

GENESIS

2017 ANNUAL REPORT

GENESIS LAND DEVELOPMENT CORP.



**THE RIDGE AT
SAGE MEADOWS**
NW CALGARY

SAGE MEADOWS
NW CALGARY

SADDLESTONE
NE CALGARY

BAYSIDE
AIRDRIE

BAYVIEW
AIRDRIE

PIER 11
AIRDRIE

**CANALS
LANDING**
AIRDRIE

Enriching

LIVES THROUGH

INSPIRED COMMUNITIES





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MESSAGE FROM THE CHAIR AND CEO

2017 was another excellent year for Genesis, after our transformational year in 2016. In 2017, we continued to build on our momentum in the Calgary Metropolitan Area, increasing the number of lots sold and our lot revenues by 33%, with about half sold directly to homebuyers through our Genesis Builders Group, and half to our third-party builder partners. While our direct sales were slower than we had hoped, we maintained our gross margin year over year, rather than sacrificing margins for volume.

Other financial highlights of 2017 included:

- Rewarding our shareholders by declared dividends of \$19.9 million or \$0.46 per share
- Strong cash flows from operations of \$46.9 million or \$1.08 per share
- Reducing our debt by over \$13.2 million, including repaying \$8 million of the vendor take back mortgage on our Southeast land while putting in place several new land servicing and construction loans with two of Canada's largest financial institutions
- Significant sales of large parcels of land, completing our goal of disposing of our previously held non-core lands

In 2017, we also continued to build long term value by actively pursuing land entitlements on many of our properties, including:

- Obtaining an updated land use and outline plan from the City of Airdrie for our remaining Bayview and Bayside lands

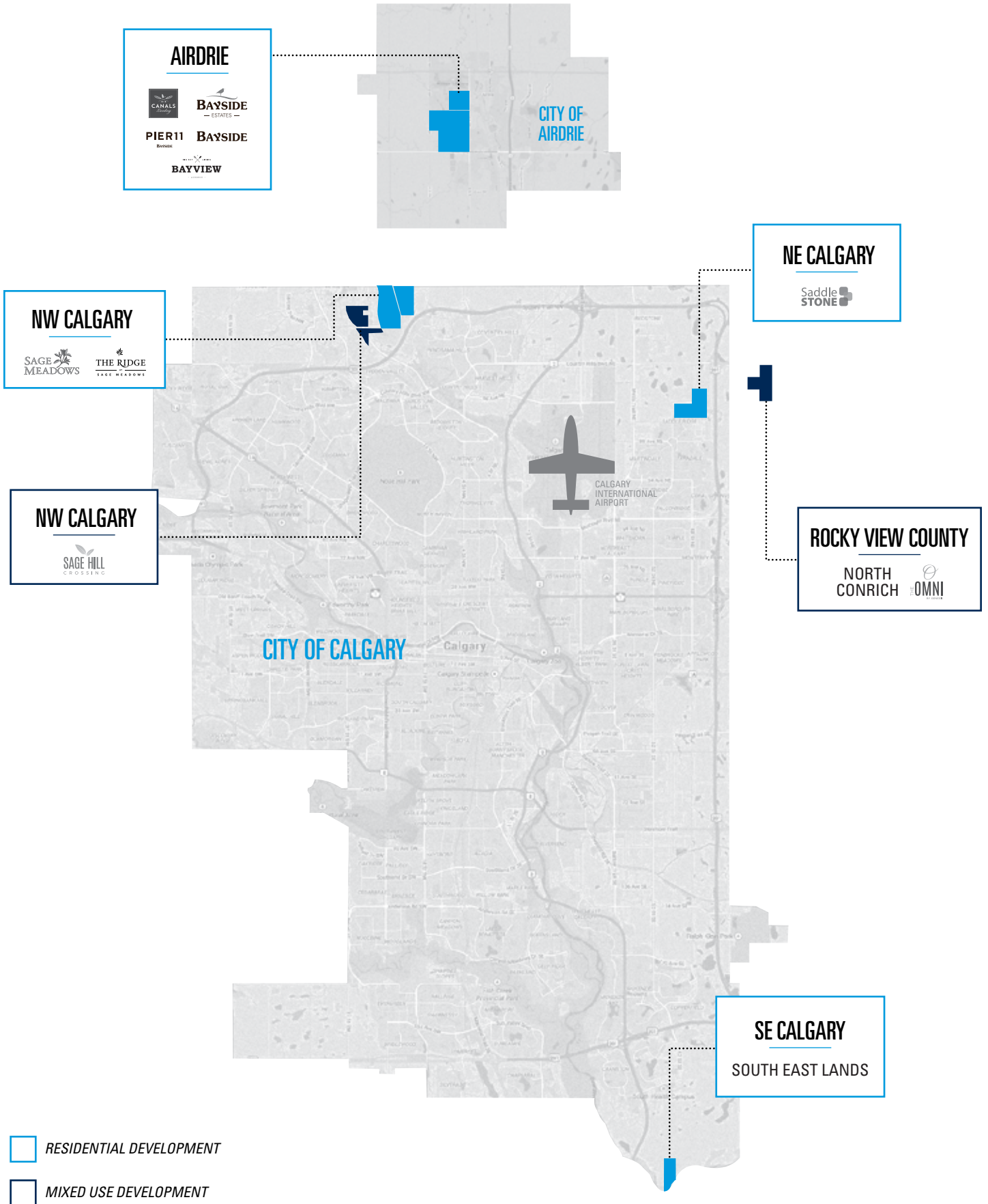
- The City of Calgary amending the area structure plan for our Sage Hill Crossing lands from an unmarketable high density to low to medium density residential and commercial development
- Obtaining approval from Rocky View County of an area structure plan for our OMNI project
- Approval from the City of Calgary for the commencement in 2018 of the area structure plan for our Southeast lands, which began in January.

We continue to focus on creating welcoming and livable communities for families in the Calgary area and building homes that we are proud of. We are delighted that our Ashbury at Saddlestone development was recognized by our industry peers as the Best Multi-Family Community at the 2017 BILD Awards. Congratulations to the entire Genesis team for winning this prestigious award!

Finally, in 2017 I was appointed the permanent CEO of Genesis by your board of directors. I am honoured to be able to work with the excellent, motivated team at Genesis and to do all that we can to deliver value to our shareholders, employees and customers.

STEPHEN J. GRIGGS
Chair and CEO

GENESIS PROJECTS & COMMUNITIES

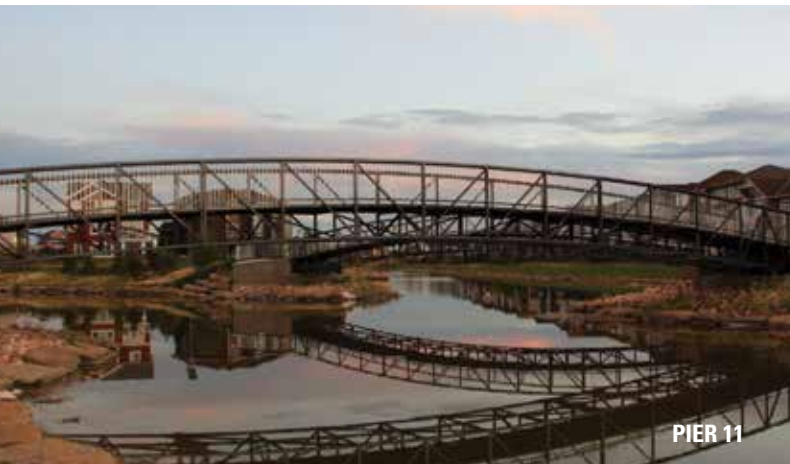




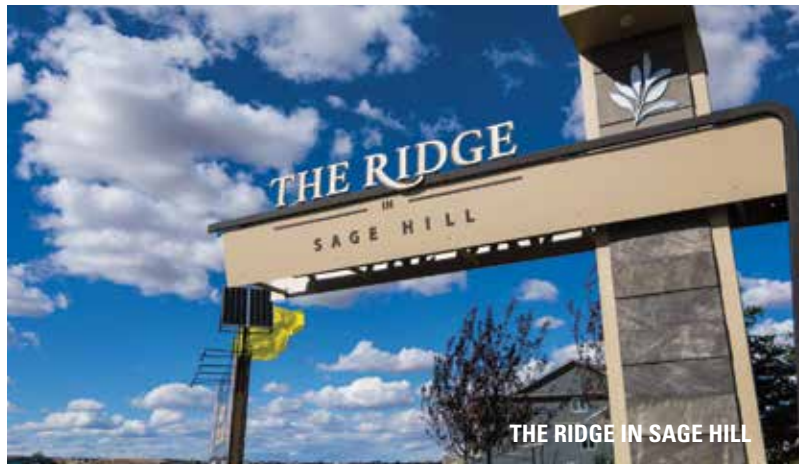
BAYVIEW



SADDLESTONE



PIER 11



THE RIDGE IN SAGE HILL



BAYSIDE ESTATES



SAGE MEADOWS



SAGE HILL CROSSING



THE OMNI

COMMUNITY INVOLVEMENT



NE CALGARY

THE GENESIS CENTRE Inspiring Community Wellness

The Genesis Centre of Community Wellness is a great example of our role as a community builder. Community leaders in Northeast Calgary were determined to bring the dynamic and diverse cultures of the local communities together to promote safe, cooperative and actively healthy neighbourhoods. To realize their dream, these visionary leaders founded the Northeast Centre of Community Society (NECCS), an organization dedicated to the challenge of building a facility that would serve the sport, recreation, educational and cultural needs of the northeast. We saw the opportunity to support and fund this incredible facility as a perfect alignment of our core values. The dream quickly started to take shape, gaining support and funding from the City of Calgary and YMCA, along with a generous naming sponsorship from Genesis.

Genesis continues to play a part in the support of The Genesis Centre – a 225,000 square foot, \$120 million multi-purpose complex built to enrich the health, wellness, and unity of communities in Northeast Calgary.





AIRDRIE

GENESIS PLACE

Genesis Place, the amazing recreation facility in Airdrie, acts as a gathering place, hub of activity and true heart of the community. We are proud of our commitment and on-going support of Genesis Place and what it means to the quality of life for the community of Airdrie.







MANAGEMENT'S DISCUSSION & ANALYSIS 2017

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2017

The Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Genesis Land Development Corp. ("Genesis", "the Corporation", "we", "us", or "our") should be read in conjunction with the consolidated financial statements and the notes thereto for year ended December 31, 2017 and 2016, prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements and comparative information have been reviewed by the Corporation's audit committee, consisting of three independent directors, and approved by the board of directors of the Corporation. Additional information, including the Corporation's annual information form ("AIF") and the Corporation's MD&A for the year ended December 31, 2017 are available on SEDAR at www.sedar.com.

All amounts are in thousands of Canadian dollars, except per share amounts or unless otherwise noted. This MD&A is dated as of March 14, 2018.

STRATEGY AND 2017 BUSINESS PLAN

Strategy

Genesis Land Development Corp. (“Genesis” or the “Corporation”) is a land developer and residential home builder operating in the Calgary Metropolitan Area (“CMA”), holding a significant portfolio of well-located, entitled and unentitled residential, commercial and mixed-use lands and serviced lots in the CMA.

As a land developer, Genesis plans, rezones, subdivides, services and sells residential communities and commercial and industrial lands to third parties, and sells lots and completed homes through its home building business. The land portfolio is planned, developed, serviced and sold at opportune times with the objective of maximizing the risk adjusted net present value of the land and to maximize the cash flow available for distribution to shareholders. Excess cash on hand is generally used to reduce debt, opportunistically acquire additional development land, issue dividends to shareholders and/or buy back common shares.

The home building business is operated through a wholly-owned subsidiary, Genesis Builders Group Inc. (“GBG”). GBG designs, constructs and sells single-family homes and townhouses primarily on lands developed by Genesis. The objective of the home building business is to deliver an acceptable return and cash flow from the capital invested in it and to sell incremental Genesis single family lots and townhouse land parcels.

Genesis continues to focus on minimizing overhead costs and to avoid long term commitments, where possible, to preserve flexibility.

2017 Business Plan

The business plan for 2017 included:

- 1) maximizing the return of capital to shareholders through dividends and/or buying back shares;
- 2) obtaining additional land servicing and zoning entitlements which are expected to materially increase the value and marketability of these lands;
- 3) developing detailed plans for the development and ultimate disposition of all core lands to maximize the net present value of each project;
- 4) adding one or more third-party builders acquiring lots in Genesis communities, in addition to the seven third-party builders already working with Genesis at the end of 2016;
- 5) increasing the number of units sold by GBG, including constructing townhouse complexes, at reasonable construction margins while optimizing the amount of required capital;
- 6) servicing a phase of the “Saddlestone” community in Calgary (expected to yield 102 residential lots) and an additional phase in Airdrie (expected to yield 73 residential lots); and
- 7) selling the remaining non-core land.

Dividends and/or Share Buybacks

On December 19, 2017, the Board of Directors declared a cash dividend of \$0.25 per common share for a total of \$10,813 payable to shareholders of record on December 27, 2017, which was paid in January 2018. Total dividends declared in the year ended December 31, 2017 (“YE 2017”) were \$19,896 or \$0.46 per common share, compared to \$10,936 or \$0.25 per common share in the year ended December 31, 2016 (“YE 2016”).

Since 2014 when it paid its first dividend, Genesis has returned over \$41,500 to shareholders by way of dividends and bought back nearly 1.7 million common shares for over \$4,700 as follows:

	Dividend per share	Total dividends paid
Cash Dividends (\$000s, except for per share items)		
December 2017 (paid on January 5, 2018)	0.25	10,813
September 2017	0.21	9,083
Total 2017	0.46	19,896
December 2016	0.25	10,936
December 2015	0.12	5,331
June 2014	0.12	5,386
Total	0.95	\$41,549

A summary of the common shares repurchased and cancelled is provided below:

Share Buybacks under Normal Course Issuer Bid (\$000s, except for number of shares)	Shares repurchased and cancelled	Cost of repurchases
2017	493,085	\$1,456
2016	551,796	1,420
2015	628,598	1,887
Total	1,673,479	\$4,763

Obtain Additional Land Servicing and Zoning Entitlements

During 2017, significant progress was made by Genesis in obtaining additional land servicing and zoning entitlements including:

- In September 2017, the City of Calgary unanimously approved an amendment to the Sage Hill Area Structure Plan (“ASP”) where Genesis currently owns 64 acres of land. This approval enables Genesis to proceed with securing land use and outline plan approval for a low to medium density residential and commercial development, rather than the previous high density high rise residential and big box commercial zoning.
- In September 2017, the County of Rocky View approved the Omni ASP, which includes the 610 acres of the “North Conrich” lands owned by Genesis (51.2%), Genesis Limited Partnership #4 (32.5%) and GLP5 NE Calgary Developments Inc. (16.3%). The City of Calgary has appealed this ASP to the Municipal Government Board, and the City of Calgary and the County of Rocky View are currently in a mediation process in an effort to resolve this matter. Genesis expects that once finalized, this ASP approval will enable Genesis to proceed with securing land use and outline plan approval for development.
- In the second quarter of 2017 (“Q2 2017”), the Council of the City of Airdrie passed Land Use and Outline Plan amendments for the remaining Bayview lands and a portion of the remaining Bayside lands owned by Genesis. These amendments will allow Genesis to meet current community requirements including a full range of residential product mix along with attractive amenities such as open spaces, a school site and a neighborhood retail center.

In addition, in January 2018, the City of Calgary formally began the development of an ASP for the “Cell E” lands, which includes Genesis’ southeast lands, which is an important step to permit the future development of these lands.

Plans for the Development and Disposition of Core Lands

Genesis continues to develop detailed plans for each of its core lands, with the objective of maximizing the net present value of the land and to sell the land at the most opportune time. In 2017, Genesis disposed of the following significant parcels and serviced lots:

- 132 serviced lots were sold to third-party builders for gross revenue of \$27,992
- 134 serviced lots were sold through GBG for \$21,214 along with constructed homes
- 3 parcels of land were sold for \$55,234

In 2017, Genesis entered into conditional agreements to sell several parcels of multi-family and commercial lands which are expected to close in 2018. These transactions provide for cash payments of the purchase price on closing, subject to customary adjustments. Genesis expects, but cannot provide any assurances that these transactions will close. These transactions include the following:

- In the third quarter of 2017 (“Q3 2017”) Genesis entered into an agreement with an arms-length third-party for the sale of two sites totaling 8.65 acres and is approximately half of Phase 5 of Genesis’ Sage Meadows development located in northwest Calgary, Alberta. The aggregate sale price for the sites is \$11,270. The first 3.91 acre site is expected to close in the second half of 2018 for \$4,985. The second 4.74 acre site is expected to close in mid-2020. The agreement is conditional on Genesis subdividing the subject lands prior to the initial closing in 2018. The purchaser has paid a deposit and will pay the sale price in cash at each closing.
- In the three months ended December 31, 2017 (“Q4 2017”), Genesis entered into an agreement with a third-party builder for the sale of lands in the community of Sage Meadows, located in northwest Calgary, Alberta. The lands are a part of Phase 3 of the Genesis Sage Meadows development and consist of two sites of 8.18 acres and 1.4 acres respectively, and are zoned for multi-family and commercial development respectively. The aggregate sale price of the lands is \$10,498 and requires Genesis to subdivide the lands prior to closing. The transaction is expected to close thirty days after registration of the subdivision plan, which is anticipated to occur in the second quarter of 2018. The purchaser has paid a deposit and is to pay the full sale price on closing.

Add Third-party Builders in Genesis Communities

In the first quarter of 2017 (“Q1 2017”), Genesis entered into an agreement with a new builder and in 2017 sold 54 lots to this group in Airdrie. This builder has become an active member of the Genesis builder partner group in Airdrie, comprised of GBG and four independent builders.

In Q4 2017, a third-party builder in Airdrie breached its purchase contracts relating to single-family lots. On November 2, 2017 the Court of Queen’s Bench of Alberta granted a consent order permitting a receiver to take control of the assets of several companies associated with this builder. Genesis is actively working to protect its interests in connection with this receivership and to contract with one or more replacement builder groups for this development.

Increase Homes Sold by Genesis Builders Group

New homes sold in 2017 were 148 units, below management’s expectations for the year, compared to 166 units in 2016. Sales in 2017 are believed to have been negatively impacted by a number of external factors, including changes to the bank mortgage rules and increasing mortgage rates. The following table shows the new homes sold in Q4 2017 and the previous seven quarters:

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Homes sold (units)	44	49	36	19	56	28	40	42

Revenues from the sale of homes by GBG in 2017 were \$67,707, down 18.7% from \$83,249 in 2016. Revenues were down due to a combination of lower volumes and product mix, with 127 being single-family homes and 21 being lower priced townhouses, while all 166 homes sold in 2016 were single-family homes. Gross margins from the sale of homes by GBG in 2017 were \$11,257, down 18.6% from \$13,833 in 2016.

GBG ended 2017 with 31 homes with firm sales contracts expected to be completed in 2018, down from 39 at the end of 2016. The lower number of homes with firm sales orders may be an indicator of a demand for “quick possession” homes, those which are contracted and delivered within 90 days. In 2017, 65% of the 148 homes sold were quick possession homes, compared to 49% of the 166 homes sold in 2016. Genesis maintains an active quick possession home inventory to meet the expected demand.

In Q3 2017, GBG completed construction of its “Ashbury” 24-unit townhouse development in Saddlestone in northeast Calgary. As of March 14, 2018, 2 units remain without firm sales contracts. Genesis also began construction of the nearby 54 townhouse unit “The Laurels” and had 8 units with firm sales contracts as of March 14, 2018. Late in Q2 2017, construction commenced on “The Newport”, an 85-unit townhouse development in the community of “Canals” in Airdrie. There were no firm sales contracts in “The Newport” as of March 14, 2018.

Service Additional Phases

In Q2 2017, Genesis began the servicing of a new phase in the “Saddlestone” community in Calgary (to create 102 residential lots available for sale in 2018) and a new phase in the “Bayview” community in Airdrie (to create 73 residential lots, 28 of 73 being already contracted to a third-party builder) financed using credit facilities from major Canadian banks. Construction of homes on serviced lots in these new phases began in early 2018.

Sale of Development lands

Total development land sales in 2017 was \$55,234. This included the sale of the “Fowler” and “Worthington” properties by a limited partnership controlled by Genesis for \$46,234 and the sale by Genesis of its “Duhn” lands for \$9,000. In 2016, three properties were sold by Genesis for \$21,237. As a result, the Corporation has no remaining substantial non-core properties to be disposed of.

The limited partnership closed the sale of Worthington in August for gross proceeds of \$5,234. Of the cash received, \$5,000 was used to partially pay down the third-party loan owed by the limited partnership. The remainder was used to pay sales commissions and legal fees. The limited partnership closed the sale of the Fowler lands in December 2017 for gross proceeds of \$41,000. The limited partnership received \$20,500 in cash and a \$20,500 three year vendor-take-back first mortgage. Of the cash received, \$4,055 was used to fully pay down the third-party loan owed by the limited partnership, \$15,547 was used to partially pay down the loan due to Genesis and the remainder was used to pay for sales commissions and legal fees. As at December 31, 2017, the limited partnership had a loan amounting to \$12,272 (2016 - \$26,590) due to Genesis, which is secured by a charge on the \$20,500 vendor-take-back mortgage.

OVERVIEW OF ALBERTA REAL ESTATE MARKET

The Alberta economy relies significantly on the oil and gas industry, including the levels of capital investment and employment in the industry, which are generally driven by the price of oil and gas and expectations of future prices. The Alberta real estate market has been slowly improving as oil prices have stabilized and the overall market and economy has adjusted.

The 2017 gross domestic product (“GDP”) growth in Alberta is forecast at 6.7% by the Conference Board of Canada, compared to declines of 3.8% in 2016 and 3.7% in 2015. However, the Conference Board of Canada has forecast Alberta GDP growth for 2018 to be 2.1%. The GDP of Alberta has not yet returned to its 2014 level, and there have been reduced levels of home purchases in the CMA since late 2014. Detached home sales in the CMA in 2017 were up year over year, with average prices increasing modestly in 2017 compared to 2016, although inventory levels increased, likely placing downward pressure on prices.

While historically low mortgage rates continue to support the affordability of homes for many buyers, interest rate increases and the tightening of bank mortgage lending rules in 2017 negatively impacted sales and are generally expected to continue to do so in 2018. Prices for lower and mid-market homes in the CMA were generally stable in 2017 and were less impacted by the downturn of the Alberta economy than higher valued homes.

There has been a significant shift over the last several years in the timing of the buying of new CMA homes by many purchasers, with many homes now sold at or close to completion on a quick possession basis, rather than being contracted before construction commences.

OPERATING HIGHLIGHTS

Key financial results and operating data for Genesis were as follows:

(\$000s, except for per share items or unless otherwise noted)	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Key Financial Data				
Total revenues	65,644	28,145	150,933	115,957
Direct cost of sales	(36,833)	(24,203)	(97,704)	(89,339)
Gross margin	28,811	3,942	53,229	26,618
Gross margin (%)	43.9%	14.0%	35.3%	23.0%
Net earnings attributable to equity shareholders	8,713	(1,216)	16,998	5,906
Net earnings per share – basic and diluted	0.20	(0.03)	0.39	0.13
Cash flows from operating activities	27,298	6,229	46,908	42,952
Cash flows from operating activities per share – basic and diluted	0.62	0.14	1.08	0.98
Key Operating Data				
Land Development				
Total residential lots sold (units)	78	65	266	204
Residential lot sales	12,203	10,961	49,206	36,966
Gross margin on residential lot sales	6,432	4,681	22,782	16,831
Gross margin (%) on residential lot sales	52.7%	42.7%	46.3%	45.5%
Average revenue per lot sold	156	169	185	181
Revenue - Development land sold	41,000	-	55,234	21,237
Home Building				
Homes sold (units)	44	56	148	166
Revenues	18,463	24,456	67,707	83,249
Gross margin on homes sold	2,656	4,633	11,257	13,833
Gross margin (%) on homes sold	14.4%	18.9%	16.6%	16.6%
Average revenue per home sold	420	437	457	501
Homes (with lots) subject to firm sale contracts (units)	31	39	31	39

Key Balance Sheet Data	As at December 31,	
	2017	2016
Cash and cash equivalents	23,585	14,318
Total assets	301,425	288,995
Loans and credit facilities	30,135	43,295
Total liabilities	81,884	77,330
Shareholders' equity	201,397	205,751
Total equity	219,541	211,665
Loans and credit facilities (debt) to total assets	10%	15%

Land Development

	Three months ended December 31,			Year ended December 31,		
	2017	2016	% change	2017	2016	% change
Key Financial Data						
Residential lot sales ⁽¹⁾	12,203	10,961	11.3%	49,206	36,966	33.1%
Development land sales	41,000	-	N/R ⁽⁴⁾	55,234	21,237	160.1%
Direct cost of sales	(27,048)	(6,280)	330.7%	(61,373)	(36,753)	67.0%
Gross margin	26,155	4,681	458.7%	43,067	21,450	100.8%
Gross margin (%) ⁽²⁾	49.2%	42.7%		41.2%	36.9%	
Write-down of real estate held for development and sale	-	(5,372)	N/R ⁽⁴⁾	(1,095)	(8,665)	(87.4%)
Other expenses ⁽³⁾	(2,642)	(2,853)	(7.4%)	(9,374)	(9,657)	(2.9%)
Earnings (loss) before taxes	23,513	(3,544)	N/R ⁽⁴⁾	32,598	3,128	N/R ⁽⁴⁾
Key Operating Data						
Residential lots sold to third parties	37	12	208.3%	132	58	127.6%
Residential lots sold through GBG - home building	41	53	(22.6%)	134	146	(8.2%)
Total residential lots sold	78	65	20.0%	266	204	30.4%
Average revenue per lot sold	156	169	(7.7%)	185	181	2.2%
Development land sold (acres)	319	-	N/R ⁽⁴⁾	2,412	1,674	44.1%

⁽¹⁾ Includes residential lot sales to third parties and to GBG

⁽²⁾ Gross margin amount divided by the sum of residential lot sales and development land sales

⁽³⁾ Other expenses includes general and administrative, selling and marketing, (expense) or income from joint venture and net finance expense

⁽⁴⁾ Not reflective due to percentage change

Gross Margin by Source of Revenue	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Residential lot sales	12,203	10,961	49,206	36,966
Direct cost of sales	(5,771)	(6,280)	(26,424)	(20,135)
Gross margin	6,432	4,681	22,782	16,831
Gross margin (%)	52.7%	42.7%	46.3%	45.5%
Development land sales ⁽¹⁾	41,000	-	55,234	21,237
Direct cost of sales	(21,277)	-	(34,949)	(16,618)
Gross margin	19,723	-	20,285	4,619
Residential lot and development land gross margin	26,155	4,681	43,067	21,450

⁽¹⁾ Includes rebate of \$100 on early closing of a 14 acre development land parcel in 2016

The change in gross margin percentages for single-family lots was primarily due to the mix of sales by community and product type as the gross margin percentage on residential lots typically varies by community and lot type, the nature of the development work to be undertaken before the lots are ready for sale and how long the Corporation has owned the land.

Revenues

Total residential lot sales in 2017 were \$49,206 (266 lots), up 33% from \$36,966 (204 lots) in 2016. During 2017, 132 lots were sold to third-party builders, more than twice the 58 lots sold to third-party builders in 2016. 34 of the lots sold to third-party builders in 2017 were premium lots in the Calgary community of Sage Meadows and 98 were in the City of Airdrie (2016 - 10 and 48 lots, respectively). In 2017, GBG sold 134 homes on Genesis lots, down from 146 homes sold in 2016.

Revenues from land development in 2017 were higher than in 2016, mainly due to development land sales of \$55,234 in 2017, an increase of \$33,997 over the \$21,237 in development land sales in 2016. Development land sales are lumpy in nature and comprise sales of non-core lands, commercial lands and other lands that Genesis does not intend to build on.

Q4 2017 residential lot sales were \$12,203 (78 lots), an increase of 11% over the \$10,961 (65 lots) sold in Q4 2016. This increase was partially offset by lower residential lot sales through GBG of 41 lots in Q4 2017 compared to 53 lots in Q4 2016. Q4 2017 revenues included the sale of a 319 acre parcel of land belonging to a limited partnership for \$41,000 while there were no development land sales in Q4 2016.

Gross margin

Residential lot sales had a gross margin in 2017 of 46%, the same as in 2016. Residential lot sales in Q4 2017 had a gross margin of 53%, compared to 43% in Q4 2016.

Write-down of real estate held for development and sale

In 2017, the Corporation recorded a write-down of \$1,095 (2016 - \$8,665), mainly related to land under development to reflect the estimated returns realizable from completion of development and sale of this land.

Other expenses

Other expenses were slightly lower for the year ended 2017 and in Q4 2017 compared to the same periods in 2016 with increases in sales and marketing expenses being offset by lower general and administrative expenses and lower net finance expense. Net finance expense was lower mainly due to the reduction in the outstanding balance of a vendor-take-back loan ("VTB") on Genesis' Calgary southeast lands following an \$8,000 payment in January 2017.

Factors Affecting Results of Operations

A number of factors affect the results of operations, particularly in land development, including:

- the development and servicing of land and the sale of residential lots occurs over a substantial period of time which creates volatility in the revenues, earnings and cash flows from operating activities;
- land and lot prices and gross margins vary by community including due to the nature of the development work required to be undertaken before the land and lots are ready for sale, and the length of time the Corporation has owned the land;
- the sale of developed lots to GBG is recognized on the sale of the home and lot to the end purchaser; and
- seasonality which has historically resulted in higher revenues in the summer and fall months when home building sales closings peak.

Home Building – Genesis Builders Group Inc. (GBG)

The homebuilding business of Genesis is operated through its wholly-owned subsidiary, GBG.

	Three months ended December 31,			Year ended December 31,		
	2017	2016	% change	2017	2016	% change
Key Financial Data						
Revenues	18,463	24,456	(24.5%)	67,707	83,249	(18.7%)
Direct cost of sales	(15,807)	(19,823)	(20.3%)	(56,450)	(69,416)	(18.7%)
Gross margin	2,656	4,633	(42.7%)	11,257	13,833	(18.6%)
Gross margin (%)	14.4%	18.9%		16.6%	16.6%	
Other expenses ⁽¹⁾	(2,067)	(2,497)	(17.2%)	(8,842)	(9,497)	(6.9%)
Earnings before taxes	589	2,136	(72.4%)	2,415	4,336	(44.3%)
Key Operating Data						
Homes sold (units)	44	56	(21.4%)	148	166	(10.8%)
Average revenue per home sold	420	437	(3.9%)	457	501	(8.8%)
Homes (with lots) subject to firm sales contracts (units)	31	39	(20.5%)	31	39	(20.5%)

⁽¹⁾ Other expenses includes general and administrative, selling and marketing and net finance expense

Revenues and Unit Volumes

The number of homes sold by GBG were lower for the year ended in 2017 and in Q4 2017 than in the same periods in 2016. Revenues were \$67,707 (148 units) in 2017, 19% lower than \$83,249 (166 units) in 2016. Revenues were \$18,463 (44 units) in Q4 2017, 25% lower than \$24,456 (56 units) in Q4 2016.

Homes sold in 2017 had an average price of \$457 per home, down 9% compared to \$501 in 2016. Of the 148 homes sold in 2017, 127 were single-family homes and 21 were lower priced townhouses, while all 166 homes sold in 2016 were single-family homes. Homes sold in Q4 2017 had an average price of \$420 per home compared to \$437 in Q4 2016, primarily due to differences in product mix, with 32 single-family homes and 12 townhouses being sold in Q4 2017 compared to 56 single-family homes in Q4 2016.

In 2017, 134 of the 148 homes sold by GBG were built on residential lots supplied by Genesis, generating residential lot revenues of \$21,214. In 2016, 146 of 166 homes were built on residential lots supplied by Genesis, generating residential lot revenues of \$25,495. All 44 homes sold in Q4 2017 were built on residential lots supplied by Genesis, with lot revenues of \$6,022, while in Q4 2016, 53 of 56 homes were built on residential lots supplied by Genesis, with lot revenues of \$7,272. The remaining 3 homes sold in Q4 2016 were on lots previously acquired by GBG from a third-party developer.

GBG builds homes either after receiving a firm sale contract (a “pre-construction home”) or on a quick possession (“spec”) basis. The delivery time of a pre-construction home can be determined in advance, with a home typically being delivered within 8 to 10 months of a customer signing a purchase agreement. Quick possession homes are built in advance of receiving a firm sale contract to meet the market demand from those buyers seeking quick possession. GBG has seen that many buyers are looking for quick possession of their home, rather than being prepared to wait 8 to 10 months for a home to be built. This requires GBG to build homes on a spec basis and to hold them in inventory until sold. The timing of the sale of spec homes is unpredictable, and spec home buyers are usually time sensitive, wanting to take possession in a short time frame. Genesis monitors its home building work-in-progress closely to anticipate and react to market conditions in a timely manner.

GBG had 96 quick possession closings (i.e., contracted and delivered within 90 days) in 2017 compared to 81 in 2016. GBG had 35 quick possession closings in Q4 2017 compared to 25 in Q4 2016.

Gross margin

Gross margin in 2017 remained the same at 17% as in 2016, although there was a change in product mix to lower priced homes including townhomes in 2017. GBG gross margin was 14% in Q4 2017 compared to 19% in Q4 2016.

Other expenses

Other expenses decreased by 7% in 2017 compared to YE 2016 due to lower general and administrative expenses and sales and marketing expenses including lower sales commissions due to lower volumes of homes sold. Other expenses in Q4 2017 were 17% lower than in Q4 2016.

Finance Expense

	Three months ended December 31,			Year ended December 31,		
	2017	2016	% change	2017	2016	% change
Interest incurred	166	215	(22.8%)	770	1,014	(24.1%)
Finance expense relating to VTB ⁽¹⁾	426	547	(22.1%)	1,702	2,185	(22.1%)
Financing fees amortized	65	76	(14.5%)	361	300	20.3%
Interest and financing fees capitalized	(101)	(98)	3.1%	(383)	(500)	(23.4%)
	556	740	(24.9%)	2,450	2,999	(18.3%)

⁽¹⁾ VTB related to Calgary southeast lands acquisition

Interest incurred during 2017 was less than in 2016 due to lower loan balances in 2017. The Corporation paid the third installment of \$8,000 on the VTB in January 2018. The imputed rate on the VTB, which has a 0% face rate, is 8%. Interest expense on the VTB in 2017 is less than in 2016 due to the payment of the second installment of \$8,000 in January 2017.

The weighted average interest rate of loan agreements with various financial institutions was 3.99% (YE 2016 - 5.77%) based on December 31, 2017 balances.

LIQUIDITY AND CAPITAL RESOURCES

Genesis further reduced its debt from \$43,295 at YE 2016 (which included an \$8,531 loan to a limited partnership guaranteed by Genesis and which was fully repaid in December 2017) to \$30,135 at YE 2017. A further \$8,000 was paid in early January 2018 on the VTB relating to the acquisition of Genesis' southeast Calgary lands.

	December 31,		
	2017	2016	% change
VTB	22,208	28,506	(22.1%)
Land development servicing and home building loans	7,927	6,258	26.7%
	30,135	34,764	(13.3%)
Loan to a limited partnership	-	8,531	N/R ⁽¹⁾
Total Loans and Credit Facilities	30,135	43,295	(30.4%)

⁽¹⁾ Not reflective due to percentage change

	December 31,	
	2017	2016
Loans and credit facilities as a percentage of total assets		
VTB	7.4%	9.9%
Land development servicing and home building loans	2.6%	2.2%
	10.0%	12.1%
Loan to a limited partnership	0.0%	3.0%
Loans and credit facilities (debt) to total assets ⁽¹⁾	10.0%	15.1%
Total liabilities to equity ⁽²⁾	37%	37%

(1) Calculated as each component of loans and credit facilities divided by total assets

(2) Calculated as total liabilities divided by total equity

Refer to "Loans and Credit Facilities" section on page 24 which provides additional information.

Real Estate Held for Development and Sale

	December 31,		
	2017	2016	% change
Real estate held for development and sale	213,629	308,824	(30.8%)
Provision for write-downs	(12,872)	(66,824)	(80.7%)
	200,757	242,000	(17.0%)

Real estate held for development and sale decreased by \$41,243 as at YE 2017 compared to YE 2016 due to sales of development land, residential lots and homes, and was partially offset by development activities. Refer to note 4 in the consolidated financial statements for the year ended December 31, 2017 and 2016 which details the gross book value and net book value of real estate held for development and sale. Genesis spent \$16,000 on land development activities in 2017 relating to phases already under development, two new phases that commenced in 2017, as well as some preliminary costs associated with future phases.

The following tables present Genesis' real estate held for development and sale, and estimated equivalent of single-family lots, townhouse/multi-family units and commercial acreages as at December 31, 2017.

	Net carrying value of Serviced Lots and Land	Serviced Lots (units)	Land (acres) ⁽¹⁾
Land development			
Airdrie - Bayside, Bayview, Canals	37,772	138	251
Calgary NW - Sage Meadows	26,152	43	34
Calgary NE - Saddlestone	14,700	53	35
Calgary NW - Sage Hill Crossing	43,729	-	64
Calgary SE - Southeast lands	44,799	-	349
	167,152	234	733
Rocky View County - North Conrich	4,537	-	312
Other assets ⁽²⁾ - non-core	1,981	14	334
Total land development	173,670	248	1,379
Home building work in progress	20,156		
Total land and home building	193,826		
Limited Partnerships ⁽³⁾	6,931		1,437
Real estate held for development and sale	200,757		2,816

⁽¹⁾ Land comprises townhouse/multi-family, commercial and lands not yet subdivided into single-family and other lots

⁽²⁾ Other assets are non-core and actively being marketed for disposal. These assets represent 1.1% (YE 2016 - 5.6%) of Genesis' land portfolio with a carrying value of \$1,981 (YE 2016 - \$10,612).

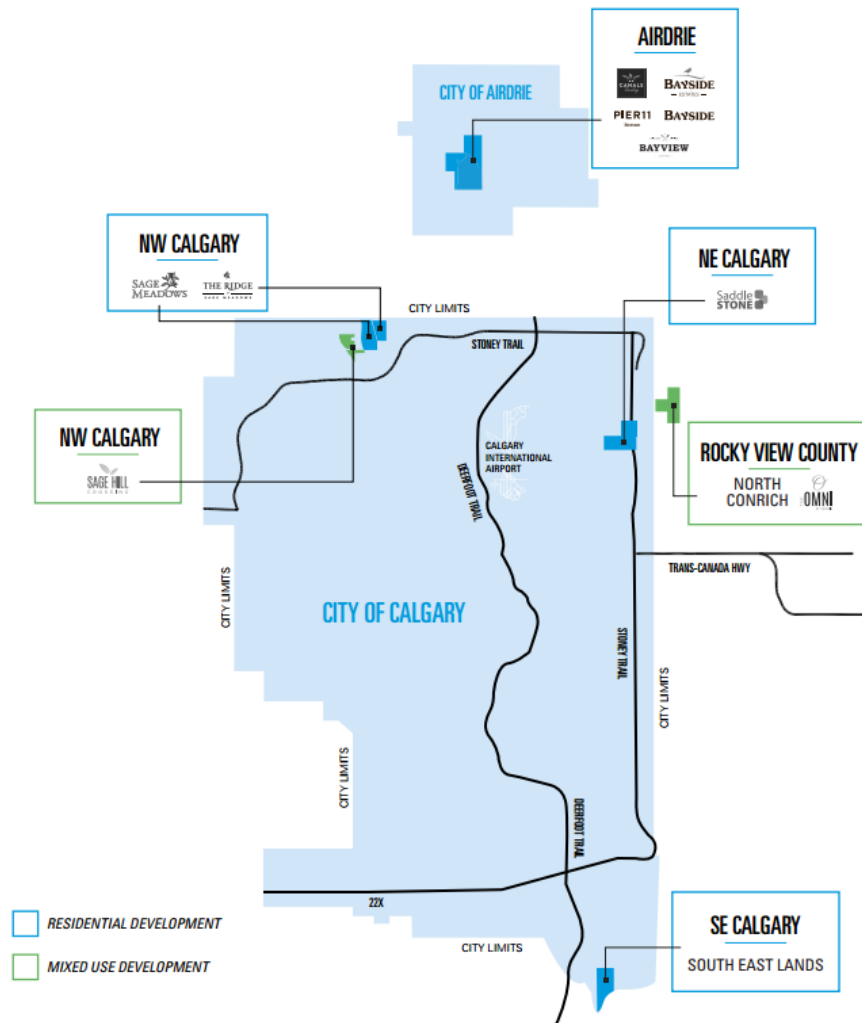
⁽³⁾ Net of intra-segment eliminations of \$4,194.

Land development	Land (acres) ⁽¹⁾	Estimated Equivalent if/when Developed		
		Single-family (lots)	Townhouse/multi-family (units)	Commercial (acres)
Airdrie - Bayside, Bayview, Canals	251	1,324	373	2
Calgary NW - Sage Meadows	34	31	1,869	1
Calgary NE - Saddlestone	35	215	93	-
Calgary NW - Sage Hill Crossing	64	-	2,925	19
Calgary SE - Southeast lands	349	1,984	-	-
Rocky View County - North Conrich	733	3,554	5,260	22
Other assets ⁽²⁾ - non-core	312	-	-	312
Other assets ⁽²⁾ - non-core	334	69	-	-
Land development	1,379	3,623	5,260	334
Limited Partnerships	1,437	278		441
Total land development	2,816	3,901	5,260	775

⁽¹⁾ Land comprises townhouse/multi-family, commercial and lands not yet subdivided into single-family and other lots

⁽²⁾ Other assets are non-core and actively being marketed for disposal. These assets represent 1.1% (YE 2016 - 5.6%) of Genesis' land portfolio with a carrying value of \$1,981 (\$10,612).

GENESIS' LANDS



Amounts Receivable

	December 31,		
	2017	2016	% change
Amounts receivable	30,820	21,059	46.4%

Genesis generally receives a minimum 15% non-refundable deposit at the time of entering into a sale agreement. Genesis does not transfer title to lots and homes that are contracted for sale until full payment is received thus mitigating credit risk. Individual balances due from customers at YE 2017 that were 10% or more of total amounts receivable were \$25,752 from five customers (2016 - \$19,040 from five customers). This increase of \$9,761 in amounts receivable was mainly due to the timing of residential lot sales and closings. As at YE 2017 the Corporation had \$28,500 in amounts receivable related to the sale of 156 lots to third-party builders and a non-core development land parcel located in British Columbia compared to \$19,778 in amounts receivable as at YE 2016 related to the sale of 110 lots to third-party builders and the non-core development land parcel.

Amounts receivable of \$30,820 as at YE 2017 includes a past due amount of \$1,764 from a third-party builder in receivership which is also in breach of its purchase and sale contract for single-family lots purchased from Genesis. As provided in that contract, title to the lots has not passed to the builder. Genesis is confident it will recover the entire amount of the receivable and is pursuing all available legal remedies. Total amounts receivable from this builder as at December 31, 2017, including past due amounts, was \$3,710.

Cash Flows from Operating Activities

Cash flow from the operating activities of Genesis varies quarter to quarter due to the nature of land sales and the timing of the receipt of sale proceeds. The sale of a lot or of a parcel of land to a third-party is recognized as sales revenue at the time of entering into a firm sales contract, provided that a deposit is made of at least 15% of the purchase price. The balance of the purchase price is generally received in cash at the time of closing of the sale by the third-party builder to a home buyer, which can be many months later, resulting in a timing difference between sales revenue recognition and the actual receipt of cash. The sale of a lot by GBG to an end buyer is recognized on receipt of the full sale proceeds and the transfer of title to the lot.

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Cash flows from operating activities	27,298	6,229	46,908	42,952
Cash flows from operating activities per share – basic and diluted	0.62	0.14	1.08	0.98

The increase in 2017 cash flows from operating activities over 2016 is explained by the following:

	Year ended December 31,		
	2017	2016	change
Cash inflows from sale of residential lots and development land	52,755	27,795	24,960
Cash inflows from sale of residential homes	67,367	83,100	(15,733)
Cash outflows for land servicing	(17,993)	(13,921)	(4,072)
Cash outflows for home building activity	(36,384)	(37,425)	1,041
General and administrative, income taxes and other cash (payments) receipts	(18,837)	(16,597)	(2,240)
Total change in cash flows	46,908	42,952	3,956

Higher cash inflows from the sale of residential lots and development land was due to higher volumes of lots sold in 2017 and the sale of three development land parcels in 2017.

Lower cash inflows from the sale of residential homes was due to the lower volumes of homes sold in 2017 and due to the product mix, with sales in 2017 comprising both single-family and townhomes, while in 2016 only single-family homes were sold.

Higher cash outflows for land servicing were mainly due to the commencement of the development of two new phases of land in 2017 to meet expected future demand for finished lots, whereas the servicing of no new phases was commenced in 2016.

Cash outflows for home building activity will vary due to the product mix (i.e. single-family or townhouse) and as Genesis changes the pace of construction to maintain an appropriate level of work-in-progress including spec homes to meet anticipated demand.

LIABILITIES AND SHAREHOLDERS' EQUITY

The following table presents Genesis' liabilities and equity at YE 2017 and YE 2016:

	December 31,		December 31,	
	2017	% of Total	2016	% of Total
Loans and credit facilities	30,135	10%	43,295	15%
Dividend payable	10,813	4%	-	-
Customer deposits	4,629	2%	2,587	1%
Accounts payable and accrued liabilities	8,938	3%	10,195	4%
Income tax payable	2,785	1%	-	-
Provision for future development costs	24,584	8%	21,253	7%
Total liabilities	81,884	28%	77,330	27%
Non-controlling interest	18,144	6%	5,914	2%
Shareholders' equity	201,397	66%	205,751	71%
Total liabilities and equity	301,425	100%	288,995	100%

Total liabilities to equity is as follows:

	December 31	
	2017	2016
Total liabilities	81,884	77,330
Total equity	219,541	211,665
Total liabilities to equity ⁽¹⁾	37%	37%

⁽¹⁾ Calculated as total liabilities divided by total equity

Loans and Credit Facilities

The following is a summary of outstanding loan and credit facility balances as at YE 2017 and as at the end of the previous four quarters:

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Land development servicing loans	6,164	8,757	1,993	3,090	5,566
Home building loans	1,896	871	-	-	903
Demand operating line	-	-	-	4,000	-
Vendor-take-back loan	22,208	21,782	21,357	20,931	28,506
	30,268	31,410	23,350	28,021	34,975
Land loan relating to a limited partnership	-	4,125	8,963	8,739	8,531
	30,268	35,535	32,313	36,760	43,506
Unamortized deferred financing fees	(133)	(154)	(47)	(144)	(211)
Balance, end of period	30,135	35,381	32,266	36,616	43,295

The continuity of Genesis' VTB and land development servicing loans, excluding deferred financing fees, is as follows:

	Year ended December 31, 2017			Year ended December 31, 2016
	Vendor-take- back loan	Land development servicing	Total	
Balance, beginning of period	28,506	5,566	34,072	50,930
Advances	-	30,574	30,574	12,512
Repayments	(8,000)	(29,976)	(37,976)	(31,559)
Interest expense	1,702	-	1,702	2,185
Balance, end of period	22,208	6,164	28,372	34,068

Genesis has various covenants in place with its lenders with respect to its credit facilities. Such covenants include credit usage restrictions; cancellation, prepayment, confidentiality and cross default clauses; sales coverage requirements; conditions precedent for funding; and other general understandings such as, but not limited to, maintaining contracted lot prices, restrictions on encumbrances, liens and charges, material changes to project plans, and material changes in the Corporation's ownership structure.

In addition, GBG has a secured revolving operating line repayable on demand to be used for home construction. This line has a financial covenant requiring that GBG maintain a net worth of at least \$6,500 at all times. Net worth is defined by the lender as "Retained Earnings plus Shareholders Loans plus Due to Related Parties (excluding lot payables to related parties) minus Due from Related Parties".

Genesis and its subsidiaries were in compliance with all covenants at YE 2017 and at YE 2016. Loans and credit facilities are used primarily to finance the costs of developing land, building houses and for land purchases.

Genesis has sufficient liquidity from its cash flows from operating activities, supplemented by credit facilities, to meet the above liabilities as they become due. Project financing facilities are paid down with some or all of the sale proceeds of secured lands. Genesis intends to develop new phases by obtaining financing that is specific to each new phase or phases of land development and also for significant townhouse projects.

Land development servicing loans

As at December 31, 2017, Genesis had four land project loan facilities with the ability to fund up to \$24,107 of future development and servicing costs. Interest on these facilities is charged at prime + 0.75% per annum. Draws on these facilities can be made as land development activities progress. As at December 31, 2017, \$6,164 was drawn under these facilities (YE 2016 – four loans and \$5,566).

Home building loans

GBG has a demand operating line of \$6,500 bearing interest at prime + 0.75% per annum. As at YE 2017, the amount drawn on this facility was Nil (YE 2016 - Nil).

GBG has a townhouse project loan facility of \$12,905, bearing interest at prime +0.90% per annum, due on August 31, 2020. As at YE 2017, \$1,896 was drawn under this facility.

Demand operating line

Genesis has a demand operating line of credit of up to \$10,000 for general corporate purposes at an interest rate of prime + 1.00% per annum. As at YE 2017, the outstanding balance of this facility was Nil (YE 2016 - Nil). This facility was used in 2017 and in 2016 for short term cash flow purposes.

Vendor-take-back loan

Genesis granted the VTB on the purchase of the southeast lands in January 2015. As at YE 2017, the VTB had an outstanding balance of \$24,000 with an unamortized discount of \$1,792 (YE 2016 - \$32,000 and \$3,494 respectively). The outstanding balance is payable in three equal installments of \$8,000 each in January 2018, 2019 and 2020. Genesis paid \$8,000 on the VTB in January 2018, leaving an outstanding balance of \$16,000 excluding the unamortized discount.

Loan to a limited partnership

Genesis guaranteed a loan to a limited partnership managed by it which bore interest at the greater of 7.85% or prime + 4% per annum. The loan was secured by lands held by the limited partnership and was re-paid in full in Q4 2017 on the sale of the relevant land.

Provision for Future Development Costs

When Genesis sells lots and homes, it often remains responsible to pay for future development costs known as “costs-to-complete”.

For the land development business, the provision for future development costs represents the estimated remaining construction costs related to and/or allocated to land that has been sold. This includes all direct construction costs and indirect costs expected to be incurred during the remainder of the construction period, net of expected future recoveries from third parties, allocable to the portions of the development that have been sold. The provision is reviewed periodically and, when the estimate is known to be different from the actual costs incurred or expected to be incurred, an adjustment is made to the provision for future development costs and a corresponding adjustment is made to land under development and/or cost of sales.

For GBG, costs-to-complete estimates are the costs estimated to be incurred on seasonal and other work (such as paving and landscaping) and estimated warranty charges over the one year warranty period.

Provision for future development costs as at December 31, 2017 was \$23,809 for the land development business (YE 2016 - \$20,064) and \$775 (YE 2016 - \$1,189) for GBG. These changes were due to normal sales activity in land and home building. The increase was partially offset by completion of previously recognized cost-to-complete liabilities on residential lots and residential homes.

Income Tax (Payable) Recoverable

The continuity in income tax (payable) recoverable is as follows:

	<u>For the year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Balance, beginning of period	42	(270)
Provision for current income tax	(6,882)	(4,397)
Net payments	4,055	4,709
Balance, end of period	<u>(2,785)</u>	42

The increase in income tax payable is a result of the higher income in 2017 and because income tax installment payments are estimated based on the income of the prior year.

Shareholders' Equity

As at March 14, 2018, the Corporation had 43,252,721 common shares issued and outstanding. The common shares of the Corporation are listed for trading on the Toronto Stock Exchange under the symbol "GDC".

Genesis commenced a normal course issuer bid ("NCIB") in 2015 and renewed it in 2016 and 2017. The current NCIB commenced on September 12, 2017 and terminates on the earlier of (i) September 11, 2018; and (ii) the date on which the maximum number of common shares are purchased pursuant to the bid. The Corporation may purchase for cancellation up to 2,163,022 common shares under this NCIB. The Corporation purchased and cancelled common shares under its NCIB as follows:

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Number of shares purchased and cancelled	-	36,178	493,085	551,796
Total cost	-	92	1,456	1,420
Average price per share purchased	-	2.54	2.95	2.60
Beginning of period	Oct 1, 2017	Oct 1, 2016	Jan 1, 2017	Jan 1, 2016
Shares cancelled as a % of common shares outstanding at beginning of period	-	0.08%	1.13%	1.25%

The Corporation repurchased no common shares between January 1, 2018 and March 14, 2018 for cancellation. As of the date of this MD&A, there are 2,163,022 common shares remaining for purchase under the currently authorized NCIB.

During 2017, the Corporation purchased and cancelled 493,085 common shares for \$1,456 at an average cost of \$2.95 per share (representing 1.13% of issued and outstanding shares at the beginning of the year) compared to 551,796 common shares for \$1,420 at an average cost of \$2.60 in 2016 (representing 1.25% of issued and outstanding shares at the beginning of the year).

Contractual Obligations and Debt Repayment

Contractual obligations (excluding accounts payable, accrued liabilities, income taxes payable, customer deposits and provision for future development costs) at YE 2017 were as follows:

	Loans and Credit Facilities ⁽¹⁾	Naming Rights	Lease Obligations	Total
Current	12,007	500	574	13,081
January 2019 to December 2019	9,530	500	487	10,517
January 2020 to December 2020	8,731	500	427	9,658
January 2021 and thereafter	-	500	25	525
Total	30,268	2,000	1,513	33,781

⁽¹⁾ Excludes deferred financing fees

In 2008, Genesis entered into an agreement with the City of Airdrie to contribute \$2,000 over 10 years for 40-year naming rights to "Genesis Place", a recreation complex in the city of Airdrie (\$200 each year, terminating in 2017). All ten installments totaling \$2,000 had been paid by YE 2017.

In 2012, Genesis entered into a memorandum of understanding with the Northeast Community Society to contribute \$5,000 over 10 years for 15-year naming rights to the "Genesis Centre for Community Wellness", a recreation complex in northeast Calgary (\$500 each year, terminating in 2021). The first six installments totaling \$3,000 were paid up to and through to the end of December 2017. Genesis paid the seventh installment of \$500 in January 2018.

In Q1 2017, the Corporation amended its head office lease agreement with Morguard Real Estate Investment Trust to extend the term by 38 months to September 30, 2020. The total basic rent over the extension period is \$364. Genesis also has other minor operating leases.

As a normal part of business, Genesis has entered into arrangements and incurred obligations that will impact future operations and liquidity, some of which are reflected as short-term liabilities and commitments in note 14 of the consolidated financial statements for the years ended December 31, 2017 and 2016.

Current Contractual Obligations, Commitments and Provision

	December 31	
	2017	2016
Loans and credit facilities, excluding deferred financing fees	12,007	22,990
Accounts payable and accrued liabilities	8,938	10,195
Dividend payable	10,813	-
Total short-term liabilities	31,758	33,185
Commitments ⁽¹⁾	1,074	1,371
	32,832	34,556

⁽¹⁾ Commitments comprises naming rights and lease obligations

At YE 2017, Genesis had obligations due within the next 12 months of \$32,832, of which \$12,007 related to loans and credit facilities. Repayment is either (i) linked directly to the collection of lot receivables and sales proceeds; or (ii) due at maturity. Management is confident that Genesis has the ability to continue to renew or to repay its financial obligations as they become due. The dividend payable amount of \$10,813 was paid on January 5, 2018.

Provision for Litigation

Two former employees filed a statement of claim against the Corporation on May 27, 2016 alleging wrongful termination of their employment and seeking damages, legal costs and other relief arising out of the termination of their employment contracts with the Corporation. The aggregate amount of the claim is approximately \$1,600 and the Corporation has recorded a provision for this amount. The former employees brought a motion before a Master in Chambers of the Court of Queen's Bench of Alberta for summary judgment asking for awards of liquidated damages, being the amount of their severance entitlements set out in their employment contracts. On April 24, 2017, the Master granted the former employees' application for summary judgment. The Corporation filed a Notice of Appeal on April 28, 2017 and intends to vigorously defend against the claim. The appeal is set down for a hearing on May 2, 2018.

On March 8, 2018, the two former employees served an application for leave to amend their claim to add claims in the amount of \$1,100 plus costs and interest in connection with a disputed purported exercise of options. It is too early in the process to assess potential liability with respect to the new claims.

Contingencies

On September 22, 2017, Limited Partnership Land Pool ("LPLP 2007"), Genesis, GP LPLP 2007 Inc. (a wholly owned subsidiary of Genesis and the general partner of LPLP) ("GP LPLP"), two limited partners, two affiliated limited partnerships and various third parties were named as co-defendants in a statement of claim initiated in the Province of Alberta by a limited partner of LP RRSP Limited Partnership #1, a limited partner of LP RRSP Limited Partnership #2 and a limited partner of the LPLP 2007. The statement of claim seeks pecuniary and non-pecuniary damages of \$60,000, including general and special damages. Genesis and GP LPLP are of the view that this claim is without merit and, on their behalf and on behalf of LPLP 2007, are actively contesting both the certification proceeding and the claim itself. Any potential liability to Genesis, GP LPLP and/or the Partnership is currently indeterminate.

OFF BALANCE SHEET ARRANGEMENTS

Letters of Credit

Genesis has an ongoing requirement to provide irrevocable letters of credit to municipalities as part of the sub-division plan registration process to indemnify the municipalities in the event that Genesis does not perform its contractual obligations. At YE 2017, these letters of credit totalled approximately \$5,491 (YE 2016 - \$4,429).

Lease Agreements

Genesis has certain lease agreements that are entered into in the normal course of operations. All leases are treated as operating leases and lease payments are included in general and administrative expenses. No asset value or liability has been assigned to these leases on the balance sheet as at YE 2017 and YE 2016. In the event the lease for the office building is terminated early, Genesis is liable to pay the landlord for the loss of its income for the unexpired portion of the lease, in addition to damages and other expenses incurred by the landlord, if any.

SELECTED ANNUAL INFORMATION

	2017	2016	2015	2014	2013
Total revenues	150,933	115,957	119,088	134,245	96,007
Gross margin	53,229	26,618	22,509	39,001	11,135
Net earnings attributable to equity shareholders	16,998	5,906	11,014	17,395	5,713
Net earnings per share – basic and diluted	0.39	0.13	0.25	0.39	0.13
Total assets	301,425	288,995	331,045	309,742	313,846
Loans and credit facilities	30,135	43,295	63,819	23,892	50,373
Cash dividends per share, declared ⁽¹⁾	0.46	0.25	0.12	0.12	-

⁽¹⁾ A cash dividend of \$0.25 per share declared in December 2017 was paid in January 2018

	2017	2016	2015	2014	2013
Return on shareholders' equity ("ROE") ⁽¹⁾	8.3%	2.8%	5.2%	8.6%	3.0%
Average shareholders' equity ⁽²⁾	203,574	208,938	210,113	201,792	192,537

⁽¹⁾ Calculated as Net earnings attributable to equity shareholders' divided by average Shareholders' equity

⁽²⁾ Calculated as the sum of Shareholders' equity at the beginning and end of each year divided by two

Refer to the Factors Affecting Results of Operations section of this MD&A (page 18)

Summary analysis for last 3 years

Total revenues comprise residential lot sales, development land sales, residential home sales and other revenues. Residential lot sales volumes were 266, 204 and 184 units in 2017, 2016 and 2015 respectively, reflecting the market conditions. In addition, development land sales were \$55,234, \$21,237 and \$3,600 for 2017, 2016 and 2015 respectively. Development land sales are lumpy in nature and comprise sales of non-core lands, commercial lands and other lands that Genesis does not intend to build on.

Residential homes sold were 148, 166 and 209 in 2017, 2016 and 2015 respectively. Both 2017 and 2015 included sales of townhouse units (2017 – 21, 2015 - 23) while there were no townhouse sales in 2016.

Gross margins in 2017 significantly improved due to stronger development land margins while gross margins in 2016 and 2015 were impacted by a write-down of real estate held for development and sale which were \$1,095, \$8,665 and \$12,390 in 2017, 2016 and 2015 respectively. Net earnings and net earnings per share were affected as a result of the above.

Total assets increased by \$12,430 in 2017 compared to 2016. This was mainly due to an increase in cash and cash equivalents by \$9,267 and the \$20,558 vendor-take-back mortgage relating to a limited partnership, partially offset by a reduction in real estate held for development and sale during 2017, as a result of sales of residential lots, development lands and residential homes.

Total assets decreased by \$42,050 in 2016 compared to 2015. Real estate held for development and sale decreased by \$46,291 due to increased sales volumes and reduced work in progress in both land development and home building.

Total loans and credit facilities decreased in 2017 compared to 2016 and 2015 mainly due to the repayment of loans and credit facilities, including \$8,000 annual payments on the VTB in both January 2016 and January 2017.

ROE is calculated as net earnings attributable to equity shareholders' divided by average shareholders' equity. Factors that affect net earnings have been explained above. In addition, retained earnings, a component of shareholders' equity, was affected by dividends of \$19,896, \$10,936, and \$ 5,331 in 2017, 2016 and 2015 respectively. In addition, Genesis' NCIB reduced shareholders equity by \$1,456, \$1,420 and \$1,187 in 2017, 2016 and 2015 respectively.

SUMMARY OF QUARTERLY RESULTS

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Revenues	65,644	31,128	38,497	15,664	28,145	29,240	26,148	32,424
Net earnings ⁽¹⁾	8,713	3,372	4,209	704	(1,216)	2,184	2,828	2,110
EPS ⁽²⁾	0.20	0.08	0.09	0.02	(0.03)	0.05	0.06	0.05

⁽¹⁾ Net earnings attributable to equity shareholders

⁽²⁾ Net earnings per share - basic and diluted

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Dividends								
Dividends declared	10,813	9,083	-	-	10,936	-	-	-
Dividends paid	-	9,083	-	-	10,936	-	-	-
Dividends declared – per share	0.25	0.21	-	-	0.25	-	-	-
Dividends paid – per share	-	0.21	-	-	0.25	-	-	-

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Residential lots sold to third parties (units)	37	13	45	37	12	24	22	-
Homes sold (units)	44	49	36	19	56	28	40	42
Development land revenues	41,000	5,234	9,000	-	-	9,437	1,650	10,150 ⁽¹⁾

⁽¹⁾ Includes rebate of \$100 on early closing of a 14 acre development land parcel in 2016

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Cash flows from (used in) operating activities								
Amount	27,298	8,888	12,251	(1,529)	6,229	10,060	14,394	12,269
Per share basic and diluted	0.62	0.21	0.28	(0.03)	0.14	0.23	0.33	0.28

In general, net earnings are mainly affected by the volume of residential lot and home sales, development land parcel sales, and write-downs or recoveries, if any. Seasonality affects the land development and home building industry in Canada, particularly winter weather conditions. Refer to the Factors Affecting Results of Operations section on page 18 of this MD&A which discusses the factors that affect Genesis' results and seasonality further.

During Q4 2017, Genesis sold 37 residential lots to third parties and 44 homes. Genesis completed the sale of 319 acres of undeveloped land belonging to a limited partnership for \$41,000. On an overall basis, this resulted in higher revenues during Q4 2017 compared to Q3 2017. Genesis incurred lower general and administrative expenses and net finance expense during Q4 2017 offset by higher selling and marketing expenses compared to Q3 2017.

During Q3 2017, Genesis sold 13 residential lots to third parties and 49 homes. Genesis completed the sale of a 617 acre parcel of land belonging to a limited partnership for \$5,234. On an overall basis, lower revenues from residential lot sales and development land sales, partially offset by higher revenues from residential home sales resulted in lower revenues during Q3 2017 compared to Q2 2017. Genesis incurred slightly lower general and administrative, selling and marketing expenses during Q3 2017 compared to Q2 2017. In addition, Genesis had no write-down in Q3 2017.

During Q2 2017, Genesis sold 45 residential lots to third parties and 36 homes. Genesis also sold a 1,476 non-core development land parcel in Q2 2017 for \$9,000. On an overall basis, this resulted in higher revenues during Q2 2017 compared to Q1 2017. Genesis incurred lower general and administrative, selling and marketing expenses and net finance expenses during Q2 2017 compared to Q1 2017. In addition, Genesis had a write-down of \$1,095 in Q2 2017.

During Q1 2017, Genesis sold 37 residential lots to third parties and 19 homes. The 37 unit decrease in home closings between Q1 2017 and Q4 2016 was partially offset by a 25 unit increase in residential lot sales to third parties. On an overall basis, this resulted in lower revenues during Q1 2017 compared to Q4 2016. Genesis incurred lower general and administrative, selling and marketing expenses and net finance expenses during Q1 2017 compared to Q4 2016. In addition, Genesis had no write-down in Q1 2017. These were the main factors resulting in higher net earnings and EPS during Q1 2017 compared to Q4 2016.

During Q4 2016, Genesis sold 12 residential lots to third parties and 56 homes (all single-family). This resulted in revenues that were slightly lower than Q3 2016. Genesis also had a write-down of \$5,372 in Q4 2016, a difference of \$2,079 compared to Q3 2016, which affected the net earnings in Q4 2016.

During Q3 2016, Genesis sold 24 residential lots to third parties, a 7 acre development land parcel for \$9,437 and 28 homes (all single-family). The development land parcel sale and higher residential lot sales resulted in higher revenues in Q3 2016 compared to the second quarter of 2016 ("Q2 2016"), but this was partially offset by the lower residential home revenues. Genesis also had a write-down \$3,293 related to of a single parcel of undeveloped non-core land located in Alberta.

During Q2 2016, Genesis sold 22 residential lots to third parties, a 1,653 acre non-core development land parcel for \$1,650 and 40 homes (all single-family). The sale of a development land parcel in the first quarter of 2016 ("Q1 2016") resulted in higher revenues in Q1 2016 compared to Q2 2016, but this was partially offset by the higher volume of residential lot sales in Q2 2016. During Q2 2016, Genesis also incurred \$992 of cost of sales expense relating to townhouse projects that were not going to proceed. These were the main factors resulting in lower net earnings during Q2 2016 compared to Q1 2016.

During Q1 2016, Genesis sold no residential lots to third parties, sold a development land parcel for \$10,250 and 42 homes (all single-family). During the fourth quarter of 2015, the joint venture in which Genesis is a 50% partner, sold a multi-family land parcel for which Genesis realized a deferred gain of \$1,184. Genesis also realized deferred gains from the sale of 10 single family lots and its share of net income from the joint venture in the fourth quarter of 2015. There was no corresponding multi-family land sale in Q1 2016, and Genesis realized deferred gains from five single-family lots during Q1 2016. These factors resulted in lower net earnings and EPS during Q1 2016 compared to the fourth quarter of 2015.

RELATED PARTY TRANSACTIONS

Transactions occurred with the following related parties:

1. Underwood Capital Partners Inc. ("Underwood") - controlled by an officer and director, Stephen J. Griggs; and
2. Smoothwater Capital Corporation ("Smoothwater") – a significant shareholder of Genesis. Stephen J. Griggs serves as the CEO of Smoothwater.

	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Paid to Underwood for the services of Stephen J. Griggs as CEO	86	80	334	368
Reimbursement of travel and other costs incurred by Smoothwater	-	-	-	11
	86	80	334	379

CONSOLIDATED ENTITIES

Genesis Limited Partnership #6 and Genesis Limited Partnership #7, part of the LP6/7 group, paid a final distribution of \$6,978 to their unit holders during the year ended December 31, 2016. Genesis held an 11.75% equity interest in Genesis Limited Partnership #6. The LP6/7 Group entities no longer have any assets or liabilities and are no longer being consolidated effective January 1, 2017.

SUBSEQUENT EVENTS

Subsequent to YE 2017, the following occurred:

- Genesis paid the third installment of \$8,000 on the VTB in January 2018. The balance on the VTB after this payment, but excluding the unamortized portion, is \$16,000.
- The cash dividend of \$0.25 per share, which was declared in December 2017 was paid on January 5, 2018.
- Refer to Provision for Litigation on page 28

SUMMARY OF ACCOUNTING CHANGES

The Corporation adopted no new IFRSs and interpretations during 2017.

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 15, "Revenue from contracts with customers"

On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace existing standards and interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard outlines a single comprehensive model for revenue recognition arising from contracts with customers. The Corporation will adopt IFRS 15 as of January 1, 2018.

The Corporation has completed the assessment of the impact of IFRS 15. The assessment indicates that the revenue recognition for the Corporation will remain unchanged, with the exception of revenues from development land sales.

IFRS 15 requires that the Corporation recognize development land sales when the land parcels have been delivered to the customers and related services that have been contractually agreed to by the Corporation and the customers have been substantially performed, without reference to receipt of a minimum 15% non-refundable deposit, which was an additional criterion under the prior standard.

Revenues from development land sales are now expected to be recognized when the agreed-to services to the property have been substantially performed and the transaction closes rather than when the agreed-to services to the property have been substantially performed and on the receipt of a minimum 15% non-refundable deposit.

There were no development land transactions made during the year ended December 31, 2017 that would be impacted by the transition to IFRS 15.

IFRS 9, "Financial instruments"

On November 12, 2009, the IASB issued IFRS 9, "Financial instruments" ("IFRS 9"), which will replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 applies to classification and measurement of financial assets as defined in IAS 39. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39.

The Corporation completed the assessment of the impact of IFRS 9 on its financial statements and is not expecting any reclassification to occur during the transition to IFRS 9, or thereafter. The Corporation will assess on a case by case basis, as needed, in the future. The Corporation will adopt IFRS 9 as of January 1, 2018.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS 16, "Leases"

On January 13, 2016, the IASB published a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted but only if the entity is also applying IFRS 15, "Revenue from contracts with customers". Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest.

The Corporation has not yet considered the impact of IFRS 16 on its financial statements. The Corporation does not intend to early adopt IFRS 16.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date for the land development and the home building businesses. On an ongoing basis, management evaluates its judgments and estimates in relation to revenues, expenses, assets and liabilities. Management uses historical experience, third-party appraisals and reports and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. There were no material changes made to the critical accounting estimates for YE 2017 and YE 2016. Refer to note 2(p) in the consolidated financial statements for the years ended December 31, 2017 and 2016 for additional information on judgments and estimates.

Provision for Future Development Costs

Changes in estimated future development costs related to land, lots and homes previously sold by Genesis and for which it has ongoing obligations directly impacts the amount recorded for the future development liability, cost of sales, gross margin and, in some cases, the value of real estate under development and held for sale. This liability is subject to uncertainty due to the longer time frames involved, specifically in land development.

Impairment of Real Estate Held for Development and Sale

The Corporation estimates the net realizable value ("NRV") of real estate held for development and sale at least annually for impairment or whenever events or changes in circumstances indicate the carrying value may exceed NRV. The estimate is based on valuations conducted by independent real estate appraisers, other professional reports and estimates and take into account recent market transactions of similar and adjacent lands and housing projects in the same geographic area.

Valuation of Amounts Receivable

Amounts receivable are reviewed on a regular basis to estimate recoverability of balances. Any overdue amounts and any known issues about the financial condition of debtors are taken into account when estimating recoverability.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*. The CEO and CFO have designed, or caused to be designed under their direct supervision, Genesis' DC&P to provide reasonable assurance that:

- (i) material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and
- (ii) information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported on a timely basis.

The CEO and CFO have also designed, or caused to be designed under their direct supervision, Genesis' ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The ICFR have been designed using the control framework established in Internal Control – Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

The CEO and CFO have evaluated the design and operating effectiveness of Genesis' DC&P and ICFR and concluded that Genesis' DC&P and ICFR were effective as at December 31, 2017. While Genesis' CEO and CFO believe that the Corporation's internal controls and procedures provide a reasonable level of assurance that such controls and procedures are reliable, an internal control system cannot prevent all errors and fraud. It is management's belief that any control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

There were no changes in the Corporation's ICFR during the three months and year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect the Corporation's ICFR.

RISKS AND UNCERTAINTIES

In the normal course of business, Genesis is exposed to certain risks and uncertainties inherent in the real estate development and home building industries. Real estate development and home building are cyclical businesses. As a result, the profitability of Genesis could be adversely affected by external factors beyond the control of management. Risks and uncertainties faced by Genesis include industry risk, competition, supply and demand, geographic risk, development and construction costs, credit and liquidity risks, finance risk, interest risk, management risk, mortgage rates and financing risk, general uninsured losses, cyber-security and business continuity risk, environmental risk and government regulations.

Development and Construction Cost Risk

Genesis may be impacted by higher prices of labor, consulting fees, construction services and materials. Costs of development and building have fluctuated over the past several years and are typically passed on to the end customer through higher pricing. Any significant increase that Genesis cannot pass on to the end customer may have a negative material impact on profits.

Credit and Liquidity Risk

Credit risk arises from the possibility that third-party builders who agree to acquire lots from Genesis may experience financial difficulty and be unable to fulfill their lot purchase commitments.

Liquidity risk is the risk that Genesis will not be able to meet its financial obligations as they fall due. If Genesis is unable to generate sufficient sales, renew existing credit facilities or secure additional financing, its ability to meet its obligations as they become due may be impacted. Based on the Corporation's operating history, relationships with lenders and committed sales contracts, management believes that Genesis has the ability to continue to renew or repay its financial obligations as they become due.

Finance Risk

Genesis uses debt and other forms of financing in its business to execute the corporate strategy. Genesis uses project specific credit facilities to fund land development costs and construction operating lines for home construction purposes. Should Genesis be unable to retain or obtain such credit facilities, its ability to achieve its goals could be impacted. In order to reduce finance risk, Genesis endeavors to match the term of financing with the expected revenues of the underlying land asset.

Management regularly reviews the Corporation's credit facilities and manages the requirements in accordance with project development plans and operating requirements.

Litigation Risk

All industries are subject to legal claims, with or without merit. The Corporation may be involved from time to time in various legal proceedings which may include potential liability from its operating activities and, as a public company, possibly from violations of securities laws or breach of fiduciary duty by its directors or officers. Defense and settlement costs can be substantial, even with respect to legal claims that have no merit. Due to the inherent uncertainty associated with litigation, the resolution of any particular legal proceeding could have a material effect on the financial position and results of operations of the Corporation.

Cybersecurity and Business Continuity Risk

Genesis' operations, performance and reputation depend on how its technology networks, systems, offices and sensitive information are protected from cyberattacks. Genesis' operations and business continuity depend on how well it protects, tests, maintains and replaces its networks, systems and associated equipment. The protection and effective organization of Genesis' systems, applications and information repositories are central to the security and continuous operation of its business.

Cyberattacks and threats (such as hacking, computer viruses, denial of service attacks, industrial espionage, unauthorized access to confidential information, or other breaches of network or IT security) continue to evolve and Genesis' IT defenses need to be regularly monitored and adapted. Vulnerabilities could harm Genesis' brand and reputation as well as its business relationships, and could adversely affect its operations and financial results.

Genesis has the following in place to reduce and/or manage cybersecurity and business continuity risk: enterprise grade firewalls with the ability to detect port scanning, denial of service attacks and content filtering and application control to permit or deny traffic on the network. Genesis also has anti-virus software with behaviour based real-time threat end-point protection, ability to scan and lock down unauthorised system changes and/or file encryption and prevent suspicious network behaviour. In addition, all incoming and outgoing emails are scanned for content, suspicious URLs and the existence of recipients within the organization. Regular internal backups of network databases and files are made in case of data corruption or encryption. The

Corporation maintains various types of insurance to cover certain potential risks and regularly evaluates the adequacy of this coverage.

There may be additional risks that management may need to consider as circumstances require. For a more detailed discussion on the Corporation's risk factors, refer to Genesis' AIF for the year ended December 31, 2017 available on SEDAR at www.sedar.com.

TRADING AND SHARE STATISTICS

The Corporation's trading and share statistics for 2017 and 2016 are provided below.

	2017	2016
Average daily trading volume	7,639	12,188
Share price (\$/share)		
High	3.95	3.17
Low	2.78	2.01
Close	3.73	2.99
Market capitalization at December 31,	161,333	130,800
Shares outstanding	43,252,721	43,745,806

OTHER

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

ADVISORIES

Forward-Looking Statements

This MD&A contains certain statements which constitute forward-looking statements or information ("forward-looking statements") within the meaning of applicable securities legislation, including Canadian Securities Administrators' National Instrument 51-102 'Continuous Disclosure Obligations', concerning the business, operations and financial performance and condition of Genesis. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements are based on material factors or assumptions made by us with respect to, among other things, opportunities that may or may not be pursued by us; changes in the real estate industry; fluctuations in the Canadian and Alberta economy; changes in the number of lots sold and homes delivered per year; and changes in laws or regulations or the interpretation or application of those laws and regulations.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to Genesis' 2017 business plan, the payment of dividends, plans and strategies surrounding the acquisition of additional land, plans and strategies surrounding the development and disposition of the Corporation's core lands, the expected completion dates of various projects that GBG is currently engaged in and anticipated lot yields for projects under development, commencement of the servicing phase and the construction phase of various communities and projects, the financing of these phases and expected increased leverage, anticipated general economic and business conditions, the Alberta real estate cycle, expectations for lot and home prices, Genesis' plan to minimize overhead costs, construction starts and completions, development plans for Genesis' core lands, the continued participation of a builder in Genesis' builder partner group, the expected closing dates for the sale of certain lands in the community of Sage Hill, expenditures on land development activities in 2017, GBG's sales process and construction margins, the ability to build an inventory of homes and sell units on a quick possession basis, the recovery of accounts receivable from a third-party builder and the ability to continue to renew or repay financial obligations and to meet liabilities as they become due.

Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to: the impact of contractual arrangements and incurred obligations on future operations and liquidity; local real estate conditions, including the development of properties in close proximity to Genesis' properties; the uncertainties of real estate development and acquisition activity; fluctuations in interest rates; ability to access and raise capital on favourable terms; not realizing on the anticipated benefits from transactions or not realizing on such anticipated benefits within the expected time frame; labour matters, governmental regulations, stock market volatility and other risks and factors described from time to time in the documents filed by Genesis with the securities regulators in Canada available at www.sedar.com, including this MD&A under the heading "Risks and Uncertainties" and the AIF under the heading "Risk Factors". Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and, except as required by applicable law, Genesis does not undertake any obligation to publicly update or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

MANAGEMENT'S REPORT

To the Shareholders of **Genesis Land Development Corp.:**

The consolidated financial statements and all information in the Management's Discussion and Analysis ("MD&A") are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with International Financial Reporting Standards ("IFRS") appropriate in the circumstances. The financial information in the MD&A has been reviewed by management to ensure consistency with the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of consolidated financial statements.

The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets regularly with the auditors and management to review the activities of each. The Audit Committee is composed of three independent directors, and reports to the Board of Directors.

MNP LLP, an independent firm of Chartered Professional Accountants, was engaged to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and IFRS to provide an independent auditors' opinion.

Stephen J. Griggs
Chief Executive Officer

Wayne King
Chief Financial Officer

March 14, 2018

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GENESIS LAND DEVELOPMENT CORP.

We have audited the accompanying consolidated financial statements of Genesis Land Development Corp., which comprise the consolidated balance sheet as at December 31, 2017 and December 31, 2016, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Calgary, Alberta
March 14, 2018

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Genesis Land Development Corp. as at December 31, 2017 and December 31, 2016 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants



GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED BALANCE SHEET
(In thousands of Canadian dollars)

	Notes	December 31, 2017	December 31, 2016
Assets			
Real estate held for development and sale	4	200,757	242,000
Amounts receivable	5	30,820	21,059
Vendor-take-back mortgage	6, 19	20,558	-
Other operating assets	7	18,083	5,019
Deferred tax assets	8	7,622	6,557
Income tax recoverable		-	42
Cash and cash equivalents		23,585	14,318
Total assets		301,425	288,995
Liabilities			
Loans and credit facilities	9	30,135	43,295
Dividend payable	7	10,813	-
Customer deposits		4,629	2,587
Accounts payable and accrued liabilities		8,938	10,195
Income tax payable		2,785	-
Provision for future development costs	2o	24,584	21,253
Total liabilities		81,884	77,330
Commitments and contingencies	14		
Subsequent events	7, 9b, 15		
Equity			
Share capital	10	54,260	54,888
Retained earnings		147,137	150,863
Shareholders' equity		201,397	205,751
Non-controlling interest	19	18,144	5,914
Total equity		219,541	211,665
Total liabilities and equity		301,425	288,995

See accompanying notes to the consolidated financial statements

ON BEHALF OF THE BOARD:

Stephen J. Griggs
 Director and Chair of the Board

Steven Glover
 Director and Chair of the Audit Committee

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2017 and 2016
(In thousands of Canadian dollars except per share amounts)

	Year ended December 31,		
	Notes	2017	2016
Revenues			
Sales revenue		150,746	115,179
Other revenue		187	778
		150,933	115,957
Direct cost of sales		(96,609)	(80,674)
Write-down of real estate held for development and sale	4	(1,095)	(8,665)
		(97,704)	(89,339)
Gross margin		53,229	26,618
General and administrative	11	(10,970)	(11,844)
Selling and marketing	12	(4,921)	(4,382)
		(15,891)	(16,226)
Earnings from operations		37,338	10,392
Finance income		125	71
Finance expense	13	(2,450)	(2,999)
Earnings before income taxes		35,013	7,464
Income tax expense	8	(5,815)	(1,532)
Net earnings being comprehensive earnings		29,198	5,932
Attributable to non-controlling interest	19	12,200	26
Attributable to equity shareholders		16,998	5,906
Net earnings per share – basic and diluted	10	0.39	0.13

See accompanying notes to the consolidated financial statements

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2017 and 2016
(In thousands of Canadian dollars except number of shares)

	Equity attributable to Corporation's shareholders					Non-Controlling Interest	Total Equity
	Common shares – Issued		Contributed Surplus	Retained Earnings	Total Shareholders' Equity		
	Number of Shares	Amount					
At December 31, 2015	44,297,602	55,591	5,577	150,957	212,125	12,866	224,991
Share-based payments	-	-	76	-	76	-	76
Normal course issuer bid (Note 10c)	(551,796)	(703)	-	(717)	(1,420)	-	(1,420)
Distribution to unit holders of Genesis Limited Partnership #6	-	-	-	-	-	(6,978)	(6,978)
Cancellation of stock options	-	-	(5,653)	5,653	-	-	-
Dividends declared (Note 10d)	-	-	-	(10,936)	(10,936)	-	(10,936)
Net earnings being comprehensive earnings	-	-	-	5,906	5,906	26	5,932
At December 31, 2016	43,745,806	54,888	-	150,863	205,751	5,914	211,665
At December 31, 2016	43,745,806	54,888	-	150,863	205,751	5,914	211,665
Normal course issuer bid (Note 10c) and misc.	(493,085)	(628)	-	(828)	(1,456)	30	(1,426)
Dividends declared (Note 10d)	-	-	-	(19,896)	(19,896)	-	(19,896)
Net earnings being comprehensive earnings	-	-	-	16,998	16,998	12,200	29,198
At December 31, 2017	43,252,721	54,260	-	147,137	201,397	18,144	219,541

See accompanying notes to the consolidated financial statements

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016
(In thousands of Canadian dollars)

		Year ended December 31,	
	Notes	2017	2016
Operating activities			
Receipts from residential lot and development land sales		52,755	27,795
Receipts from residential home sales		67,367	83,100
Other (payments) receipts		(7)	2,910
Paid for land development		(17,993)	(13,921)
Paid for residential home construction		(36,384)	(37,425)
Paid to suppliers and employees		(14,900)	(14,869)
Interest received		125	71
Income taxes paid		(4,055)	(4,709)
Cash flows from operating activities		46,908	42,952
Investing activities			
Acquisition of equipment		(223)	(61)
Distribution received from joint venture		-	3,200
Cash (used in) from investing activities		(223)	3,139
Financing activities			
Advances from loans and credit facilities		32,471	42,462
Repayments of loans and credit facilities		(40,004)	(57,800)
Payment on vendor-take-back loan	9b	(8,000)	(8,000)
Interest and fees paid on loans and credit facilities		(533)	(500)
Repurchase and cancellation of shares under NCIB	10c	(1,456)	(1,420)
Distribution to unit holders of limited partnerships		-	(6,978)
Dividends	10d	(19,896)	(10,936)
Cash (used in) financing activities		(37,418)	(43,172)
Change in cash and cash equivalents		9,267	2,919
Cash and cash equivalents, beginning of period		14,318	11,399
Cash and cash equivalents, end of period		23,585	14,318

See accompanying notes to the consolidated financial statements

GENESIS LAND DEVELOPMENT CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)

1. DESCRIPTION OF BUSINESS

Genesis Land Development Corp. (the "Corporation" or "Genesis") was incorporated as Genesis Capital Corp. under the Business Corporation Act (Alberta) on December 2, 1997.

The Corporation is engaged in the acquisition, development, and sale of land, residential lots and homes primarily in the greater Calgary area. The Corporation reports its activities as two business segments: land development and home building.

The Corporation is listed for trading on the Toronto Stock Exchange under the symbol "GDC". Genesis' head office and registered office are located at 7315 - 8th Street N.E., Calgary, Alberta T2E 8A2.

The consolidated financial statements of Genesis were approved for issuance by the Board of Directors on March 14, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Corporation are set out below. These policies have been consistently applied to each of the years presented, unless otherwise indicated.

a) Statement of compliance

The consolidated financial statements of the Corporation are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of presentation

The consolidated financial statements have been prepared under the historical cost convention except for the financial assets classified as fair value through profit or loss that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency, and all values are rounded to the nearest thousand, except per share values and where otherwise indicated.

c) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, as well as the consolidated revenues, expenses, assets, liabilities and cash flows of limited partnership entities that the Corporation controls. When the Corporation has less than 50% equity ownership in these limited partnership entities, the Corporation may still have control over these entities' activities, projects, financial and operating policies due to contractual arrangements. Accordingly, the accounts of the limited partnerships have been consolidated in the Corporation's financial statements.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continues to be consolidated until the date when such control ceases. Control exists when the Corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intra-group transactions, balances, dividends and unrealized gains and losses resulting from intra-group transactions are eliminated on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Corporation and are presented separately from shareholders' equity in the consolidated statements of comprehensive income and within equity in the consolidated balance sheets. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Interest in joint venture

The Corporation has an interest in a joint venture, Kinwood Communities Inc., (the "JV") which is a jointly controlled entity. The Corporation recognizes its interest in the JV using the equity method of accounting.

e) Revenue recognition

(i) Residential lot and development land sales

Land and lot sales to third parties are recognized when the risks and rewards of ownership have been transferred, the agreed-to services pertaining to the property have been substantially performed, a minimum 15% non-refundable deposit has been received, and the collection of the remaining unpaid balance is reasonably assured. Deposits received upon signing of contracts for purchases of lots on which revenue recognition criteria have not been met are recorded as customer deposits.

(ii) Residential home sales

Revenue is recognized when title to the completed home is conveyed to the purchaser, at which time all proceeds are received or collection is reasonably assured.

Deposits received from customers upon signing of contracts for purchases of completed homes for which revenue recognition criteria have not been met are recorded as customer deposits.

(iii) Finance income

Finance income is recognized as it accrues using the effective interest rate method.

(iv) Other revenue

Rental income is recognized on a straight-line basis over the term of the rental agreement. Rental income is incidental to ownership of real estate and does not result in classification of real estate as investment property. All real estate is classified as inventory. Deposits forfeited are recognized as income.

f) Real estate held for development and sale

Land under development, land held for future development and housing projects under construction are inventory and are measured at the lower of cost and estimated net realizable value ("NRV"). NRV is the estimated selling price in the ordinary course of the business at the balance sheet date, less costs to complete and estimated selling costs.

Cost includes land acquisition costs, other direct costs of development and construction, borrowing costs, property taxes and legal costs. These costs are allocated to each phase of the project in proportion to saleable acreage.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Borrowing costs

The acquisition or construction of real estate assets necessarily takes a substantial period of time to prepare for its intended use or sale. Borrowing costs attributable to real estate held for development and sale are recorded as part of the respective inventory carrying cost. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of the funds.

The borrowing costs are determined first by reference to borrowings specific to the project, where relevant, and secondly by applying a weighted average interest rate for the Corporation's non-project specific borrowings, less any investment income arising on temporary investing of funds, to qualifying inventory. Borrowing costs are recorded as inventory from the date of commencement of development work until the date of completion. The recording of interest as inventory is suspended if the project's development is suspended for a prolonged period.

h) Property and equipment

Property and equipment is stated at cost, net of any accumulated depreciation and accumulated impairment losses. Depreciation is provided on all operating property and equipment based on the straight-line method over the estimated useful lives of the property and equipment. The useful lives of the properties are as follows:

• Vehicles and other equipment	5 years
• Office equipment and furniture	7 years
• Computer equipment	3 years
• Computer software	3 years
• Showhome furniture	3 years
• Leasehold improvements	Lesser of 5 years or remaining term of the lease

i) Income taxes

Income taxes comprise the following:

(i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, using tax rates and laws that are enacted or substantively enacted as at the balance sheet date.

(ii) Deferred tax

Deferred tax is provided at the balance sheet date using the liability method on all temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available, against which deductible temporary differences, carried forward tax credits or tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

The Corporation's consolidated financial statements include some entities that are limited partnerships (note 19) and are not subject to income taxes. The income or loss for Canadian tax purposes is attributable to the taxable income of the partners in accordance with the provisions of the Income Tax Act (Canada). The calculation of income tax expense reflects the exclusion of taxable income allocated to partners that form part of the non-controlling interest.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Cash and cash equivalents

Cash and cash equivalents consist of cash held with banks and short-term deposits of original maturity of three months or less.

k) Leases

Operating lease payments are recognized as an operating expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

l) Financial assets

All financial assets are initially recognized on the consolidated balance sheet at fair value and designated at inception into one of the following classifications: at fair value through profit or loss ("FVTPL"); and loans and receivables. All financial assets are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Transaction costs related to financial assets classified as FVTPL are expensed, and for all other financial assets they are included in the initial carrying amount.

The financial assets classified as FVTPL are cash and cash equivalents, and deposits and restricted cash. Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets at FVTPL are carried on the consolidated balance sheet at fair value, with changes in fair value recognized in the consolidated statements of comprehensive income.

Financial assets classified as loans and receivables are amounts receivable. Financial assets classified as loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less impairment. The amortization and losses arising from impairment are recognized in the consolidated statements of comprehensive income.

Financial assets are no longer recognized when the contractual rights to the cash flows from the asset expire, or the Corporation transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained is recognized as a separate asset or liability.

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events that have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset, discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

m) Financial liabilities

The financial liabilities classified as other financial liabilities are accounts payable and accrued liabilities, and loans and credit facilities.

All financial liabilities are initially recognized on the consolidated balance sheet at fair value less directly attributable transaction costs, and designated at inception as other financial liabilities.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are no longer recognized as a liability when the contractual obligations are discharged, cancelled or expire.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Earnings per share

The amount of basic earnings per share is calculated by dividing the comprehensive earnings attributable to equity holders by the weighted average number of shares outstanding during the period.

o) Provision for future development costs

The Corporation sells land, lots and homes for which it is responsible to pay for future development costs. For home building, the provision for future development costs represents the costs likely to be incurred on remaining seasonal work and estimated warranty charges over the one year warranty period. For land development, the provision for future development costs represents the estimated remaining construction costs related to previously sold land, including all direct and indirect costs expected to be incurred during the remainder of the servicing period, net of expected recoveries. The provision is reviewed periodically and, when the estimate is known to be different from the actual costs incurred or expected to be incurred, an adjustment is made to the provision for future development costs and a corresponding adjustment is made to land under development and/or cost of sales.

p) Significant accounting judgments and estimates

The preparation of consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. On an ongoing basis, management evaluates its judgments and estimates in relation to revenues, expenses, assets and liabilities. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The following are the most significant accounting judgments and estimates made by the Corporation in applying accounting policies:

Judgments

(i) Revenue Recognition

Revenue recognition for development lands requires judgment to determine when the risks and rewards of ownership have been transferred. The Corporation reviews each contract and evaluates all the factors to determine the appropriate transfer date.

(ii) Consolidation

The Corporation applies judgment in determining control over certain limited partnerships where the Corporation holds less than 50% equity ownership. The judgment is based on a review of all contractual agreements to determine if the Corporation has control over the activities, projects, financial and operating policies of the limited partnerships.

(iii) Income Taxes

The Corporation applies judgment in determining the total provision for current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain due to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of the business, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to the provision for current and deferred taxes.

(iv) Net realizable value ("NRV")

NRV for land and housing projects held for development and sale is estimated with reference to market prices and conditions existing at the balance sheet date. This is determined by the Corporation having considered suitable external advice including independent real estate appraisers and recent market transactions of similar and adjacent lands and housing projects in the same geographic area.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Legal contingencies

The Corporation applies judgment as it relates to the outcome of legal proceedings to determine whether a provision and disclosure in the consolidated financial statements is required. Among the factors considered in making such judgments are the nature of litigation, claim or assessment, the legal process and potential level of damages, the progress of the case, the opinions or views of legal advisers and any decision of the Corporation's management as to how it will respond to the litigation, claim or assessment.

Estimates

(i) Provision for future development costs

Changes in estimated future development costs, which are generally provided by third party service providers, directly impact the amount recorded for the future development liability, cost of sales, gross margin and, in some cases, the value of real estate under development and held for sale. This liability is subject to uncertainty due to the long time frames involved, specifically in land development.

(ii) Impairment of real estate held for development and sale

The Corporation estimates the NRV of real estate held for development and sale at least annually for impairment or whenever events or changes in circumstances indicate the carrying value may exceed NRV. The estimate is based on valuations conducted by independent real estate appraisers and other third party advisors, and is also based on housing projects in the same geographic area.

(iii) Valuation of amounts receivable

Amounts receivable are reviewed on a regular basis to estimate recoverability of balances. Any amounts becoming overdue and any known issues about the financial condition of debtors are taken into account when estimating recoverability.

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3. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS DURING 2017

The Corporation adopted no new IFRSs and interpretations during 2017.

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 15, "Revenue from contracts with customers"

On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace existing standards and interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard outlines a single comprehensive model for revenue recognition arising from contracts with customers. The Corporation will adopt IFRS 15 as of January 1, 2018.

The Corporation has completed the assessment of the impact of IFRS 15. The assessment indicates that the revenue recognition for the Corporation will remain unchanged, with the exception of revenues from development land sales.

IFRS 15 requires that the Corporation recognize development land sales when the land parcels have been delivered to the customers and related services that have been contractually agreed to by the Corporation and the customers have been substantially performed, without reference to receipt of a minimum 15% non-refundable deposit, which was an additional criterion under the prior standard.

The assessment indicates that the revenue recognition for the Corporation will remain unchanged, with the exception of revenues from development land sales which are now expected to be recognized when the agreed-to services to the property have been substantially performed and the transaction closes rather than when the agreed-to services to the property have been substantially performed and on the receipt of a minimum 15% non-refundable deposit.

There were no development land transactions made during the year ended December 31, 2017 that would be impacted by the transition to IFRS 15.

IFRS 9, "Financial instruments"

On November 12, 2009, the IASB issued IFRS 9, "Financial instruments" ("IFRS 9"), which will replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 applies to classification and measurement of financial assets as defined in IAS 39. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39.

The Corporation completed the assessment of the impact of IFRS 9 on its financial statements and is not expecting any reclassification to occur during the transition to IFRS 9, or thereafter. The Corporation will assess on a case by case basis, as needed, in the future. The Corporation will adopt IFRS 9 as of January 1, 2018.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS 16, "Leases"

On January 13, 2016, the IASB published a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted but only if the entity is also applying IFRS 15, "Revenue from contracts with customers". Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest.

The Corporation has not yet considered the impact of IFRS 16 on its financial statements. The Corporation does not intend to early adopt IFRS 16.

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4. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	Land Under Development	Land Held for Future Development	Home Building	Total	Limited Partnerships	Intra- segment Elimination	Consolidated Total
Gross book value							
As at December 31, 2016	122,896	98,693	19,400	240,989	72,029	(4,194)	308,824
Transfer	3,870	(3,870)	-	-	-	-	-
Development activities	11,973	2,263	35,575	49,811	421	-	50,232
Sold	(20,761)	(32,650)	(34,819)	(88,230)	(57,197)	-	(145,427)
As at December 31, 2017	117,978	64,436	20,156	202,570	15,253	(4,194)	213,629
Provision for write-downs							
As at December 31, 2016	4,000	27,676	-	31,676	35,148	-	66,824
Sold	-	(24,007)	-	(24,007)	(31,040)	-	(55,047)
Write-down of real estate held for development and sale during the period	1,075	-	-	1,075	20	-	1,095
As at December 31, 2017	5,075	3,669	-	8,744	4,128	-	12,872
Net book value							
As at December 31, 2016	118,896	71,017	19,400	209,313	36,881	(4,194)	242,000
As at December 31, 2017	112,903	60,767	20,156	193,826	11,125	(4,194)	200,757

During the year ended December 31, 2017, interest of \$383 (2016 - \$500) was capitalized as a component of the development costs above.

A limited partnership controlled by the Corporation closed the sale of a 617 acre parcel of land in the Calgary Metropolitan Area ("CMA") on August 28, 2017 for gross proceeds of \$5,234. The net sale proceeds were used to partially pay down a third party loan owed by the limited partnership. This limited partnership subsequently closed the sale of a 319 acre parcel of land in the CMA on December 15, 2017 for gross proceeds of \$41,000. The limited partnership received \$20,500 in cash and a \$20,500 three year vendor-take-back first mortgage (refer to note 6). Of the cash received, \$4,055 was used to fully pay down the third party loan owed by the limited partnership (refer to note 9g), \$15,547 was used to partially pay down the loan due to Genesis and the remainder was used to pay for sales commissions and legal fees. As at December 31, 2017, the limited partnership had a loan amounting to \$12,272 (2016 - \$26,590) due to Genesis, which is secured by a charge on the \$20,500 vendor-take-back mortgage.

The Corporation closed the sale of a 1,476 acre non-core parcel of land located in Rocky View County on May 2, 2017 for gross proceeds of \$9,000.

During the year ended December 31, 2017, the Corporation recorded a write-down of \$1,095, mainly related to land under development to reflect the estimated returns realizable from the future completion of development and sale of this land.

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5. AMOUNTS RECEIVABLE

	2017	2016
Agreements receivable	28,500	19,778
Other receivables	2,320	1,281
	30,820	21,059

Agreements receivable for lot sales have various terms of repayment with purchasers generally having between 6 and 24 months to pay the balance owing for the purchased lots. In order to mitigate credit risk, the Corporation does not transfer title to sold residential lots until full payment is received. Certain agreements receivable and mortgages receivable, if any, are interest bearing.

6. VENDOR-TAKE-BACK MORTGAGE TO LIMITED PARTNERSHIP

	2017	2016
Vendor-take-back mortgage to limited partnership	20,558	-

A limited partnership controlled by the Corporation closed the sale of a 319 acre parcel of land on December 15, 2017 for gross proceeds of \$41,000. The limited partnership received \$20,500 in cash and a \$20,500 three year vendor-take-back first mortgage bearing interest at 6.5% per annum. Interest on the vendor-take-back mortgage is payable annually, in arrears.

7. OTHER OPERATING ASSETS

	2017	2016
Deposits – construction projects	2,674	2,497
Deposit – dividend payable (note 10d)	10,813	-
Prepayments	286	262
Restricted cash	3,773	1,353
Property and equipment	537	907
	18,083	5,019

Deposits include amounts paid to development authorities as security to guarantee the completion of construction projects under development. The deposits are refundable upon completion of the related projects and earn interest at rates approximating those earned on guaranteed investment certificates. The Corporation has also provided letters of credit as security to guarantee the completion of certain construction projects (see note 14 for additional information). Restricted cash is held in trust accounts.

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8. INCOME TAXES

a) Income tax was recognized in the consolidated statements of comprehensive income as follows:

	2017	2016
Current income tax	6,882	4,397
Deferred income tax	(1,067)	(2,865)
Income tax expense	5,815	1,532

b) Income tax expense differed from that which would be expected from applying the combined statutory Canadian federal and provincial income tax rates of 27.00% (2016 – 27.00%) to earnings before income taxes. The difference resulted from the following:

	2017	2016
Earnings before income taxes	35,013	7,464
Statutory tax rate	27.00%	27.00%
Expected income tax expense	9,454	2,015
Benefit of (utilization of previous) loss not recognized	(63)	63
Change in estimate of a deferred tax component	-	(533)
Other	(282)	(6)
Non-controlling interest	(3,294)	(7)
Tax expense for the year	5,815	1,532

c) The deferred tax assets (liabilities) of the Corporation were as follows:

	2017	2016
Deferred tax assets	11,097	8,461
Deferred tax liabilities	(3,475)	(1,904)
Deferred tax assets	7,622	6,557

d) The components of the deferred tax asset were as follows:

	2017	2016
Real estate held for development and sale	7,732	5,562
Non-capital loss carry-forwards	-	212
Reserves from land sales	(3,475)	(1,690)
Unamortized financing costs	2,798	2,419
Other temporary differences	567	54
Deferred tax assets	7,622	6,557

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9. LOANS AND CREDIT FACILITIES

	2017	2016
Secured by agreements receivable and real estate held for development and sale		
(a) Demand land project servicing loans, payable on collection of agreements receivable, bearing interest of prime +0.75% per annum, secured by real estate held for development and sale with a carrying value of \$47,843, due between April 1, 2018 and December 31, 2019.	6,164	5,566
Secured by real estate held for development and sale		
(b) Vendor-take-back loan ("VTB") at 0% per annum is measured at amortized cost and whose fair value is based on discounted future cash flows, using an 8% discount rate. The \$40,000 VTB was entered into on January 6, 2015 in partial payment for the purchase of southeast Calgary lands and is secured by these lands which have a carrying value of \$44,799. The VTB is to be paid in five annual installments of \$8,000 each, commencing January 6, 2016 and ending January 6, 2020. The third installment of \$8,000 was paid in January 2018.	24,000	32,000
Unamortized portion of the discount on the VTB.	(1,792)	(3,494)
(c) Demand operating line of credit up to \$10,000, bearing interest at prime +1.00% per annum, secured by real estate held for development and sale with a carrying value of \$14,165 due on March 31, 2018.	-	-
Secured by housing projects under development		
(d) Demand operating line of credit up to \$6,500, bearing interest at prime +0.75% per annum, secured by a general security agreement over assets of the home building division.	-	-
(e) Demand lot purchase loan, payable on collection of closing proceeds, bearing interest at prime +1.50% per annum, secured by home building projects. The loan was paid during the three months ended March 31, 2017.	-	903
(f) Demand project specific townhouse construction loan, payable on collection of sale and closing proceeds, bearing interest at prime +0.90% per annum, secured by the project with a carrying value of \$2,433, due on August 31, 2020.	1,896	-
	30,268	34,975
Secured by land held for future development - Limited Partnership		
(g) Demand land loan, bearing interest at the greater of 7.85% or prime +4.00% per annum, secured by land held for future development and sale. The loan was paid during the three months ended December 31, 2017. Refer to note 4, Real Estate Held For Development And Sale.	-	8,531
	30,268	43,506
Deferred fees on loans and credit facilities	(133)	(211)
	30,135	43,295

A lender has a general security agreement on all property of the Corporation and its subsidiaries, in addition to specific security, mentioned above.

The weighted average interest rate of loan agreements with financial institutions was 3.99% (2016 - 5.77%) based on December 31, 2017 balances.

During the year ended December 31, 2017, the Corporation received advances of \$32,471 (2016 - \$42,462) relating to various existing loan facilities secured by agreements receivable and real estate held for development and sale, bearing interest ranging from prime + 0.75% to prime + 1.00% per annum, with due dates ranging from March 31, 2018 to August 31, 2020.

The VTB at 0% per annum is measured at amortized cost and its fair value is based on discounted future cash flows using an 8% discount rate, resulting in interest expense of \$1,702 (2016 - \$2,185) for the year ended December 31, 2017.

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9. LOANS AND CREDIT FACILITIES (continued)

Based on the contractual terms, the Corporation's loans and credit facilities are to be repaid within the following time periods (excluding deferred financing fees):

January 1, 2018 to December 31, 2018	12,007
January 1, 2019 to December 31, 2019	9,530
January 1, 2020 to December 31, 2020	8,731
	30,268

The Corporation and its subsidiaries have various covenants in place with their lenders with respect to credit facilities including credit usage restrictions; cancellation, prepayment, confidentiality and cross default clauses; sales coverage requirements; conditions precedent for funding; and other general understandings such as, but not limited to, maintaining contracted lot prices, restrictions on encumbrances, liens and charges, material changes to project plans, and material changes in the Corporation's ownership structure. As at December 31, 2017 and 2016, the Corporation and its controlled entities were in compliance with all loan covenants.

10. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value, none issued.

b) Weighted average number of shares

The following table sets forth the weighted average number of common shares outstanding for the year ended December 31, 2017 and 2016:

	Year ended December 31,	
	2017	2016
Basic and diluted weighted average number of common shares	43,384,450	43,969,313

In calculating diluted earnings per share for the year ended December 31, 2016, the Corporation excluded all options as they were cancelled effective June 30, 2016 and their exercise price was greater than the average market price during the six months ended June 30, 2016.

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10. SHARE CAPITAL (continued)

c) Normal course issuer bid ("NCIB")

On September 7, 2017, the Corporation announced the renewal of its NCIB which commenced on September 12, 2017 and terminates on the earlier of (i) September 11, 2018; and (ii) the date on which the maximum number of common shares are purchased pursuant to the bid. The Corporation may purchase for cancellation up to 2,163,022 common shares under the renewed NCIB.

The prior NCIB, which expired on September 11, 2017, allowed the Corporation to purchase for cancellation up to 2,194,320 common shares. The Corporation purchased a total of 548,881 common shares at an average price of \$2.95 per share under this NCIB.

The following table sets forth the number of common shares repurchased and cancelled during the year ended December 31, 2017 and 2016 under the NCIB.

	Years ended December 31,	
	2017	2016
Number of shares repurchased and cancelled	493,085	551,796
Reduction in share capital	628	703
Reduction in retained earnings	828	717
Reduction in shareholders' equity	1,456	1,420
Average purchase price per share	2.95	2.60

d) Dividends

Cash dividends of \$9,083 (\$0.21 per share) and \$10,936 (\$0.25 per share) were declared and paid in 2017 and 2016 respectively. An additional cash dividend of \$10,813 (\$0.25 per share) was declared in December 2017 and payable on January 5, 2018. This amount was transferred to a service provider as at December 31, 2017 in order to facilitate payout made on January 5, 2018.

11. GENERAL AND ADMINISTRATIVE

The general and administrative expense of the Corporation consisted of the following:

	2017	2016
Corporate administration	2,380	2,694
Compensation and benefits	7,671	8,131
Professional services	919	1,019
	10,970	11,844

Compensation and benefits of the directors and key management personnel were as follows:

	2017	2016
Salaries, wages and benefits	1,788	1,924
Share-based payments	-	76
	1,788	2,000

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12. SELLING AND MARKETING

Selling and marketing expenses of the Corporation consisted of the following:

	2017	2016
Advertising and marketing	2,279	2,020
Sales commissions	2,642	2,362
	4,921	4,382

13. FINANCE EXPENSE

The finance expense of the Corporation consisted of the following:

	2017	2016
Interest incurred	770	1,014
Finance expense relating to VTB (note 9)	1,702	2,185
Financing fees amortized	361	300
Interest and financing fees capitalized (note 4)	(383)	(500)
	2,450	2,999

14. COMMITMENTS AND CONTINGENCIES

- a) In 2012, the Corporation entered into a memorandum of understanding with the Northeast Community Society to contribute \$5,000 over 10 years for 15-year naming rights to "Genesis Centre for Community Wellness", a recreation complex in northeast Calgary (\$500 each year, terminating in 2021). The first six installments totaling \$3,000 were paid as at December 31, 2017.
- b) In 2008, the Corporation entered into an agreement with the City of Airdrie to contribute \$2,000 over 10 years for 40-year naming rights to "Genesis Place", a recreation complex in Airdrie (\$200 each year, terminating in 2017). All ten installments totaling \$2,000 were paid as at December 31, 2017.
- c) The Corporation has issued letters of credit pursuant to servicing agreements with municipalities to indemnify them in the event that the Corporation does not perform its contractual obligations. As at December 31, 2017, the letters of credit amounted to \$5,491 (2016 – \$4,429).
- d) The Corporation has office and other operating leases with the following annual payments: not later than one year - \$574; later than one year but not later than five years - \$939; and later than five years - Nil.
- e) On September 22, 2017, Limited Partnership Land Pool ("LPLP 2007"), Genesis as manager, the general partner, two limited partners, two affiliated limited partnerships and various third parties were named as co-defendants in a statement of claim initiated in the Province of Alberta by a limited partner of LP RRSP Limited Partnership #1, a limited partner of LP RRSP Limited Partnership #2 and a limited partner of LPLP 2007. The statement of claim seeks to be certified as a class action and is seeking pecuniary and non-pecuniary damages of \$60,000, including general and special damages. The Corporation's view is that this claim is completely without merit and, on its behalf and on behalf of LPLP 2007, is actively contesting both the certification proceeding and the claim itself. Any potential liability to the Corporation and/or the Partnership is currently indeterminate.

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15. PROVISION FOR LITIGATION

Two former employees filed a statement of claim against the Corporation and a director on May 27, 2016 alleging wrongful termination of their employment and seeking damages, legal costs and other relief arising out of the termination of their employment contracts with the Corporation. The aggregate amount of the claim is approximately \$1,600 and the Corporation has recorded this amount as a provision as at December 31, 2017. The former employees brought a motion before a Master in Chambers of the Court of Queen's Bench of Alberta for summary judgment asking for awards of liquidated damages, being the amount of their severance entitlements set out in their employment contracts. On April 24, 2017, the Master granted the former employees' application for summary judgment. The Corporation filed a Notice of Appeal on April 28, 2017 and intends to vigorously defend against the claim. The appeal is set down for a hearing on May 2, 2018.

On March 8, 2018, the two former employees served an application for leave to amend their claim to add claims in the amount of \$1,100 plus costs and interest in connection with a disputed purported exercise of options. It is too early in the process to assess potential liability with respect to the new claims.

16. FINANCIAL INSTRUMENTS

a) Risks associated with financial instruments

(i) Credit risk

As at December 31, 2017, the Corporation carried Nil (2016 - Nil) as allowance for doubtful accounts.

The Corporation recognizes bad debt expense (or recovery) relating to amounts receivable on sold lots, net of the value of the related sold lots, on the termination of the relevant agreement, which are taken back into the Corporation's lot inventory.

Recovery of bad debt expense is included in the Corporation's general and administrative expenses. In order to mitigate credit risk, the Corporation does not transfer title to sold residential lots until full payment is received. Individual balances due from customers as at December 31, 2017, which comprise greater than 10% of total amounts receivable, totaled \$25,752 from five customers (2016 - \$19,040 from five customers).

Aging of amounts receivable was as follows:

	2017	2016
Not past due	29,056	20,865
Past due	1,764	194
	30,820	21,059

The past due amount of \$1,764 is an amount receivable from a single third-party builder in receivership who is also in breach of the purchase and sale contract for single family lots purchased from the Corporation. As provided in that contract, title to the relevant lots has not passed to the builder which provides strong security in support of the receivable. The Corporation is confident it will recover the entire amount of the receivable and is pursuing all available legal remedies. Total amounts receivable from this builder as at December 31, 2017, including the past due amounts, is \$3,710. The Corporation has received a non-refundable 15% deposit of \$655 on these lots.

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16. FINANCIAL INSTRUMENTS (continued)

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities and other commitments as at December 31, 2017:

	<1 Year	>1 Year	Total
Financial liabilities			
Accounts payable and accrued liabilities	8,938	-	8,938
Dividend payable (note 10d)	10,813	-	10,813
Loans and credit facilities excl. deferred fees (note 9)	12,007	18,261	30,268
	31,758	18,261	50,019
Commitments			
Lease obligations (note 14)	574	939	1,513
Naming rights (note 14)	500	1,500	2,000
	1,074	2,439	3,513
	32,832	20,700	53,532

At December 31, 2017, the Corporation had obligations due within the next 12 months of \$32,832 (2016 - \$34,556). Based on the Corporation's operating history, its relationship with its lenders and committed sales contracts, management believes that the Corporation has the ability to continue to renew or repay its financial obligations as they come due.

(iii) Market risk

The Corporation is exposed to interest rate risk to the extent that certain agreements receivable and certain loans and credit facilities are at a floating rate of interest. A 1% change in interest rates would result in a change in interest incurred of approximately \$81 annually on floating rate loans.

b) Fair value of financial instruments

The fair values of cash and cash equivalents, restricted cash, accounts payable and accrued liabilities approximate their carrying values as they are expected to be settled within twelve months. The fair value of deposits approximates their carrying value as the terms of deposits are comparable to the market terms for similar instruments. The fair value of the vendor-take-back mortgage approximates its carrying value as the terms of vendor-take-back mortgage is comparable to the market terms for similar instruments.

The fair values of the Corporation's loans and credit facilities and amounts receivable were estimated based on current market rates for loans of the same risk and maturities.

Fair value measurements recognized in the consolidated balance sheets are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values. The three fair value hierarchy levels are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

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16. FINANCIAL INSTRUMENTS (continued)

The estimated fair value of financial assets and liabilities as at December 31, 2017, are presented in the following table:

	December 31, 2017		December 31, 2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Fair value through profit and loss				
Cash and cash equivalents	23,585	23,585	14,318	14,318
Deposits	2,674	2,674	2,497	2,497
Restricted cash	3,773	3,773	1,353	1,353
Loans and receivables				
Amounts receivable	30,820	30,192	21,059	20,057
Vendor-take-back mortgage (note 6)	20,558	20,558	-	-
Other financial liabilities				
Accounts payable and accrued liabilities	8,938	8,938	10,195	10,195
Loans and credit facilities, excluding deferred loans and credit facilities fees (note 9)	30,268	30,268	43,506	43,506

During the years ended December 31, 2017 and 2016, no transfers were made between the levels in the fair value hierarchy.

Cash and cash equivalents, deposits and restricted cash are classified under Level 1 of the hierarchy.

The fair values of the Corporation's amounts receivable, vendor-take-back mortgage, accounts payable and accrued liabilities and loans and credit facilities are classified as Level 2 of the hierarchy.

c) Capital management

The Corporation's policy is to maintain a sufficient capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Corporation is not subject to externally imposed capital requirements.

The Corporation manages its capital structure and makes adjustments to it in light of changes in regional economic conditions and the risk characteristics of the underlying real estate industry within that region.

The Corporation considered its capital structure at the following dates to specifically include:

	2017	2016
Loans and credit facilities (note 9)	30,135	43,295
Shareholders' equity	201,397	205,751
	231,532	249,046

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17. SEGMENTED INFORMATION

The income producing business units of the Corporation reported the following activities for the year ended December 31, 2017 and 2016:

Year ended December 31, 2017	Land Development Segment				Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination	Total			
Revenues	58,152	46,288	-	104,440	67,707	(21,214)	150,933
Direct cost of sales	(35,089)	(26,284)	-	(61,373)	(56,450)	21,214	(96,609)
Write-down of real estate held for development and sale	(1,075)	(20)	-	(1,095)	-	-	(1,095)
Gross margin	21,988	19,984	-	41,972	11,257	-	53,229
G&A, selling & marketing and net finance expense or income	(6,650)	(2,724)	-	(9,374)	(8,842)	-	(18,216)
Earnings (loss) before income taxes and non-controlling interest	15,338	17,260	-	32,598	2,415	-	35,013
Segmented assets as at December 31, 2017	264,021	31,743	(17,804)	277,960	26,531	(3,066)	301,425
Segmented liabilities as at December 31, 2017 ^{(1),(2)}	76,638	13,625	(13,610)	76,653	8,297	(3,066)	81,884
Segmented net assets as at December 31, 2017 ^{(1),(2)}	187,383	18,118	(4,194)	201,307	18,234	-	219,541

Year ended December 31, 2016	Land Development Segment				Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination	Total			
Revenues	49,704	9,204	(705)	58,203	83,249	(25,495)	115,957
Direct cost of sales	(29,696)	(8,244)	1,187	(36,753)	(69,416)	25,495	(80,674)
Write-down of real estate held for development and sale	(5,990)	(2,675)	-	(8,665)	-	-	(8,665)
Gross margin	14,018	(1,715)	482	12,785	13,833	-	26,618
G&A, selling & marketing and net finance expense or income	(7,191)	(3,135)	669	(9,657)	(9,497)	-	(19,154)
Earnings (loss) before income taxes and non-controlling interest	6,827	(4,850)	1,151	3,128	4,336	-	7,464
Segmented assets as at December 31, 2016	258,583	36,971	(26,677)	268,877	24,929	(4,811)	288,995
Segmented liabilities as at December 31, 2016 ^{(1),(2)}	64,658	36,145	(27,543)	73,260	8,692	(4,622)	77,330
Segmented net assets as at December 31, 2016 ^{(1),(2)}	193,925	826	866	195,617	16,237	(189)	211,665

⁽¹⁾ Segmented liabilities under the Genesis home building segment include \$878 due to the land development segment (December 31, 2016 – due from land segment to home building segment - \$287).

⁽²⁾ Segmented liabilities under the LP segment is comprised of accounts payable and accrued liabilities and includes \$13,610 (December 31, 2016 - \$27,543) due to Genesis.

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18. RELATED PARTY TRANSACTIONS

	Years ended December 31,	
	2017	2016
Fees for services provided by a corporation controlled by an officer and director	334	368
Reimbursement of travel and other costs to a corporation which is a significant shareholder of Genesis	-	11
	334	379
	December 31,	
	2017	2016
Amounts in accounts payable and/or accrued liabilities	22	-

19. CONSOLIDATED ENTITIES

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, as well as the consolidated revenues, expenses, assets, liabilities and cash flows of limited partnership entities that the Corporation controls. The Corporation has less than 50% equity ownership in these limited partnership entities; however, the Corporation has control over these entities' activities, projects, financial and operating policies due to contractual arrangements. As such, the relationship between the Corporation and the limited partnership entities indicates that they are controlled by the Corporation. Accordingly, the accounts of the limited partnerships have been consolidated in the Corporation's financial statements. Subsidiaries of the Corporation are general partners in three limited partnership group structures.

Limited Partnership Land Pool (2007) ("LPLP 2007") has a loan amounting to \$12,272 (2016 - \$26,590) due to the Corporation, which is secured by a charge on the \$20,500 vendor-take-back mortgage (note 6).

Genesis Limited Partnership #6 and Genesis Limited Partnership #7, part of the LP6/7 group, paid a final distribution of \$6,978 to their unit holders during the year ended December 31, 2016. Genesis held 11.75% equity interest in Genesis Limited Partnership #6. The LP6/7 Group entities no longer have any assets or liabilities and the entities are no longer being consolidated effective January 1, 2017.

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19. CONSOLIDATED ENTITIES (continued)

All entities are incorporated in Canada and are listed in the following table:

Name	% equity interest as at	
	December 31, 2017	December 31, 2016
Land Development		
Genpol Inc.	100%	100%
Genpol LP	100%	100%
1504431 Alberta Ltd.	0.0002%	0.0002%
Genesis Sage Meadows Partnership	99.9998%	99.9998%
Genesis Land Development (Southeast) Corp.	100%	100%
Polar Hedge Enhanced Income Trust	100%	100%
Home Building		
Genesis Builders Group Inc.	100%	100%
The Breeze Inc.	100%	100%
Laurels by Genesis Inc.	Amalgamated ⁽¹⁾	100%
Newport at Canals Landing Inc.	Amalgamated ⁽¹⁾	100%
Ashbury at Saddlestone Inc.	Amalgamated ⁽¹⁾	100%
Hutton at Bayview Inc.	Amalgamated ⁽¹⁾	100%
Joint Venture		
Kinwood Communities Inc.	50%	50%
Limited Partnerships		
LP 4/5 Group		
Genesis Limited Partnership #4 ⁽²⁾	0.001%	0.001%
Genesis Limited Partnership #5, GLP5 GP Inc., GLP5 NE Calgary Development Inc.	0%	0%
Genesis Northeast Calgary Ltd.	100%	100%
LP 6/7 Group		
Genesis Limited Partnership #6	Dissolved	11.75%
LP 8/9 Group		
Genesis Limited Partnership #8 ⁽²⁾	53.63%	53.63%
Genesis Limited Partnership #9, GP GLP9 Inc., GLP9 Subco Inc.	0%	0%
GP GLP8 Inc.	100%	100%
LPLP 2007 Group		
Limited Partnership Land Pool (2007)	0.023%	0.023%
GP LPLP 2007 Inc.	100%	100%
GP RRSP 2007 Inc., LPLP 2007 Subco Inc.	0%	0%
LPLP 2007 Subco #2 Inc., LP RRSP Limited Partnership #1	0%	0%
LP RRSP Limited Partnership #2	0%	0%

⁽¹⁾ Amalgamated with Genesis Builders Group Inc. on May 1, 2017

⁽²⁾ The allocation of profit or loss is 0% at December 31, 2017 and 2016 in accordance with the terms of the relevant limited partnership agreement.

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19. CONSOLIDATED ENTITIES (continued)

The following tables summarize the information relating to the Corporation's subsidiaries that have material non-controlling interests and may include inter-group balances that are eliminated on consolidation and become a component of the net non-controlling interest:

BALANCE SHEETS

	December 31, 2017				
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	Total
Assets					
Real estate held for development and sale	8,546	-	2,579	-	11,125
Amounts receivable	1	-	-	20,616	20,617
Cash and cash equivalents	-	-	1	-	1
Total assets	8,547	-	2,580	20,616	31,743
Liabilities					
Accounts payable and accrued liabilities	-	-	-	15	15
Due to related parties	827	-	511	12,272	13,610
Total liabilities	827	-	511	12,287	13,625
Net assets (liabilities)	7,720	-	2,069	8,329	18,118
Non-controlling interest (%)	100%	0%	100%	100%	

	December 31, 2016				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Assets					
Real estate held for development and sale	8,186	-	2,574	26,121	36,881
Other operating assets	-	-	-	50	50
Cash and cash equivalents	-	-	1	39	40
Total assets	8,186	-	2,575	26,210	36,971
Liabilities					
Loans and credit facilities	-	-	-	8,514	8,514
Customer deposits	-	-	-	2	2
Accounts payable and accrued liabilities	-	-	-	86	86
Due to related parties	427	-	526	26,590	27,543
Total liabilities	427	-	526	35,192	36,145
Net assets (liabilities)	7,759	-	2,049	(8,982)	826
Non-controlling interest (%)	100%	88.25%	100%	100%	

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19. CONSOLIDATED ENTITIES (continued)

SUMMARIZED INCOME STATEMENTS

	Year ended December 31, 2017				
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	Total
Revenues	26	-	-	46,262	46,288
Net (loss) earnings	(39)	-	(11)	17,310	17,260
Non-controlling interest (%)	100%	n/a	100%	100%	

	Year ended December 31, 2016				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Revenues	17	9,137	-	50	9,204
Net loss	(23)	(21)	(19)	(4,787)	(4,850)
Non-controlling interest (%)	100%	88.25%	100%	100%	

SUMMARIZED STATEMENT OF CASH FLOWS

	Year ended December 31, 2017				
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	Total
Cash flows from operating activities	-	-	-	24,356	24,356
Cash flows (used in) financing activities	-	-	-	(24,395)	(24,395)
Net decrease in cash and cash equivalents	-	-	-	(39)	(39)

	Year ended December 31, 2016				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Cash flows from operating activities	-	7,296	-	19	7,315
Cash flows (used in) financing activities	-	(7,738)	-	(23)	(7,761)
Net decrease in cash and cash equivalents	-	(442)	-	(4)	(446)

OFFICERS

STEPHEN J. GRIGGS
Chair and CEO

WAYNE KING
Chief Financial Officer

PARVESHINDERA SIDHU
President, Genesis Builders Group Inc.
and Vice-President, Home Building

ARNIE STEFANIUK
Vice- President, Land Development

BRIAN WHITWELL
Vice-President, Land and Financing

DIRECTORS

STEPHEN J. GRIGGS
Chair of the Board

IAIN STEWART
Vice-Chair

STEVEN GLOVER
Lead Director

YAZDI BHARUCHA
Director

MICHAEL BRODSKY
Director

MARK W. MITCHELL
Director

LOUDON OWEN
Director

TRANSFER AGENT

Computershare Trust Company of Canada
600, 530 - 8th Avenue SW
Calgary, AB T2P 3S8

STOCK EXCHANGE

Toronto Stock Exchange
Stock Symbol – GDC

AUDITORS

MNP LLP
1500, 640 - 5th Avenue SW
Calgary, AB T2P 3G4

CORPORATE OFFICE

Genesis Land Development Corp.
7315 - 8th Street NE
Calgary, AB T2E 8A2
Main 403 265 8079
Email info@genesisland.com
www.genesisland.com





GENESIS LAND DEVELOPMENT CORP.

7315 - 8th Street NE
Calgary, Alberta, Canada T2E 8A2

Main 403 265 8079

Email info@genesisland.com

www.genesisland.com