



**2017 ANNUAL INFORMATION FORM**

March 7, 2018

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## Date of Information

All information contained in this annual information form is as at December 31, 2017 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 2018 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, 2017, 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.

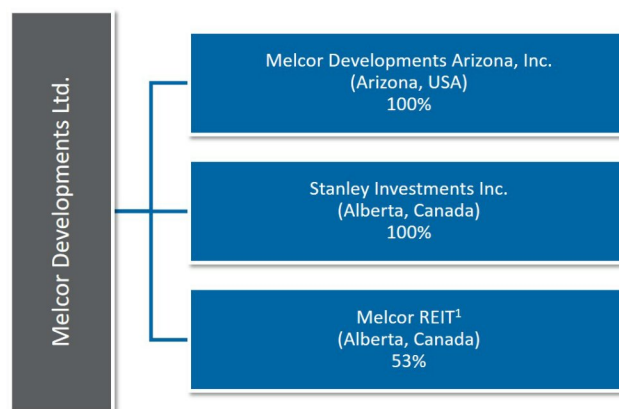
On May 1, 2013, Melcor formed the Melcor Real Estate Investment Trust (the "Melcor REIT") through an initial public offering of Melcor REIT Units. Units of the Melcor REIT trade on the TSX under the symbol "MR.UN". As part of this transaction Melcor sold interests in a portfolio of income-producing properties to the Melcor REIT. Melcor currently has a 53.0% 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 47.0% 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

## Intercorporate Relationships

Our corporate structure as at March 7, 2018 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:

### 2015

- On March 27, 2015 Melcor announced that the TSX had accepted its notice of intention to make a normal course issuer bid. In 2015, Melcor purchased 16,428 shares at a total purchase price of \$216,035 in December 2015. The shares were cancelled in January 2016.
- On November 12, 2015 Melcor sold two commercial properties (53,207 sf) to Melcor REIT for \$15.25 million.
- The Community Development division acquired 146.97 acres of raw land inventory in Red Deer, AB.
- The Property Development division completed 51,298 square feet of leasable space in 2015 (5 buildings). Another 123,090 square feet remains under construction.
- The Investment Property division acquired an office building (47,385 sf) in the Greater Phoenix area, Arizona for \$8.47 million (US\$6.43 million) and an office building (63,112 sf) in Denver, Colorado for \$6.14 million (US\$4.88 million). They received 5 commercial buildings (46,368 sf at JV%) from the Property Development division). They sold 505 residential rental units in the US for gross proceeds of \$81.15 million (US\$59.94 million).

### 2016

- On March 29, 2016 Melcor announced that the TSX had accepted its notice of intention to make a normal course issuer bid. In 2016, Melcor purchased and cancelled 12,231 shares at a total purchase price of \$152,601.
- On August 11, 2016, the Board appointed Naomi Stefura as CFO following the resignation of Jonathan Chia.
- The Community Development division acquired 144.58 acres of raw land inventory (42.24 in the

Denver, Colorado area, 39.91 in Edmonton, Alberta and 54.38 in Lethbridge, Alberta and 8.08 in Red Deer, Alberta). The division sold 103.41 acres of raw land (101.61 in Red Deer, Alberta and 1.80 in Leduc, Alberta).

- The Property Development division completed 90,694 square feet of leasable space in 2016 (6 buildings). Another 15,554 square feet is near completion.
- The Investment Property division made the following acquisitions:
  - Offices at the Promenade, a 128, 383 sf office building in Denver, Colorado for \$20.07 million (US\$17.03 million)
  - Office Plaza at Inverness, a 95, 127 sf office building in Denver, Colorado for \$13.07 million (US\$9.75 million)
  - Syracuse Hill One, a 82,659 sf office building in Denver, Colorado for \$13.22 million (US\$10.19 million)
  - Northridge Place, a 65,474 sf apartment building with 72 units in St. Albert, Alberta for \$14.83 million
- The Investment Property division disposed of Lakeside 121, a 239 unit residential property during 2016 for \$38.42 million (US\$29.19 million).

### 2017

- On March 15, 2017, Melcor announced that Mr. Baker would be resigning as President and CEO and that Mr. Darin Rayburn would be named his successor.
- On March 29, 2017 Melcor announced that the TSX had accepted its notice of intention to make a normal course issuer bid. No shares were purchased in 2017.
- The Community Development division acquired 771.44 acres of land in strategic growth corridors in 2017. The majority of land acquired in 2017 was in the United States as we continue to advance our geographic diversification strategy. We acquired 318

acres adjacent to the new community we are developing in Colorado and 197.78 acres and 294 finished lots in Arizona. The division also sold 33.26 acres of raw land.

- The Property Development division completed 38,199 square feet of leasable space in 2017 (4 buildings). Another 125,300 square feet is near completion.
- The Investment Property division now manages a portfolio of 3.92 million sf of commercial space (at 100% ownership) and 609 residential units.
- On December 4, 2017, we announced the sale of 5 properties (172,629 sf of owned GLA) to Melcor REIT for \$80.88 million, of which approximately \$2.5 million was satisfied by the issuance of Class B LP Units of the Melcor REIT Limited Partnership, a subsidiary of Melcor REIT and approximately \$13.31 million was satisfied by the issuance of Class C LP Units of Melcor REIT Limited Partnership. The transaction closed on January 12, 2018.

See also Melcor REIT's 2017 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 94 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 and Colorado). 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 the long-term.

## 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 275 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 a 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. Melcor also has project specific financings

on residential community and commercial development projects.

### 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 2017 and we do not expect significant effects in future years.

### Employees

Melcor had 142 employees at December 31, 2017 and employed 275 seasonal employees in the summer months, primarily in the Recreational Properties division.

Total full-time permanent grew by 7% over December 31, 2016. The following table shows the distribution of staff on that date.

	2016	2017	% change
Corporate	36	37	3%
Community Development	24	29	21%
Investment Properties	42	43	2%
Property Development	7	9	29%
Recreational Properties	24	24	0%
Total	133	142	7%

### Risk Factors

Reference is made to Melcor's 2017 annual report, under the heading "Business Environment & Risks" which is incorporated by reference.

## 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

2017, this segment accounted for 57% of consolidated revenues (2016 – 50%).

The following table summarizes Melcor's raw land inventory (at Melcor ownership percentage) by region at December 31, 2017. Total raw land inventory was 10,418 acres.

Region (in acres)	Commercial/ Industrial	Residential	Total
<b>Northern Alberta</b>	522	2,418	2,940
Edmonton	53	646	699
Leduc	246	473	719
Parkland		650	650
Spruce Grove	222	315	537
St. Albert		335	335
<b>Southern Alberta</b>	1,080	1,837	2,917
Airdrie		576	576
Calgary	60	690	750
Chestermere		3	3
Cochrane		145	145
Lethbridge	177	423	600
Rockyview	843		843
<b>Central Alberta</b>	149	1,508	1,657
Innisfail	129		129
Penhold		116	116
Red Deer	4	1,192	1,195
Red Deer County	16		16
Sylvan Lake		201	201
<b>BC &amp; Saskatchewan</b>	616	567	1,183
Fraser-Fort George		94	94
Kelowna		473	473
Regina	616		616
<b>USA</b>	51	1,671	1,721
Aurora	42	1,350	1,392
Houston	2		2
Phoenix		321	321
Tucson	6		6
<b>Total</b>	<b>2,417</b>	<b>8,000</b>	<b>10,418</b>
<b>Average cost per acre</b>	<b>\$23,570</b>	<b>\$43,852</b>	<b>\$39,145</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 2017 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 2017, this segment accounted for 4% of consolidated revenues (2016 - 15%).

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 million sf of office, retail and industrial space, with a further 125,300 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, 2017:

Project	Location	Current Size <sup>1</sup>	Total Size
<b>Chestermere Station<sup>3,4</sup></b>	Chestermere, AB	239,976	297,416
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, Dollarama, Boston Pizza and Tim Hortons. It is anticipated that an additional 39,600 sf will be constructed in 2018 for fitness and child care tenants.			
<b>Kingsview Market<sup>4</sup></b>	Airdrie, AB	181,927	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. Looking ahead to 2018, it is anticipated that construction will commence on another 8,000 sf of retail.			
<b>Village at Blackmud Creek<sup>4</sup></b>	Edmonton, AB	56,797	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. A 9,029 sf CRU has also been built. A 53,000 sf office building with RBC Dominion Securities and CPA Western School of Business as the lead tenants is under construction with expected completion in 2018.			

Project	Location	Current Size <sup>1</sup>	Total Size
<b>West Henday Promenade<sup>4</sup></b>	Edmonton, AB	109,711	726,000
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, BrightPath, Edmonton Public Library and Shoppers Drug-Mart. Construction was completed on a 6,500 sf pad in 2017 with Innovation Physio and Little Caesars as lead tenants. Planning for mixed-use residential on the remaining 12.5 acres continues.			
<b>Telford Industrial<sup>4</sup></b>	Leduc, AB	143,118	500,000
An 80-acre industrial park with a 90,000 sf manufacturing facility, a 44,000 sf multi-national pipeline inspection company and a 10,000 sf scaffolding company. Melcor continues to compete on build to suit opportunities.			
<b>The District</b>	Calgary, AB	494,359	2,250,000
A 115-acre regional business/industrial park located at QEII Highway and Country Hills Blvd SE. Construction on an office building will resume once prelease thresholds are met. Approximately 8 acres has been sold to office/industrial developers to continue the development momentum on this site. Planning continues on further commercial/industrial lands on future phases of this development.			
<b>Campsite Industrial</b>	Spruce Grove, AB	13,654	170,000
A 280-acre industrial park located at Campsite Road & Highway 16A, including a 15-acre industrial campus for Northern Alberta Institute of Technology. Melcor continues to compete on build to suit opportunities.			
<b>Shoppes at Jagare Ridge<sup>3</sup></b>	Edmonton, AB	10,000	105,000
A 12-acre regional shopping centre located at 141 <sup>st</sup> Street and 28 <sup>th</sup> Avenue. The centre will be shadow anchored by a national grocery store which owns 5 acres adjacent the site. Two buildings were completed in early 2018 and it is expected that two more retail buildings will be completed in 2018 with tenants such as RBC, Liquor Depot, Dairy Queen to name a few.			
<b>Jensen Lake Crossing</b>	St. Albert, AB	35,700	150,000
A 17-acre regional shopping centre located on St. Albert Trail and Jensen Lakes Blvd. The site is anchored by Landmark Cinemas which opened in 2018. Two more retail buildings will be completed in 2018 with tenants such as Canadian Brewhouse and Browns Socialhouse. It is expected that two more retail buildings will commence construction in 2018 with tenant possession in 2019.			

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. Some completed buildings have been acquired by Melcor REIT.

The following table summarizes Melcor's future property development sites. An additional 3,969,174 sf of future development potential remains in the active project sites described above.



Project	Location	Total Project Size (sf) <sup>1</sup>
<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. The site now has access off of Highway 1 and is serviced. It is anticipated that development will commence in 2019.		
<b>Woodbend Market</b>	Leduc, AB	140,000
A 14-acre neighbourhood shopping centre located at 50 <sup>th</sup> Avenue and 69 <sup>th</sup> Street. This project is scheduled to commence in 2019.		
<b>Clearview Market Square<sup>2</sup></b>	Red Deer, AB	80,000
A 10.5-acre addition to a 150,000 sf neighbourhood shopping centre. Planning and approvals are underway. The project is expected to commence in 2019.		
<b>Laredo</b>	Red Deer, AB	30,000
A 4-acre neighbourhood shopping centre located at 22 <sup>nd</sup> Street and 20 <sup>th</sup> Avenue. This project is scheduled to commence in 2019.		
<b>Vista Ridge<sup>2</sup></b>	Sylvan Lake, AB	25,000
A 5.5-acre neighbourhood shopping centre located at Highway 20 and Memorial Trail. The project is expected to commence in 2019 with a 5,500 sf CRU.		
<b>Mattson<sup>2</sup></b>	Edmonton, AB	78,000
A 9-acre neighbourhood shopping centre located at 66 Street and 25 <sup>th</sup> Avenue. Planning is underway with a projected commencement in 2020.		
<b>Secord/Rosenthal</b>	Edmonton, AB	120,000
A 20-acre neighbourhood shopping centre located in West Edmonton. Planning is underway with project commencement expected in 2020.		
<b>Westview Commercial</b>	Calgary, AB	150,000
An 80-acre neighbourhood shopping centre located at Highway 1 and Old Banff Coach Road. This project is scheduled for 2021.		
<b>Keystone Common</b>	Calgary, AB	700,000
An 80-acre regional power centre located at Stoney Trail and 11 <sup>th</sup> Street NE. This project is scheduled to commence in 2021.		
<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 2020.		
<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 2020.		

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 2017 management's discussion and analysis incorporated by reference in this AIF and filed on [www.sedar.com](http://www.sedar.com).

## MELCOR REIT

Melcor REIT is an unincorporated, open-ended real estate investment trust that owns 2.86 million sf of GLA throughout western Canada. See Melcor REIT's 2017

Annual Information Form, which is incorporated by reference and is located at [www.sedar.com](http://www.sedar.com).

In 2017, this segment accounted for 24% of consolidated revenues (2016 - 21%).

## 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 37 assets held in the Melcor REIT. In total, Investment Properties manages 3.92 million sf GLA in commercial revenue-generating properties and 609 residential units located across Western Canada and the southern United States. In 2017, this segment accounted for 12% of consolidated revenues (2016 - 12%).

The following tables detail Melcor's investment property holdings at March 7, 2018:

Commercial Properties	Year Acquired	Type	GLA (100%) <sup>2</sup>	% Leased	
				2017	2016
CANADA			431,377		
Campsite	2016	Industrial	13,654	100	100
Clearview Market <sup>1</sup>	2012-17	Retail/mixed	115,163	94	97
Robertson Gallery	2008	Retail	6,000	100	100
McKenzie Industrial	2014	Industrial	67,274	76	88
Stoneycreek <sup>1</sup>	2014	Retail/mixed	216,951	89	84
Yardstick <sup>1</sup>	2016	Office	12,335	100	79
USA			475,627		
Centennial	2015	Office	63,112	97	95
Chauncey	2014	Office	34,807	74	97
Promenade	2016	Office	128,383	80	83
Evans	2015	Office	47,385	94	96
Inverness	2016	Office	95,127	97	95
Perimeter	2014	Office	24,154	85	63
Syracuse	2016	Office	82,659	88	90
Total @ 100% ownership			907,004	89	91
Total net of JV ownership			670,140	89	91

1. Owned through joint arrangement.

2. Leasable Square Feet is updated periodically, typically as leases renew.

Residential Properties	Location	Year Acquired	Units	% Leased	
				2017	2016
<b>Brownstones at Biltmore</b>	Phoenix, AZ	2011	10	90	90
<b>Dakota at Camelback</b>	Phoenix, AZ	2009	113	98	99
<b>Edward Street Apartments</b>	Edmonton, AB	2006	11	100	100
<b>The Edge at Grayhawk<sup>2</sup></b>	Scottsdale, AZ	2011	95	99	99
<b>Watergrove<sup>1</sup></b>	Calgary, AB	1995	308	100	100
<b>Northridge Apartments</b>	St. Albert, AB	2016	72	97	92
<b>Total</b>			<b>609</b>	<b>98</b>	<b>98</b>

1. Watergrove is a land lease community that Melcor manages for the Melcor REIT
2. 1 unit was sold in 2017 for US\$0.14 million.

Parking Lots	Location	Year Acquired	Number of Stalls
<b>104th Street</b>	Edmonton, AB	2001	28
<b>102nd Street</b>	Edmonton, AB	2009	45
<b>Executive Terrace</b>	Regina, SK	2007	59
<b>Lethbridge Centre</b>	Lethbridge, AB	2007	497
<b>Richter Street</b>	Kelowna, BC	2007	26
<b>Royal Bank</b>	Edmonton, AB	2005	330
<b>Total</b>			<b>985</b>

Melcor sold 1 parking lot in 2017 for \$3.05 million.

Development Sites	Location	Year Acquired	Size (Sf)
<b>Jasper Avenue Park</b>	Edmonton, AB	2005	24,000
<b>Market Tire Site</b>	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 2017 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 2017 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
<b>The Links at Spruce Grove</b>	100%	Spruce Grove, AB
<b>Black Mountain Golf Club</b>	100%	Kelowna, BC
<b>Lewis Estates Golf Course</b>	60%	Edmonton, AB
<b>Jagare Ridge Golf Club<sup>1</sup></b>	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 2017 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	2017	2016	2015
Payable on or before March 31	\$0.13	\$0.12	\$0.15
Payable on or before June 30	\$0.13	\$0.12	\$0.15
Payable on or before September 30	\$0.13	\$0.12	\$0.15
Payable on or before December 31	\$0.13	\$0.12	\$0.15
Total	\$0.52	\$0.48	\$0.60

## General Description of Capital Structure

Melcor has the following share capital:

- Unlimited Voting Common Shares (33,389,451 issued and outstanding as at December 31, 2017)
- 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, 2017 to December 31, 2017 is set out below:

	High	Low	Close	Volume
January	15.52	14.25	14.46	143,636
February	15.90	13.80	15.44	210,034
March	16.44	15.17	16.20	92,352
April	16.99	15.83	16.38	109,230
May	16.60	15.81	15.98	120,710
June	15.97	15.25	15.39	69,737
July	15.41	14.00	14.35	57,017
August	15.40	14.20	14.95	65,705
September	15.75	14.92	15.70	83,884
October	15.83	14.82	15.05	78,782
November	15.25	14.51	15.25	158,001
December	15.35	14.72	15.30	74,754

# 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</b> , FCA, ICD.D <sup>1</sup> Edmonton, Alberta	Director	Corporate Director and Consultant	2009
<b>Ross A. Grieve</b> <sup>2</sup> Edmonton, Alberta	Director	Vice Chair, PCL Construction Holdings Ltd.	2003
<b>Andrew J. Melton</b> <sup>3</sup> Calgary, Alberta	REIT CEO	REIT CEO, Vice-Executive Chair, Melcor Developments Ltd.	1985
<b>Kathleen M. Melton</b> <sup>3</sup>	Director	Development Manager, Chute Lake Road	2016
<b>Timothy C. Melton</b> <sup>3</sup> Edmonton, Alberta	Chairman	Chair, Melcor Developments Ltd.	1973
<b>Eric P. Newell</b> <sup>1</sup> Edmonton, Alberta	Director	Corporate Director	2014
<b>Catherine M. Roozen</b> <sup>1</sup> Edmonton, Alberta	Director	Director & Secretary, Cathton Investments Ltd.	2007
<b>Allan E. Scott</b> <sup>2,4</sup> Edmonton, Alberta	Lead Director	Corporate Director	2007
<b>Ralph B. Young</b> <sup>2,3</sup> Edmonton, Alberta	Director	Corporate Director	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 Ms. K.M. Melton are not considered independent based on their positions or relationship to Melcor executives.
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. Ralph Young, who was the Chief Executive Officer of Melcor until his retirement in 2013 and Chancellor of the University of Alberta from 2012 – 2016.

## Executive Officers

The following table lists the executive officers of Melcor as at December 31, 2017, 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	Position with Melcor	Prior 5 Years	Since
<b>Timothy C. Melton</b> Edmonton, Alberta	Chair	Chair	1973
<b>Darin A. Rayburn</b> Edmonton, Alberta	President & Chief Executive Officer	REIT CEO (2013-2017), and Executive Vice President, Investment Properties (2005-2017)	2005
<b>Naomi M. Stefura CA</b> Edmonton, Alberta	Chief Financial Officer	VP Finance (2013 – 2016)	2008
<b>Andrew J. Melton</b> Calgary, Alberta	President & CEO, Melcor REIT	Executive Vice Chair, Chair of REIT	2010
<b>Guy Pelletier</b>	Vice President, Red Deer	Vice President, Red Deer	1997

On March 15, 2017, Melcor announced that Mr. Baker had resigned effective April 15, 2017 and that the board appointed Mr. Rayburn as President and Chief Executive Officer effective on that date.

The Directors and Executive Officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 53.0% of Melcor's outstanding common shares as at March 7, 2018.

## ADDITIONAL INFORMATION

### Transfer Agent & Registrar

AST Trust Company (Canada) is Melcor's transfer agent and registrar. AST Trust Company (Canada) provides services to Melcor shareholders through its offices in Calgary, 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.

### 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 2017, other than the agreement to sell five commercial properties comprised of 172,629 sf of owned GLA to Melcor REIT for \$80.88 million. The agreement was announced on December 4, 2017 and closed on January 12, 2018. Following the transaction, Melcor's effective ownership in the REIT was reduced to 53.0% from 56.7%.

### 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, 2017.

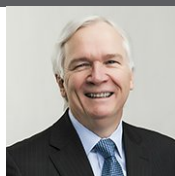
You will find information on directors' and officers' remuneration, the principal holders of Melcor shares, and the number of shares that are authorized for issuance under our equity compensation plans in our 2016 information circular.

Copies of these documents and any other documents incorporated by reference, additional interim financial statements for periods subsequent to December 31, 2017 and additional copies of this Annual Information Form are available on request.

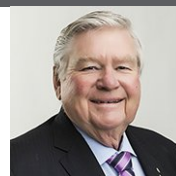
Please direct your request for materials to:

<b>By Mail:</b>	Investor Relations 900, 10310 Jasper Avenue Edmonton, Alberta T5J 1Y8
<b>By Phone:</b>	1-855-673-6931 x 4707
<b>By Fax:</b>	780-426-1796
<b>By Email:</b>	<a href="mailto:ir@melcor.ca">ir@melcor.ca</a>

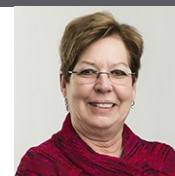
# AUDIT COMMITTEE



GORDON CLANACHAN



ERIC NEWELL



CATHERINE ROOZEN

## 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

The Board of Directors believes that the current 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 currently comprised of:

Member	Relevant Education & Experience
Gordon Clanachan, FCA, ICD.D  <i>Chair</i>  <i>Member since 2009</i>  <i>Independent</i>  <i>Financially Literate</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 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>  <i>Financially Literate</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, 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.

Member	Relevant Education & Experience
Catherine Roozen  <i>Member since 2007</i>  <i>Independent</i>  <i>Financially Literate</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. and EPCOR Utilities.

## 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:

	2017	2016
Audit fees	\$ 163,500	\$ 153,500
Audit-related fees <sup>1</sup>	163,950	160,750
Tax fees <sup>2</sup>	109,000	44,850
Internal Controls Compliance	45,500	44,000
All other fees <sup>3</sup>	10,500	18,200
<b>Total</b>	<b>\$ 492,450</b>	<b>\$ 421,300</b>

1. Audit related fees include fees for subsidiary companies and joint arrangements.
2. Tax fees include tax compliance services and tax advisory and planning services.
3. All other fees include services rendered for advice related to accounting policies.



# 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;
- 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, including a periodic review of cybersecurity risk..

## 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.