

Melcor Developments announces second quarter results, declares quarterly dividend of \$0.12 and appoints Chief Financial Officer

Edmonton, Alberta | August 10, 2016

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the quarter ended June 30, 2016. Revenue for the quarter was \$42.08 million compared to \$46.11 million in Q2-2015. Revenue for the first half of the year was \$72.64 million compared to \$83.67 million in 2015.

Revenue from income-producing assets (Investment Properties and the REIT) grew by 5% over Q2-2015 consistent with our long-term diversification strategy to increase the portion of revenues earned from income-producing assets, which represented 61% of total revenue during the quarter, up from 53% in Q2-2015.

Melcor recorded a net loss of \$5.94 million or \$0.18 per share (basic) for the first half of 2016, compared to net income of \$18.48 million or \$0.56 per share (basic) in 2015. Melcor's net loss during the first half of 2016 was significantly affected by non-cash fair value losses on REIT units of \$14.39 million (2015 - fair value gains of \$8.23 million).

Funds from operations eliminates the elements that have no cash impact on our business from net income and is viewed as a more accurate indicator of Melcor's operating business. Funds from operations was \$12.58 million (\$0.38 per share) in the first half of 2016 compared to \$14.79 million (\$0.45 per share) in the same period of 2015.

The Board today declared a quarterly dividend of \$0.12 per share, payable on September 30, 2016 to shareholders of record on September 15, 2016. The dividend is an eligible dividend for Canadian tax purposes.

Brian Baker, Melcor's President and Chief Executive Officer, commented on the quarter: "We continue to perform effectively in an Alberta economy in recession. Our strong financial position coupled with experienced management will enable us to withstand a prolonged provincial recession and continue to invest in development activities in this lower cost environment.

Additionally, our strategy of growing and diversifying our revenue property portfolio and our US investments continues to contribute to a more stable revenue profile that is less sensitive to the economic cycles of Alberta."

The Board also appointed Naomi Stefura as Chief Financial Officer effective August 11, 2016. The appointment is permanent and not interim as stated in the press release dated June 23, 2016.

Baker commented: "For the past eight years Naomi has proven herself to be an invaluable member of the Melcor team - most notably in the last three years as our Vice President - Finance. Her dedication and proven reputation within the company gives us great assurance that she will transition seamlessly in the role of CFO."

Second Quarter Results

All divisions remained active in Q2-2016; however the pace of sales in the Community Development division was slower than it has been in prior years. We continue to see interest and steady activity in select regions and asset classes. In other regions builders are still carrying prior year's inventory and sales of single-family lots have softened significantly.

In the second quarter:

- Revenue declined 9% to \$42.08 million compared to Q2-2015 primarily due to decreased lot sales in the Community Development division.
- Revenue from income-producing assets (Investment Properties and the REIT) grew by 5% over Q2-2015. This is consistent with our long-term diversification strategy to increase the portion of revenues earned from income-producing assets, which represented 61% of total revenue during the quarter, up from 53% in Q2-2015.
- Funds from operations was \$12.58 million compared to \$14.79 million in Q2-2015. Funds from operations eliminates the elements that have no cash impact on our business from net income (loss), particularly fair value gains or losses. We therefore view it as a more accurate indicator of our operating business than net income.
- We continue to acquire new land when opportunities arise. During the quarter, we acquired:
 - 54.35 acres in Lethbridge for \$2.67 million; and

- 39.91 acres in Edmonton for \$0.78 million.
- We continue to grow our portfolio of income-producing assets and completed the construction of two buildings valued at \$3.3 million which added 14,534 sf to our portfolio.
- We paid a quarterly dividend of \$0.12 per share on June 30, 2016. The REIT paid distributions of \$0.05625 per trust unit in April, May and June for a quarterly payout ratio of 77%.
- On August 10, 2016 we declared a quarterly dividend of \$0.12 per share, payable on September 30, 2016 to shareholders of record on September 15, 2016. The dividend is an eligible dividend for Canadian tax purposes.

Selected Highlights

(\$000s except as noted)	For the three months ended			For the six months ended		
	June 30, 2016	June 30, 2015	Change	June 30, 2016	June 30, 2015	Change
Revenue	42,084	46,113	(8.7)%	72,638	83,667	(13.2)%
Gross margin (%) *	48.4%	46.0%	2.4 %	49.9 %	46.6%	3.3 %
Net income (loss)	1,778	3,917	(54.6)%	(5,936)	18,477	(132.1)%
Net Margin (%) *	4.2%	8.5%	(4.3)%	(8.2)%	22.1%	(30.3)%
Funds from operations *	8,388	8,578	(2.2)%	12,578	14,791	(15.0)%
<i>Per Share Data (\$)</i>						
Basic earnings (loss)	0.05	0.12	(58.3)%	(0.18)	0.56	(132.1)%
Diluted earnings (loss)	0.05	0.12	(58.3)%	(0.18)	0.56	(132.1)%
Funds from operations *	0.25	0.26	(3.8)%	0.38	0.45	(15.6)%

As at (\$000s except as noted)	June 30, 2016	December 31, 2015	Change
Shareholders' equity	957,359	977,970	(2.1)%
Total assets	1,892,038	1,891,969	— %
<i>Per Share Data (\$)</i>			
Book value *	28.80	29.43	(2.1)%

MD&A and Financial Statements

Information included in this press release is a summary of results. This press release should be read in conjunction with Melcor's consolidated financial statements and management's discussion and analysis for the three and six months ended June 30, 2016, which can be found on the company's website at www.Melcor.ca or on SEDAR (www.sedar.com).

About Melcor Developments Ltd.

Melcor is a diversified real estate development and asset management company that transforms real estate from raw land through to high-quality finished product in both residential and commercial built form. Melcor develops and manages mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres and golf courses. Melcor owns a well diversified portfolio of assets in Alberta, Saskatchewan, British Columbia, Arizona, Colorado and Texas.

Melcor has been focused on real estate since 1923. The company has built over 100 communities across Western Canada and today manages 3.87 million sf in commercial real estate assets and 781 residential rental units. Melcor is committed to building communities that enrich quality of life - communities where people live, work, shop and play.

Melcor's headquarters are located in Edmonton, Alberta, with regional offices throughout Alberta and in Kelowna, British Columbia and Phoenix, Arizona. Melcor has been a public company since 1968 and trades on the Toronto Stock Exchange (TSX:MRD).

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 news release 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 2016 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 Business Environment and Risk in 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.

Contact Information:

Business Contact

Brian Baker
Chief Executive Officer
Tel: 780.423.6931
info@melcor.ca

Investor Relations

Naomi Stefura, CA
Vice President, Finance
Tel: 1.855.673.6931
ir@melcor.ca