

# MELCOR DEVELOPMENTS LTD. 2021

*Annual Information Form*

March 17, 2021

## Date of Information

All information contained in this annual information form is as at December 31, 2020 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 2021 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, 2020, 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.

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# 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.

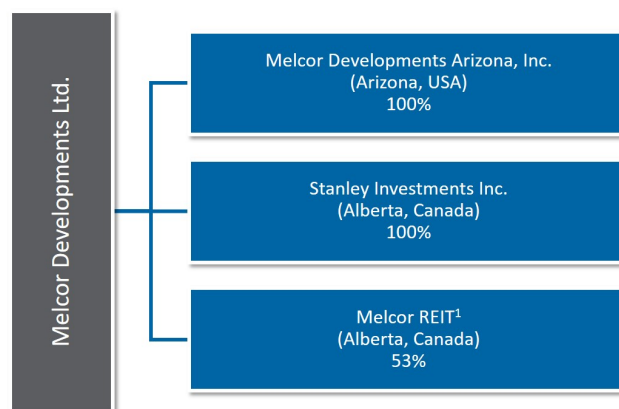
On May 1, 2013, Melcor formed the Melcor Real Estate Investment Trust (the "Melcor REIT") through an initial public offering of Melcor REIT Units. Units of the Melcor REIT trade on the TSX under the symbol "MR.UN". As part of this transaction Melcor sold interests in a portfolio of income-producing properties to the Melcor REIT. Melcor currently has a 55.3% 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 44.7% interest in the Melcor REIT as a financial liability on its financial statements.

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

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

## Intercompany Relationships

Our corporate structure as at March 17, 2021 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:

### 2018

- On January 12, 2018, we announced the closing of the \$80.875 million sale of 5 properties to Melcor REIT.
- On March 28, 2018 Melcor announced that the TSX had accepted its notice of intention to make a normal course issuer bid. 57,156 shares were purchased and cancelled in 2018.
- At Melcor's special meeting of shareholders on May 10, 2018, shareholders approved changes to Melcor's 2007 stock option plan and approved a new restricted share unit plan.
- On October 1, 2018 Melcor celebrated 50 years as a public company. Shares were originally listed on the Vancouver Stock Exchange and began trading on the Toronto Stock Exchange in 1972. Melcor paid dividends to shareholders every year except for three during the recession of the 1980s. Founded in 1923, Melcor also celebrated its 95th year of business.
- The Community Development division acquired 200.21 acres of land for future development in strategic growth corridors in . Acquisitions included 134.63 acres in the Edmonton area adjacent to current land inventory and 62.00 acres adjacent to current land inventory in the Phoenix area.
- The Property Development division completed 65,990 square feet of leasable space in 2018 (5 buildings).
- In the third quarter we acquired a 130,400 sf office property consisting of two buildings in Glendale, Arizona for \$24.53 million (US\$18.91 million). This property was 85% occupied on closing.
- On December 3, 2018, we acquired a 24,500 commercial building at a purchase price of \$2.69 million in Lethbridge, AB.
- The Investment Property division managed a portfolio of 4.13 million sf gross leasable area in commercial space (at 100% ownership) and 609 residential units.

### 2019

- On March 28, 2019 Melcor announced that the TSX had accepted its notice of intention to make a normal course issuer bid. 69,100 shares were purchased and cancelled as of March 11, 2020.
- On October 10, 2019, Melcor announced that it would complete a private placement of between \$10 million and \$15 million worth of Class B LP units from the REIT.
- Melcor acquired 470.60 acres of land in strategic growth corridors. The acquired land is primarily allocated to residential development and includes 72.57 acres acquired in the US. While active development has slowed, we continue to move land use approvals through the municipal approval process to increase our supply of shovel ready assets.
- Our Property Development division completed and transferred 8 buildings (99,794 sf) in 2019 with a further 96,797 sf under development and 47,688 sf completed and awaiting lease up at year end.
- The REIT completed the following third-party acquisitions during the year:
  - a 56,084 sf single tenant retail building with warehouse space in Calgary, AB for \$12.45 million on April 24, 2019
  - a 283,235 sf power shopping centre in Grande Prairie, AB for \$54.8 million on November 12, 2019.
- We completed the following dispositions of US assets during the year:
  - a residential unit in Pheonix, AZ was sold for \$0.31 million (US\$0.24 million) net of transaction costs on March 12, 2019.
  - an office property in Denver, CO was sold for \$8.76 million (US\$6.32 million) net of transaction costs on December 31, 2019.

## 2020

- On March 25, 2020, Melcor announced a number of measures taken in response to the COVID-19 global pandemic and the drastic drop in the price of Alberta oil, including:
  - 17% reduction to Melcor's dividend
  - reduced board remuneration
  - temporary lay-off of approximately 25% of full-time staff
  - wage roll-back for named executive officers and reduced remuneration of remainder of staff. At the end of the year, Melcor was successful in accessing the Canada Emergency Wage Subsidy Program (CEWS), receiving \$2.51 million in funding under this program, from which we were able to roughly "make whole" the salaries of all continuing employees.
  - deferred capital spending
- On March 30, 2020 Melcor announced that the TSX had accepted its notice of intention to make a normal course issuer bid. 109,416 shares were purchased and cancelled as of March 17, 2021.
- Active development, while slow and cautious at the beginning of the year with the uncertainty of the COVID-19 impact on home sales, was ramped up by the end of the year as we began running out of inventory in certain communities. We developed 459 new single-family lots and sold 770. With a year-end inventory of 648, we have less than 1 year of inventory based on 2020 sales velocity. We also continued to move land use approvals through the municipal approval process to increase our supply of shovel ready assets.
- Our Property Development division completed and transferred 11 buildings (132,498 sf) in 2020 with a further 84,606 sf under development and 51,158 sf completed and awaiting lease up at year end.

See also Melcor REIT's 2021 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. We have operated and prospered for over 95 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, Grande Prairie, 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

We believe that we have the necessary capabilities to execute our strategic initiatives and achieve the performance targets set out in our business plan. Our management team is focused on ensuring a disciplined approach and hands-on management of our projects, assets, and capital.

Our 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 183 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
- Experienced 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 maintains a strong financial position and is poised to take advantage of purchase opportunities that a softer real estate market may provide.

## Financing

We maintain strong relationships with our 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 2020 and we do not expect significant effects in future years.

For more information on our Environmental, Social Responsibility and Governance (ESG) practices, please refer to the ESG section in our 2020 annual MD&A, incorporated by reference.

### Employees

Melcor had 126 employees at December 31, 2020 and employed 183 seasonal employees in the summer months, primarily in the Recreational Properties division.

Total full-time permanent employment was down by 13% compared to December 31, 2019 as a result of staff reductions primarily in the Community and Property Development and Recreational Properties divisions last March as uncertainty related to COVID-19 set in. The following table shows the distribution of staff at the end of the year

	2019	2020	% change
Corporate	32	32	— %
Community Development	26	18	(31)%
Investment Properties	48	45	(6)%
Property Development	11	9	(18)%
Recreational Properties	27	22	(19)%
<b>Total</b>	<b>144</b>	<b>126</b>	<b>(13)%</b>

### Risk Factors

Reference is made to Melcor's 2020 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 2020, this segment accounted for 42% of consolidated revenue (2019 – 43%).

The following table summarizes Melcor's raw land inventory (at Melcor ownership percentage) by region at December 31, 2020. Total raw land inventory was 10,500 acres.

Region (in acres)	Commercial/ Industrial	Residential	Total
<b>Northern Alberta</b>	508	2,443	2,951
Edmonton	54	503	557
Leduc	232	469	701
Parkland	—	859	859
Spruce Grove	222	275	497
St. Albert	—	337	337
<b>Southern Alberta</b>	592	2,342	2,934
Airdrie	—	558	558
Calgary	49	615	664
Chestermere	—	2	2
Cochrane	—	130	130
Lethbridge	177	560	737
Rockyview	366	477	843
<b>Central Alberta</b>	145	1,633	1,778
Innisfail	129		129
Penhold		112	112
Red Deer		1,327	1,327
Red Deer County	16		16
Sylvan Lake		194	194
<b>BC &amp; Saskatchewan</b>	616	554	1,170
Fraser-Fort George	—	94	94
Kelowna	—	460	460
Regina	616	—	616
<b>USA</b>	48	1,619	1,667
Aurora	42	1,163	1,205
Houston	—	135	135
Phoenix	—	321	321
Tucson	6	—	6
<b>Total</b>	<b>1,909</b>	<b>8,591</b>	<b>10,500</b>
<b>Average cost per acre</b>	<b>\$ 19,294</b>	<b>\$ 44,238</b>	<b>\$ 38,642</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 2020 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, industrial and multi-family revenue-producing properties that deliver asset appreciation gains and/or stable long-term returns. In 2020, this segment accounted for 15% of pre-consolidated revenue (2019 - 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 2.5 million sf of office, retail and industrial space, with a further 84,606 square feet under current development and 51,158 awaiting lease-up. Participants in commercial projects include companies such as ATB, BMO, Canadian Tire, Canadian Western Bank, Cara, CIBC, Home Depot, Loblaw's, McDonald's, 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 our active development sites at December 31, 2020 representing 2,628,621 sf of future development potential.

Project	Location	Current Size <sup>1</sup>	Total Size <sup>3</sup>
<b>Chestermere Station<sup>3,4</sup></b>	Chestermere, AB	241,600	278,100
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. We are currently constructing one CRU, which we anticipate completing in 2021.			
<b>Kingsview Market<sup>4</sup></b>	Airdrie, AB	200,601	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. Two CRUs built in 2019 transferred in 2020.			
<b>Kingsview Commercial<sup>3</sup></b>	Airdrie, AB	33,500	33,500
A joint venture component of Kingsview Market as noted above. We completed two junior anchors (33,500 sf) in 2020 with tenant's taking possession in early 2021. This project is now complete.			
<b>Village at Blackmud Creek<sup>4</sup></b>	Edmonton, AB	198,905	550,000

Project	Location	Current Size <sup>1</sup>	Total Size <sup>3</sup>
A 33-acre regional business park located at Ellerslie Road and Calgary Trail. Tenants include: Fountain Tire, RBC Dominion Securities, CPA Western School of Business, Kids & Co, BBA engineering. Planning for commercial & mixed-use residential on remaining site; however timelines are not set.			
<b>West Henday Promenade<sup>4</sup></b>	Edmonton, AB	116,300	515,000
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. Planning for commercial & 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	563,768	1,285,000
A 115-acre regional business/industrial park located at QEII Highway and Country Hills Blvd SE. Approximately 8 acres has been sold to office/industrial developers and make up the bulk of the sf developed to date. We have recently completed 4 buildings totalling 51,000 sf, with 2 buildings transferred in 2020 and tenant possessions to be finalized in 2021 on the other 2.			
<b>Campsite Industrial</b>	Spruce Grove, AB	13,700	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.			
<b>Clearview Market 2</b>	Red Deer, AB	3,010	80,000
Phase 2 of the regional shopping centre located at 67 <sup>th</sup> Street and 30 <sup>th</sup> Avenue, consisting of 10.5-acres acquired following a road realignment. This site is shadow-anchored by Loblaw's and includes national tenants such as RBC, TD Bank, Servus, CIBC and Shoppers Drug Mart. Phase 1 was fully built out in 2015. We recently completed two retail buildings totaling 11,000 sf and anticipate completing two additional buildings totaling 10,000 sf in 2021.			
<b>Shoppes at Jagare Ridge<sup>3</sup></b>	Edmonton, AB	105,000	105,000
A 12-acre regional shopping centre located at 141 <sup>st</sup> Street and 28 <sup>th</sup> Avenue. The centre is shadow anchored by Save-On Foods. Tenants include RBC, Liquor Depot, Dairy Queen, Kids & Co and various medical and professional services. We completed and transferred 39,000 sf in 2020 which completes all construction on this site.			
<b>Jensen Lakes Crossing</b>	St. Albert, AB	95,713	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. We completed and transferred 2 CRUs in 2020 and are currently under construction on another CRU (4,400 sf).			
<b>Woodbend Market</b>	Leduc, AB	3,000	140,000
A 14-acre neighbourhood shopping centre located on 50 <sup>th</sup> Ave and 69 <sup>th</sup> St. We completed and transferred a gas station in 2019. We recently completed a 10,000 sf multi-bay CRU building with possession anticipated for 2021.			
<b>Greenwich Village</b>	Calgary, AB	—	325,000
A 17-acre mixed-used 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. Construction has commenced on 62,000 sf with tenant possession to take place in late 2021.			
<b>Vista Ridge<sup>3</sup></b>	Sylvan Lake, AB	—	20,000
A 5.5-acre neighbourhood shopping centre located at Highway 20 and Memorial Trail. The project is expected to commence in mid-2021 with a 3,500 sf CRU.			



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 projects are at 100%.
4. Certain completed buildings have been acquired by Melcor REIT.

The following table summarizes Melcor's future property development sites. Note that projected/anticipated commencement dates and project GLA are subject to a number of factors, included pre-lease thresholds and may not materialize as scheduled or may be adjusted to reflect market conditions.

Project	Location	Total Project Size (sq) <sup>1</sup>
<b>Laredo</b>	Red Deer, AB	10,000
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 2022.		
<b>Mattson<sup>2</sup></b>	Edmonton, AB	75,000
A 9-acre neighbourhood shopping centre located at 66 Street and 25 <sup>th</sup> Avenue. Planning is underway with a projected commencement in 2024+.		
<b>Secord</b>	Edmonton, AB	75,000
A 9-acre neighbourhood shopping centre located in West Edmonton. Planning is underway with project commencement expected in 2022.		
<b>Rosenthal</b>	Edmonton, AB	30,000
A 9-acre mixed-use urban village located in West Edmonton. Planning is underway with project commencement expected in 2024+.		
<b>Rollyview</b>	Leduc, AB	75,000
A 10-acre neighbourhood shopping centre located at Rollyview Road & Black Gold Drive in Leduc. Planning is in progress and the project is scheduled to commence 2024+.		
<b>Westview Commercial</b>	Calgary, AB	150,000
A 15-acre neighbourhood shopping centre located at Highway 1 and Old Banff Coach Road. This project is scheduled for 2024+.		
<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 2023.		
<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 2023.		
<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 2024+.		
<b>Sora</b>	Calgary, AB	60,000
An 8-acre neighbourhood shopping centre located in south Calgary. Planning is in progress and the project is scheduled to commence 2024+.		

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 dependent. Delays may increase the cost of construction.

For additional information regarding the Property Development division, see Melcor's 2020 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 3.21 million sf of GLA throughout western Canada. See Melcor REIT's 2020 Annual Information Form, which is incorporated by reference and is located at [www.sedar.com](http://www.sedar.com).

In 2020, this segment accounted for 27% of consolidated revenues (2019 - 25%).

## 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 39 assets held in the Melcor REIT. In total, Investment Properties manages 4.63 million sf GLA in commercial revenue-generating properties and 604 residential units located across Western Canada and the southern United States. In 2020, this segment accounted for 14% of consolidated revenues (2019- 14%).

The following tables detail Melcor's investment property holdings at December 31, 2020:

Commercial Properties	Year Acquired	Type	GLA (JV) <sup>2</sup>	% Leased <sup>3</sup>	
				2019	2018
CANADA			478,359	79	84
Campsite	2016	Industrial	13,654	100	100
Clearview Market <sup>1</sup>	2012-20	Retail/Office	39,395	95	96
Jensen Lakes	2018	Retail	76,695	94	83
Kingsview Market	2020	Retail	18,701	38	—
Kingsview Commercial <sup>1</sup>	2020	Retail	17,066	69	—
McKenzie Industrial	2014	Retail	67,273	88	88
Robertson Gallery	2008	Retail	6,000	100	100
Shoppes of Jagare Ridge <sup>1</sup>	2018	Retail	34,662	80	87
Stafford Common	2018	Retail	39,500	62	62
Stoneycreek <sup>1</sup>	2014	Retail/Office	66,528	91	95
The District	2019	Retail	35,173	11	100
Village at Blackmud Creek	2019	Office	56,524	85	63
Woodbend	2019	Retail	3,130	100	100
Yardstick <sup>1</sup>	2016	Office	4,058	100	100
USA			519,056	88	88
Chauncey	2014	Office	34,807	89	89
Evans	2015	Office	47,666	92	92
Glendale	2018	Office	130,414	92	92
Inverness	2016	Office	95,127	83	83
Promenade	2016	Office	128,383	81	81
Syracuse	2016	Office	82,659	91	91
Total @ 100% ownership			1,291,278	82	86
Total net of JV ownership			997,414	81	86

1. Owned through joint arrangement. GLA at Melcor %.
2. Gross leasable area is updated periodically, typically as leases renew.
3. Based on gross leasable area.

Residential Properties				% Leased	
	Location		Units	2020	2019
Brownstones at Biltmore	Phoenix, AZ	2011	10	100	90
Dakota at Camelback	Phoenix, AZ	2009	113	96	99
Edward Street Apartments	Edmonton, AB	2006	11	27	100
Northridge Apartments	St. Albert, AB	2016	72	96	92
The Edge at Grayhawk <sup>2</sup>	Scottsdale, AZ	2011	88	100	99
The Shores	Scottsdale, AZ		2	n/a	n/a
Watergrove <sup>1</sup>	Calgary, AB	1995	308	100	100
Total			604	97	98

1. Watergrove is a land lease community that Melcor manages for Melcor REIT.
2. We sold 4 units from The Edge in 2020 for \$1.11 million Canadian (US\$0.84 million).

Parking Lots	Location	Year Acquired	Number of Stalls
104th Street	Edmonton, AB	2001	28
102nd Street	Edmonton, AB	2009	45
Executive Terrace	Regina, SK	2007	59
Melcor Centre	Lethbridge, AB	2007	497
Richter Street	Kelowna, BC	2007	26
Royal Bank	Edmonton, AB	2005	330
Northridge Place	St. Albert, AB	2016	85
Yardstick	Edmonton, AB	2015	6
Village at Blackmud Creek	Edmonton, AB	2013/2016	432
Stoney Creek	Fort McMurray, AB	2013	445
Total			<b>1,953</b>

Development Sites	Location	Year Acquired	Size (Sf)
124 Street Area	Edmonton, AB	1999	7,740
Jasper Avenue Park	Edmonton, AB	2005	24,000
Market Tire Site	Edmonton, AB	2011	15,000

For a list of Melcor REIT owned properties that Investment Properties manages under Property Management and Asset Management agreements, refer to the Melcor REIT 2020 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 2020

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

## RECREATIONAL PROPERTIES

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

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

1. Managed by third party.

### Competitive Conditions

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

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

### Seasonality

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

For additional information regarding the Recreational Properties division, see Melcor's 2020 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	2020	2019	2018
Payable on or before March 31	\$0.10	\$0.13	\$0.13
Payable on or before June 30	\$0.08	\$0.13	\$0.13
Payable on or before September 30	\$0.08	\$0.13	\$0.13
Payable on or before December 31	\$0.08	\$0.13	\$0.13
Total	\$0.34	\$0.52	\$0.52

## General Description of Capital Structure

Melcor has the following share capital:

- Unlimited Voting Common Shares (33,091,061 issued and outstanding as at December 31, 2020)
- 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, 2020 to December 31, 2020 is set out below:

	High	Low	Close	Volume
January	13.45	12.51	12.78	60,369
February	13.00	11.71	12.17	65,637
March	12.46	5.58	7.30	215,938
April	7.52	6.55	6.99	179,206
May	7.75	5.95	7.45	126,433
June	8.90	6.25	7.53	148,843
July	8.04	7.26	7.42	81,947
August	7.80	6.55	6.60	267,965
September	6.67	5.77	5.83	233,659
October	6.19	5.83	5.93	337,178
November	8.07	5.95	7.93	645,060
December	10.00	7.92	9.42	280,170

# DIRECTORS & OFFICERS

## Directors

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

Name and Municipality of Residence	Position with Melcor	Principal Occupation	Director Since
<b>Gordon J. Clanachan, FCA, ICD.D<sup>2</sup></b> Edmonton, Alberta	Director	Corporate Director and Consultant	2009
<b>Ross A. Grieve</b> Edmonton, Alberta	Director	Vice Chair, PCL Construction Holdings Ltd.	2003
<b>Andrew J. Melton<sup>1</sup></b> Calgary, Alberta	Director	Corporate Director 2017-19: REIT CEO pre 2017: Vice-Executive Chair, Melcor Developments	1985
<b>Kathleen M. Melton<sup>1</sup></b> Calgary, Alberta	Director	Development Manager, Chute Lake Road	2016
<b>Timothy C. Melton<sup>1</sup></b> Edmonton, Alberta	Chairman	Chair, Melcor Developments Ltd.	1973
<b>Catherine M. Roozen</b> Edmonton, Alberta	Director	Director & Secretary, Cathton Investments Ltd.	2007
<b>Allan E. Scott<sup>2</sup></b> Edmonton, Alberta	Lead Director	Corporate Director	2007
<b>Ralph B. Young</b> Edmonton, Alberta	Director	Corporate Director	1976

1. 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.
2. Mr. Clanachan and Mr. Scott will not be seeking re-election at the AGM.

All of the directors have held the principal occupation indicated above for the previous 5 years.

Director	Audit Committee	Compensation & Governance Committee
<b>Gordon Clanachan</b>	✓ Chair	
<b>Ross Grieve</b>		✓
<b>Andrew Melton</b>	—	—
<b>Kathleen Melton</b>	—	—
<b>Timothy Melton</b>	—	—
<b>Catherine M. Roozen</b>	✓	
<b>Allan Scott</b>	✓	✓ Chair
<b>Ralph Young</b>		✓

## Executive Officers

The following table lists the executive officers of Melcor as at December 31, 2020, 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)	2005
<b>Naomi M. Stefura CA</b> Edmonton, Alberta	Chief Financial Officer	VP Finance (2013 – 2016)	2008

The Directors and Executive Officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 59% of Melcor's outstanding common shares as at March 17, 2021.

## 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, 22nd Floor, 10220 103 Avenue NW, Edmonton, Alberta, T5J 0K4 are Melcor's independent external auditors. PricewaterhouseCoopers LLP are independent of Melcor in accordance with the Rules of Professional Conduct of the Chartered Professional 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 2020.

### 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, 2020.

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 2020 information circular.

Copies of these documents and any other documents incorporated by reference, additional interim financial statements for periods subsequent to December 31, 2020 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>

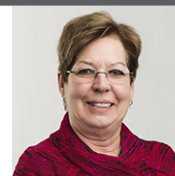
# AUDIT COMMITTEE



GORDON CLANACHAN



ALLAN SCOTT



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.
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.
Allan Scott <i>Member since 2020</i> <i>Independent</i> <i>Financially Literate</i>	Mr. Scott is a graduate of the University of Alberta and holds an MBA from York University. Mr. Scott brings a broad range of executive experience from both the public and private sector. During his business career, he served as President & CEO of Edmonton Economic Development Corporation and as President & COO of Telus Communications. He currently serves on the boards and advisory boards of several private companies.

## 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:

	2020	2019
Audit fees	\$ 281,500	\$ 210,500
Audit-related fees <sup>1</sup>	174,850	174,850
Tax fees <sup>2</sup>	80,500	107,000
Internal Controls Compliance	4,000	4,000
All other fees <sup>3</sup>	9,570	34,100
<b>Total</b>	<b>\$ 550,420</b>	<b>\$ 530,450</b>

1. Audit related fees include fees for subsidiary companies, joint arrangements, and building operating statements and homeowners associations.
2. Tax fees include tax compliance services and tax advisory and planning services.
3. All other fees include additional fees related to the 2019 audit for actual amounts billed.



## 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.

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## 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.