisions reported the following results:

For the three months ended March 31, 2012	Community Development	Property Development	Investment Properties	Recreational Properties	Corporate	Intersegment Elimination	Total
Segment revenue	21,129	239	12,493	40	-	(580)	33,321
Cost of sales	(13,160)	-	(5,502)	(284)	-	174	(18,772)
	7,969	239	6,991	(244)	-	(406)	14,549
General and administrative	(1,428)	(397)	(496)	(228)	(2,285)	113	(4,721)
Depreciation expense	-	-	-	(90)	(42)	-	(132)
	6,541	(158)	6,495	(562)	(2,327)	(293)	9,696
Fair value adjustment on investment properties	-	(105)	1,427	-	-	293	1,615
Interest income	426	12	-	-	33	-	471
	6,967	(251)	7,922	(562)	(2,294)	-	11,782
Interest expense							(4,271)
Income before tax							7,511
Income tax							(1,663)
Net income							5,848

(Unaudited – in $000s except per share, share and acre amounts)

For the three months ended March 31, 2011	Community Development	Property Development	Investment Properties	Recreational Properties	Corporate	Intersegment Elimination	Total
Segment revenue	14,129	13	10,855	49	-	(187)	24,859
Cost of sales	(8,265)	-	(5,031)	(262)	-	-	(13,558)
	5,864	13	5,824	(213)	-	(187)	11,301
General and administrative	(1,196)	(292)	(473)	(312)	(1,667)	187	(3,753)
Depreciation expense	-	-	-	(97)	(33)	-	(130)
	4,668	(279)	5,351	(622)	(1,700)	-	7,418
Fair value adjustment on investment properties	-	414	646	-	-	-	1,060
Interest income	438	12	-	-	115	-	565
	5,106	147	5,997	(622)	(1,585)	-	9,043
Interest expense							(3,965)
Income before tax							5,078
Income tax							(1,138)
Net income							3,940

10. EVENTS AFTER THE REPORTING PERIOD

On May 10, 2012 we declared a dividend of $0.22 per share, payable on June 29, 2012 to shareholders of record on June 15, 2012.

Management's Discussion & Analysis

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May 10, 2012

The following discussion of Melcor's financial condition and results of operations should be read in conjunction with the condensed interim consolidated financial statements and related notes for the quarter ended March 31, 2012 and the Management's Discussion & Analysis (MD&A) and consolidated financial statements for the fiscal year ended December 31, 2011.

The financial statements underlying this management's discussion and analysis (MD&A), including 2011 comparative information, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted.

Melcor's Board of Directors, on the recommendation of the Audit Committee, approved the content of this MD&A on May 10, 2012.

All dollar amounts included in this MD&A are Canadian dollars unless otherwise specified.

Other Information

Additional information about Melcor, including our annual information form, information circular and annual and quarterly reports, is available on SEDAR at www.sedar.com.

Non-standard Measures

We refer to terms that are not specifically defined in the CICA Handbook and do not have any standardized meaning prescribed by IFRS. These non-standard measures may not be comparable to similar measures presented by other companies. We believe that these non-standard measures are useful in assisting investors in understanding components of our financial results.

For a definition of these measures, refer to the section "Non-standard Measures" at the end of the MD&A.

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 MD&A 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 2012 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 under Risk Factors throughout our annual MD&A.

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.

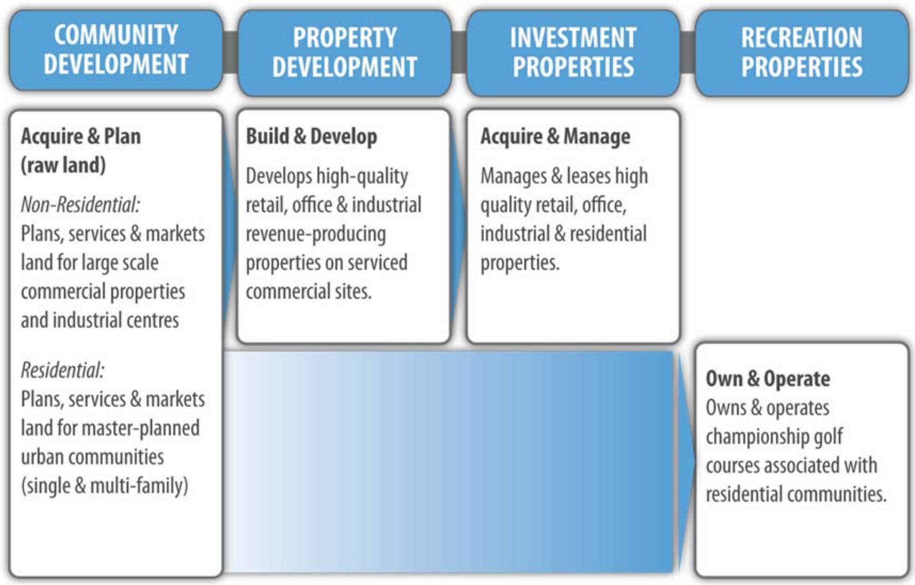
Overview of our Business

We are a diversified real estate development and management company with a rich heritage of integrity and innovation in real estate since 1923.

As a real estate development and management company, we operate four integrated divisions. Through these operating divisions, we manage the full life cycle of real estate development:

- acquiring raw land (Community Development)
- residential community and commercial planning (Community Development)
- development and construction project management (Property Development)
- managing leasable office, retail and residential sites (Investment Properties)

We develop and manage mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres and golf courses. The following diagram illustrates how each of our operating divisions complement one another to create and enhance value from our real estate assets.



In addition to extending the value of our asset base, these diversified operating divisions enable us to manage our business through real estate cycles (both general market strength and the seasonality associated with construction and development) and diversify our revenue base.

While building a sustainable business, we also focus on building sustainable communities by sharing our time and resources to make them stronger.

Our vision is to be one of Canada's leading real estate development and management companies. We seek to achieve this by demonstrating our values – honesty, integrity, loyalty, respect, quality and pride in our products – in all that we do and in our interactions with our customers, suppliers, shareholders and employees.

Our headquarters are in Edmonton, Alberta, with regional offices throughout Alberta and British Columbia. Our developments span western Canada and the US.

We have been publicly traded since 1968 (TSX:**MRD**).

First Quarter Highlights

Three months ended *($000s except as noted)*	31-Mar-12	31-Mar-11	Change
Revenue	**33,321**	24,859	34.0%
Gross margin (%)	**43.7%**	45.5%	(4.0%)
Net income	**5,848**	3,940	48.4%
Margin on net income	**17.6%**	15.8%	11.4%
Funds from operations *	**6,035**	4,627	30.4%
Per Share Data			
Basic earnings	**0.19**	0.13	46.2%
Diluted earnings	**0.19**	0.13	46.2%
Funds from operations *	**0.20**	0.15	33.3%

As at *($000s except as noted)*	31-Mar-12	31-Dec-11	Change
Shareholders' equity	**604,177**	598,763	0.9%
Total assets	**1,234,378**	1,218,885	1.3%
Per Share Data			
Book value *	**20.09**	19.94	0.8%

** See non-GAAP measurements for calculation.*

Highlights for the quarter include:

- We acquired a 50% interest in 166 acres of land located in St. Albert, Alberta, at a cost of $6.62 million and received vendor financing of $4.64 million.
- Subsequent to the quarter (April 26), we announced the appointment of Brian Baker as President and COO, effective June 1, 2012.
- Subsequent to the quarter (May 10), our Board of Directors declared a dividend of $0.22 per share, payable to shareholders of record on June 15, 2012. The dividend is an eligible dividend for Canadian tax purposes.

Revenue & Margins:

- Revenue increased to $33.32 million in Q1-2012 compared to $24.86 million in the same quarter last year. Our Community Development division was the major contributor to this increase due to an increase in lot and acre sales in Q1-2012. We sold 119 lots and 8.37 acres for multi-family developments compared to 67 lots and 2.89 acres in the same quarter last year.
- Gross margins decreased to 43.7% from 45.5% in the same period last year. Gross margin is predominantly impacted by the mix of land inventory sold in a period.
- Our quarterly results are impacted by the cyclical nature of our business. Income can fluctuate significantly from period to period due to the timing of plan registrations, the cyclical nature of real estate and construction markets, the mix of lot sales and product types, and the mix of joint operation sales activity.
- General and administrative costs increased in Q1-2012 compared to the same period last year. This is due primarily to an increase in staff across all operating divisions as we continue to build capacity for growth.
- Net fair value gains of $1.62 million were realized in multiple divisions in the current quarter. Changes in capitalization rates on certain office properties and higher leasing activity in the Investment Properties division contributed $1.43 million in fair value gains in Q1-2012.
- Funds from operations (FFO) per share adjusts for all non-cash earnings items included in income such as fair value adjustments on investment properties and stock based compensation expense. This measure is useful because these items can often fluctuate due to reasons beyond our control. As such, this provides a normalized financial metric to assess Melcor's operations. FFO per share was $0.20 per share in Q1-2012, an increase of $0.05 per share, or 33% from the same quarter last year.
- Basic earnings per share for the three months ended March 31, 2012 was $0.19, an increase of $0.06 per share, or 46%, from the same quarter last year.

Divisional Results

Our business is comprised of four integrated and complementary operating divisions:

- Community Development, which acquires raw land for future commercial and residential community development;
- Property Development, which develops high-quality retail, office and industrial revenue-producing properties on serviced commercial sites developed by Community Development;
- Investment Properties, which manages and leases the commercial developments produced by the Property Development division, as well as an externally purchased portfolio of assets; and
- Recreational Properties, which includes the operations of championship golf courses associated with Melcor residential communities.

Our Corporate division carries out support functions in the areas of accounting, treasury, information technology, administration, legal and human resources.

The following tables summarize our divisional results:

	Community Development		Property Development		Investment Properties		Recreational Properties		Corporate	
	Three months ended		Three months ended		Three months ended		Three months ended		Three months ended	
($000s except as noted)	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Revenue	21,129	14,129	239	13	12,493	10,855	40	49	-	-
Portion of total revenue	62%	56%	1%	0%	37%	43%	0%	0%	-	-
Cost of sales	(13,160)	(8,265)	-	-	(5,502)	(5,031)	(284)	(262)	-	-
Gross margin	7,969	5,864	239	13	6,991	5,824	(244)	(213)	-	-
Gross margin %	38%	42%	100%	100%	56%	54%	(610%)	(435%)	-	-
Portion of total margin	53%	51%	2%	0%	47%	51%	(2%)	(2%)	-	-
Depreciation expense	-	-	-	-	-	-	(90)	(97)	(42)	(33)
General and administrative expense	(1,428)	(1,196)	(397)	(292)	(496)	(473)	(228)	(312)	(2,285)	(1,667)
Gain on disposal	-	-	-	-	-	-			-	-
Net fair value adjustment	-	-	(105)	414	1,427	646	-	-	-	-
Interest income	426	438	12	12	-	-	-	-	33	115
Divisional income before tax	6,967	5,106	(251)	147	7,922	5,997	(562)	(622)	(2,294)	(1,585)

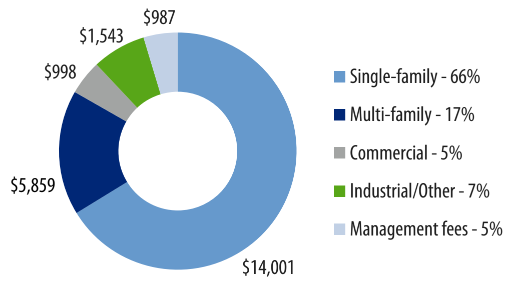
Divisional results are shown before inter-segment eliminations

Community Development

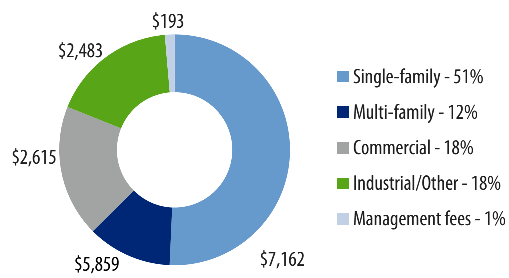
Our Community Development division acquires raw land in strategic urban corridors and subsequently plans, develops and markets this land as builder-ready urban communities and large-scale commercial and industrial centres. This process includes identifying and evaluating land acquisitions, site planning, obtaining approvals from municipalities, developing the land, construction, marketing and ultimately selling the lots to home builders (for residential communities) or developers (for commercial/industrial centres). The division also sells sites to our Property Development division, who in turn develops the land into commercial developments.

Sales Activity

Revenue by Type
Three months ended March 31, 2012 ($000s)



Revenue by Type
Three months ended March 31, 2011 ($000s)



Income can fluctuate significantly from period to period due to the timing of plan registrations, the cyclical nature of real estate markets, the mix of land sold, and the mix of joint arrangement sales activity.

Consolidated	31-Mar-12	31-Mar-11
Sales data:		
Single family sales (number of lots)	**119**	67
Gross average revenue per single family lot ($)	**145,000**	144,100
Multi-family sales (acres)	**8.37**	2.89
Gross average revenue per multi-family acre ($)	**860,200**	580,000
Commercial sales (acres)	**3.48**	3.79
Gross average revenue per commercial land acre ($)	**608,300**	792,200
Other land sales - Industrial, Other (acres)	**10.91**	5.02
Gross average revenue per other land acre ($)	**247,500**	494,600
Financial results:		
Revenue ($000s)	**21,129**	14,129
Earnings ($000s)	**6,967**	5,106

The division produced strong results in Q1-2012, with 119 single-family lot sales, 8.37 acres sold for multi-family projects, and 14.39 acres sold for commercial or industrial use. Our primary market is Alberta, Canada, where overall market conditions remain strong.

Regional Sales Analysis

Regional Sales Analysis	31-Mar-12			31-Mar-11		
(including joint ventures at 100%)	Single- family (Lots)	Multi-family (Acres)	Non-Residential (Acres)	Single- family (Lots)	Multi-family (Acres)	Non-Residential (Acres)
Edmonton Region	59	-	2.94	54	2.89	2.99
Red Deer	9	-	11.45	8	-	-
Calgary Region	40	8.37	-	3	-	5.82
Lethbridge	11	-	-	-	-	-
Kelowna	-	-	-	2	-	-
	119	8.37	14.39	67	2.89	8.81

The Edmonton region continues to show consistent sales activity, with 59 lots sold in Q1-2012 compared to 54 in the same period last year. The Calgary region experienced a strong first quarter with 40 single-family lot sales, over half of which were in the Town of Chestermere. Lethbridge also had a strong quarter with 11 single-family lot sales, compared with nil in the same period in the prior year.

Inventory

A summary of the movement in our developed lot inventory is as follows:

Developed Inventory	31-Mar-12			31-Mar-11		
(including joint ventures at 100%)	Single- family (Lots)	Multi-family (Acres)	Non-Residential (Acres)	Single- family (Lots)	Multi-family (Acres)	Non-Residential (Acres)
Open	997	95.36	177.39	732	71.56	114.30
Purchases	-	-	-	60	-	-
New developments	127	1.56	(3.63)	61	14.30	14.78
Internal sales	-	-	(10.24)	-	-	-
Sales	(119)	(8.37)	(4.15)	(67)	(2.89)	(8.81)
	1,005	88.55	159.37	786	82.97	120.27

Raw land inventory

To support future growth, we acquire land in strategic growth corridors and maintain an inventory of land for future development in our primary markets. In January 2012, the company formed a joint arrangement to purchase a 50% interest in 166 acres of land at a cost of $6.62 million and received vendor financing of $4.63 million. The land is located in St. Albert, Alberta.

Property Development

Our Property Development division develops, manages construction, markets and leases high-quality retail, office and industrial revenue-producing properties on prime commercial sites purchased primarily from our Community Development division. The division currently operates solely in Alberta.

The Property Development division realizes fair value gains resulting from development and leasing activities. Built and leased properties are transferred at fair market value to the Investment Properties division for long-term property management.

The following table is a summary of current development projects:

Development Status	Construction activity during the quarter	Estimated completion	Upcoming development activity	Estimated start
Northern Alberta:				
Leduc Common (Leduc, AB)	Construction commenced: 38,000 sq ft Commercial Retail Unit (CRU)	Q2-2012	CRU building (30,000 - 40,000 sq ft) 6,500 sq ft pad site	TBD
Central Alberta:				
Clearview Market (Red Deer, AB)	Site work started for the construction of new buildings	Q4-2012	Planning and leasing underway for three CRU buildings (approx total size 30,000 sq ft) and one pad site	Q4-2012
	Construction underway: 6,130 sq ft bank building	Q2-2012		
Southern Alberta:				
Kingsview Market (Airdrie, AB)	Servicing and sitework underway on the second phase	Q4-2012	Planning and leasing underway for three buildings (approx total size 27,200 sq ft)	Q2-2012
Chestermere Station (Chestermere, AB)	Sitework underway on new phase	Q4-2012	Planning and leasing underway for two CRU buildings (14,600 sq ft)	Q2-2012

The Property Development division's income is impacted by the construction season. We generally expect to see the majority of the fair value increases during the third and fourth quarters as construction and leasing are completed.

Investment Properties

Our Investment Properties division manages and leases our portfolio of high-quality residential, office, retail and industrial properties, which are located across western Canada and the southern US.

Our Investment Properties portfolio includes over three million square feet of leasable space across seven different asset classes. Our portfolio has high occupancy rates with long-term tenancies from high-quality retail and commercial clients.

Operating results

The following table summarizes the division's net operating income:

($000s except as noted)	31-Mar-12	31-Mar-11
Revenue	12,493	10,855
Net operating income (NOI) *	6,991	5,824
Same properties NOI *(see calculation below)*	6,930	6,228
Fair value gains/(losses)	1,427	646
Occupancy	89%	88%
Fair value of portfolio	482,824	429,379
Funds from operations *	7,314	6,197
Funds from operations per share *	0.24	0.21

The division grew through acquisitions and properties transferred from the Property Development division in 2011. This positively impacted operating results for Q1-2012, with revenues increasing 15.1% to $12.49 million compared to $10.86 million in the same quarter last year. Occupancy levels have improved to 89% compared with 88% at the same time last year.

During Q1-2012, the division continued to grow its US residential asset portfolio by purchasing 8 residential units in Arizona.

Fair value gains on the Investment Properties portfolio of $1.43 million were earned in the current quarter. This was primarily the result of increased valuations as a result of capitalization rate changes on certain office properties, capital improvements completed, and increased leasing activity.

The following is a reconciliation of our same properties net operating income (NOI) to our divisional NOI:

($000s except as noted)	31-Mar-12	31-Mar-11	Change
Same properties NOI	6,930	6,228	11%
Acquisitions	880	-	
Dispositions	-	442	
NOI before adjustments	7,810	6,670	17%
Amortization of operating lease incentives	(819)	(846)	
Divisional NOI	6,991	5,824	20%

Divisional NOI from is defined as rentals from investment properties less property operating costs. Our same properties NOI increased due to higher rental rates realized on lease renewals and improved occupancy rates in the period, while overall NOI increased as a result of growth in rentable square footage and residential units.

Recreational Properties

Our Recreational Properties division owns and manages championship golf courses built to add value to Melcor residential communities. The quarterly financial performance of our golf courses is greatly influenced by the weather conditions during the golf season. Our golf courses are closed during the first quarter, but generate incremental revenues from events held at the facilities.

	Ownership interest	Season opened 2012	Season opened 2011
Managed by Melcor:			
Lewis Estates (Edmonton)	60%	April 12	April 28
The Links (Spruce Grove)	100%	April 20	April 29
Black Mountain (Kelowna)	100%	March 30	April 1
Managed by a Third Party:			
Jagare Ridge (Edmonton)	50%	April 25	May 6

The new clubhouse at the Links at Spruce Grove is substantially complete, and is expected to be open to the public in May 2012. Once completed, all clubhouses at courses managed by the division will be fully equipped to deliver a high quality experience, contributing to our ability to attract tournaments and events.

Liquidity & Capital Resources

The following table represents selected information as at March 31, 2012, compared to December 31, 2011.

As at *($000s except as noted)*	31-Mar-12	31-Dec-11
Cash & cash equivalents	18,110	10,703
Accounts receivable	13,468	14,205
Agreements receivable	132,988	139,840
Operating loan	114,322	91,094
Accounts payable and accrued liabilities	29,197	41,749
Total assets	1,234,378	1,218,885
Total liabilities	626,188	616,141
Debt to equity ratio	1.03	1.02

We employ a range of strategies to maintain operations and facilitate growth. Our principal liquidity needs are to:

- Fund recurring expenses;
- Meet debt service requirements;
- Make dividend payments;
- Fund land development and property development; and
- Fund investing activities such as the discretionary and strategic purchases of land inventory and/or investment property purchases.

We are able to meet our capital needs through a number of sources, including cash generated from operations, long and short-term borrowings from our syndicated credit facility, mortgage financings, convertible debentures, and the issuance of common shares. Our primary use of capital includes paying operating expenses, sustaining capital requirements on land and property development projects, completing real estate acquisitions, debt principal and interest payments, and paying dividends when declared by our board of directors.

We believe that internally generated cash flows, supplemented by borrowings through our credit facility and mortgage financings, where required, will be sufficient to cover our normal operating and capital expenditures. We regularly review our credit facility limits and manage our capital requirements accordingly.

We do not currently plan to raise additional capital through the issuance of common shares, preferred shares or convertible debentures; however, under certain circumstances, we would consider these means to facilitate growth through acquisition or to reduce the utilized level on our credit facility.

Financing

As at March 31, 2012, our total general debt outstanding was $450.79 million. This compares to $429.69 million at December 31, 2011. A summary of our debt is as follows:

As at *($000s)*	31-Mar-12	31-Dec-11
Bank operating loan	114,322	91,094
Debt on land inventory	64,388	66,378
Debt on investment properties	233,085	233,268
Convertible debenture	38,996	38,949
	450,791	429,689

Sources and uses of cash

The following table summarizes our cash flows from (used in) operating, investing and financing activities, as reflected in our consolidated statement of cash flows:

Three months ended *($000s)*	31-Mar-12	31-Mar-11
Cash flows from operating activities	245	2,031
Cash flows used in investing activities	(10,214)	(18,663)
Cash flows from financing activities	17,433	16,365

Cash flows from operations was positive in the current quarter primarily as a result of sales activity, and agreements receivable collections. The change is also a result of fluctuations to accounts payable, accounts receivable and other operating assets and liabilities through normal business activities.

Cash used in investing activities was primarily for purchases of land and investment properties. We made a significant purchase in St. Albert for net 83 acres of new land. We also utilized cash for our properties under development and for tenant work on several investment properties.

Cash from financing activities in the quarter was primarily the result of draws on our bank operating loan totaling $23.23 million and a new bank loan in the US. These positive inflows were partially offset by loan payments.

Share Data

Melcor has been a public company since 1968 and trades under the symbol "MRD" on the Toronto Stock Exchange. As at March 31, 2012 there were 30,066,964 common shares issued and outstanding and 1,570,100 options, each convertible to one common share upon exercise or exchange. There is only one class of common shares issued.

Off Balance Sheet Arrangements, Contractual Obligations, Business Environment & Risks, Critical Accounting Estimates, Changes in Accounting Policies

There are no material changes to the above titled sections at March 31, 2012 in comparison to the December 31, 2011 annual MD&A.

Quarterly Results

The following table presents a summary of our unaudited operating results for the past eight quarters. This information should be read in conjunction with the applicable period financial statements, notes to the financial statements and management's discussion and analysis.

	Three Months Ended							
($000s)	31-Mar-12	31-Dec-11	30-Sep-11	30-Jun-11	31-Mar-11	31-Dec-10	30-Sep-10	30-Jun-10
Revenue	33,321	129,429	41,446	24,615	24,859	84,588	40,921	34,834
Net income	5,848	51,820	21,140	4,494	3,940	32,028	11,646	6,280
Per Share								
Basic earnings	0.19	1.72	0.70	0.15	0.13	1.06	0.39	0.20
Diluted earnings	0.19	1.62	0.67	0.15	0.13	1.05	0.38	0.20
Book value	20.09	19.94	18.54	17.77	17.84	17.56	16.80	16.37

We have historically experienced variability in our results of operations due to the seasonal nature of the development business and the timing of plan registrations with the municipalities. We typically experience the highest sales in our Community Development division in the fourth quarter, as this is when the majority of plans register. The fair value gains in our Property Development division are also seasonally affected, as the majority of construction in Alberta occurs during the spring and summer months.

Other Financial Information

Related Party Transactions

Please refer to Note 8 to the condensed interim consolidated financial statements for information pertaining to transactions with related parties.

Internal Control over Financial Reporting and Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were material changes to internal control over financial reporting during the quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. No such changes were identified.

Non-GAAP Measurements

We refer to terms that are not specifically defined in the CICA Handbook and do not have any standardized meaning prescribed by IFRS. These non-standard measures may not be comparable to similar measures presented by other companies.

We believe that these non-standard measures are useful in assisting investors in understanding components of our financial results.

The non-standard terms that we refer to in this MD&A are defined below.

Operating earnings per share: this is a measure of net income generated by the operations of the company adjusted for all non-cash items included in net income

Net operating income (NOI): this is a measure of revenue less direct operating expenses.

Same asset NOI: this measure compares the NOI on assets that have been owned for the entire current and comparative period.

Funds from operations (FFO): This measure is commonly used to measure the performance of real estate operations. It is a measure of net income generated by the operations of the company (or division) adjusted for all non-cash items included in net income

Return on investment (ROI): This measure is a means of considering profits in relation to the capital invested.

Calculations

We use the following calculations in measuring our performance.

Book value per share = shareholders' equity / number of common shares outstanding

Cash from operations per share = cash flows from (used in) operating activities / number of common shares outstanding

Gross margin = (Revenue – cost of sales) / revenue (expressed as a percentage). This measure indicates the relative efficiency with which we earn revenue.

Margin on income = net income / revenue (expressed as a percentage).

Debt to equity ratio = total debt / total equity

Funds from operations (FFO) = net income + amortization of operating lease incentives + depreciation of property and equipment + stock based compensation expense + non cash interest + fair value adjustments + deferred income tax

FFO per share = FFO/ number of common shares outstanding

Return on investment (ROI) = (proceeds – closing costs – land & construction costs) / land & construction costs