2019 ANNUAL REPORT

GENESIS LAND DEVELOPMENT CORP.

GENESIS

TOGETHER, WE MAKE A BETTER PLACE

TABLE OF CONTENTS

BUILT ON CONNECTIONS

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

2019 was a transitional year for Genesis as we leveraged our strong financial position to take advantage of acquisition opportunities in the Calgary real estate market. The properties acquired in 2019, together with our existing land holdings, position Genesis for growth in both our residential land development and home building divisions for a number of years. Genesis has successfully reduced its non-core land holdings and is focused exclusively on the Calgary metropolitan region.

Acquisition highlights include:

- $23.8 million to acquire 130 acres of future residential development land in north Calgary. Slated for development to begin in late 2020, this community is expected to include over 800 single-family homes, and approximately seven acres of multi-family and commercial sites.
- $3.8 million to acquire an 8% interest in a joint venture owning 320 acres of residential development land in southwest Calgary which is expected to commence development in 2020. Genesis has the right to purchase 1/6th (333 lots) of the single-family lots in this development for Genesis Builders Group.
- $1.9 million to acquire a 5% interest in a limited partnership owning 224 acres of residential development land in northeast Calgary that is commenced development in late 2019. Genesis has the right to purchase a minimum of 25% of the single-family lots in this development for Genesis Builders Group.
- Genesis Builders Group also exchanged a right of first refusal on a north central future development for a right to of first refusal to acquire up to 25% of the lots (+/-200 lots) on a 146 acre parcel of land in southwest Calgary, as it is developed, commencing in 2021.

Operationally, Genesis achieved positive earnings for the 19th consecutive year; a significant feat in the volatile Calgary real estate market.

Operational highlights from 2019 include:

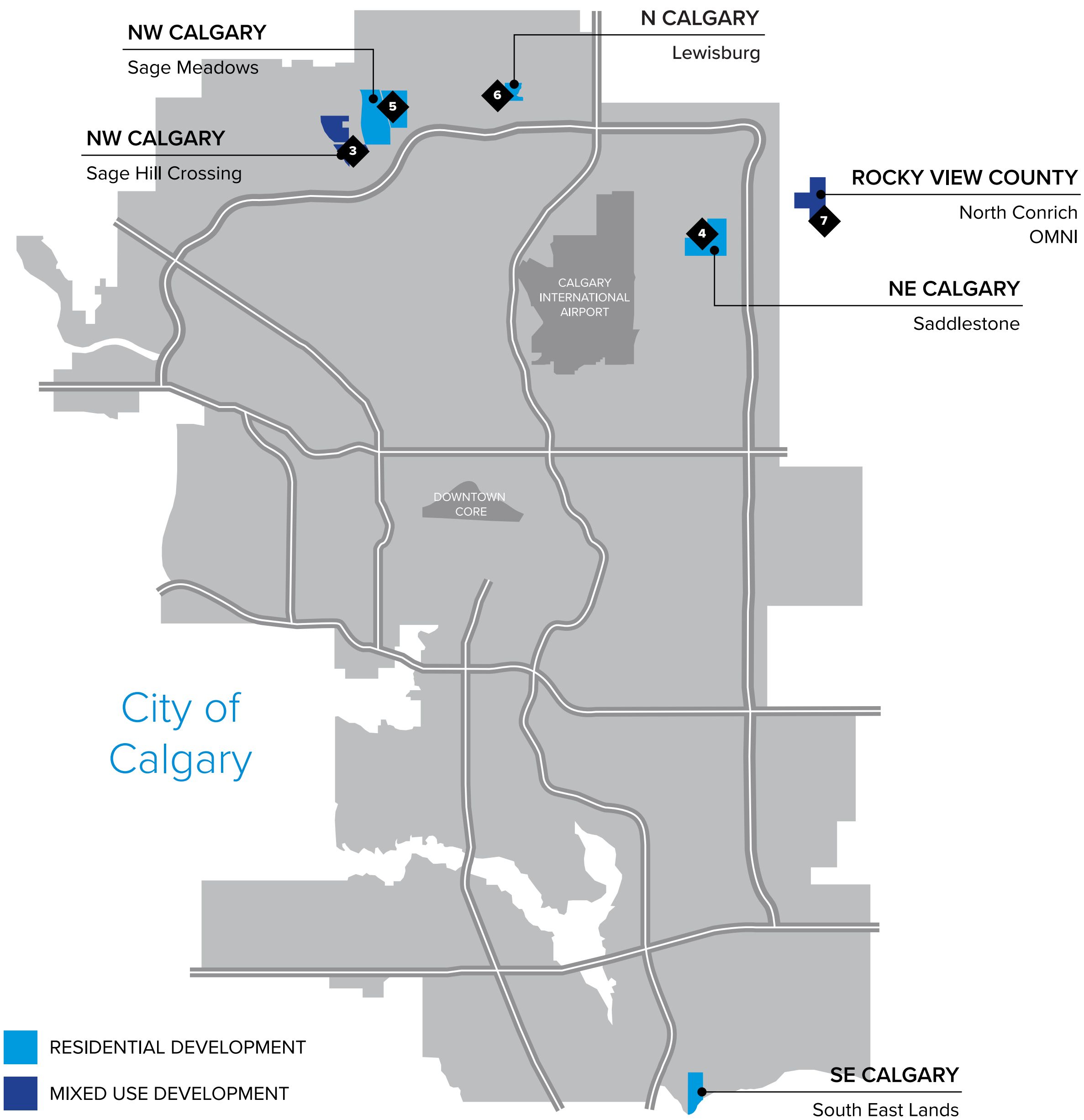
- Cash flow from operating activities of $9.5 million was generated, without the sale of any large parcels of land.
- Area Structure Plan approval for our 354 acre southeast Calgary residential project. In 2020, we plan to finalize our Outline Plan for this project and anticipate being ready to commence on site development in 2021.
- Outline Plan and Land Use approval for the final 49 acres of Sage Hill Crossing in northwest Calgary. Development of this project may begin in 2020 and is expected to yield 282 lots and 18.68 acres of multi-family and commercial land.
- The sales teams of Genesis Builders Group entered into 148 new home sales contracts and had 128 home sales close in 2019. In total, Genesis closed 161 residential lot sales. Genesis began 2020 with the strongest home order book since 2015, with 54 new home sale orders.
- Debt remains low, at $51.5 million or 17% of our total assets.

We remain cautiously optimistic. The Alberta economy had been showing signs of improving, long delayed oil and natural gas pipeline expansions are underway and capital spending in the oil and gas industry was expected to increase in 2020. Recent events triggered by the COVID-19 pandemic and the Saudi-Russia oil fight cause us to be much more cautious about our business in the coming months. The sharp decline in oil prices and expected reduced economic activity will have a significant negative impact on the Calgary economy. With well located core assets and low debt levels, Genesis is well positioned to withstand the impact of a recession on the Calgary real estate market, but its impact on Genesis could be meaningful.

IAIN STEWART
President and Chief Executive Officer
March 10, 2020

GENESIS PROJECTS & COMMUNITIES


AIRDRIE
Bayside Estates
Bayview
Canals Landing
City of Airdrie


NW CALGARY
Sage Meadows
NW CALGARY
Sage Hill Crossing
N CALGARY
Lewisburg
ROCKY VIEW COUNTY
North Conrich
OMNI
NE CALGARY
Saddlestone
CALGARY INTERNATIONAL AIRPORT
DOWNTOWN CORE
City of Calgary
SE CALGARY
South East Lands
RESIDENTIAL DEVELOPMENT
MIXED USE DEVELOPMENT

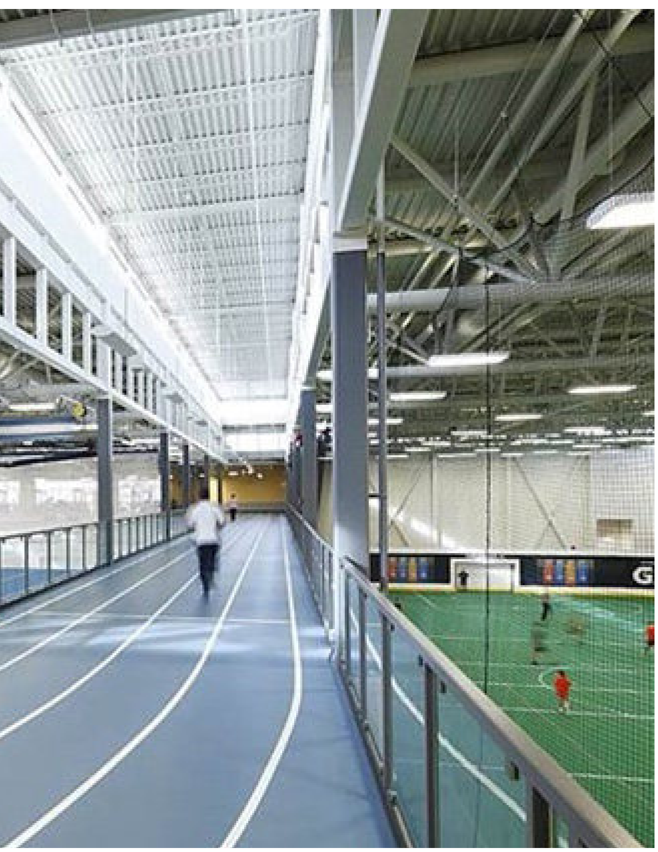
GENESIS CENTRE

NE CALGARY

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 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 AND ANALYSIS

FOR THREE MONTHS AND YEAR ENDED DECEMBER 31, 2019

The Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of operations of Genesis Land Development Corp. ("**Genesis**", "**the Corporatio**n", "**we**", "**us**", or "**our**") should be read in conjunction with consolidated financial statements and the notes thereto for years ended December 31, 2019 and 2018, 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 directo rs, and approved by the board of directors of the Corporation. Additional information, including the Corporation's Annual Information Form ("**AIF**") is 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 6, 2020.

STRATEGY AND 2019 BUSINESS PLAN

Strategy

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

As a land developer, Genesis acquires, plans, rezones, subdivides, services and sells residential lots and commercial and industrial lands to third-party developers and builders, and also sells lots and completed homes through its home building division. The land portfolio is planned, developed, serviced and sold as single-family lots and townhouse and commercial parcels at opportune times with the objective of maximizing the risk adjusted net present value of the land and to maximize net cash flow.

Through a wholly-owned subsidiary, Genesis Builders Group Inc. ("GBG"), Genesis also designs, builds and sells homes on a significant portion of its single-family lots and, in some cases, its townhouse land parcels. GBG also acquires single family lots from other land developers to build and sell single family homes in additional CMA communities.

The Corporation is executing on its 2019 five-year strategic plan which includes the opportunistic acquisition of additional CMA residential development lands, including through land development joint ventures and partnerships. These investments must meet acceptable return criteria and replenish and expand the Corporation's land asset base for future development and also provide an additional supply of lots for GBG. The Corporation completed three transactions in 2019 as described below and is actively exploring other potential land acquisitions and investment opportunities in the CMA.

As part of its overall strategy, Genesis continues to focus on minimizing overhead costs and long-term commitments, where possible, to preserve flexibility.

Genesis manages its financial position by prudently and opportunistically allocating its cash resources among the following:

- Maintaining a strong balance sheet as the first priority;
- Acquiring additional land either directly or through land development entities; and
- Paying dividends and/or buying back its common shares.

Market Overview

The last few years have seen continued flat to weak energy prices and limited capital investment in Alberta's oil and gas industry, and 2019 was again challenging. Alberta's GDP growth for 2019 is forecast to be 0.6% compared to 1.8% in 2018. The economic environment continued to negatively impact new home sales in the CMA for much of the year.

The Conference Board of Canada has forecasted that Alberta's economy will grow in 2020 and 2021 with projected growth of 2.4% and 3.1%, respectively. Overall capital investment in Alberta is forecast to increase as a result of the construction of certain pipelines proceeding and the impact of certain provincial tax cuts.

Nonetheless, the pace of single-family sales picked up in the second half of 2019, particularly in the $500,000 and under market, and annual home sales for Calgary were up by 1% over the prior year. The Calgary Real Estate Board ("CREB") reported that homes priced under $500,000 grew nearly 9%, while those priced over $500,000 saw sales volumes decline by 11%.

The average benchmark home price in Calgary as at December 31, 2019 declined to $419,000, 1.5% below the December 31, 2018 benchmark of $425,000. Overall inventory levels continue to decrease as home listings in Calgary were at 4.8 months of sales volume as of December 31, 2019, an improvement from the December 31, 2018 inventory levels of over 6 months. While it is still a buyers' market and mortgage rates remain favorable, lower inventory levels for single family homes and lower home pricing is steadily improving the balance between buyers and sellers.

The City of Calgary Q4 Housing Review released in January 2020 stated that for the first time in five years both real wages (+1.4%) and employment grew (+2.9%) in Calgary in 2019. The City of Calgary estimates that net migration was 1.5% (18,500) which compares to 1.7% in 2018, and forecast similar growth in 2020, providing support for housing market demand.

RBC Economics measures housing ownership affordability (calculated as ownership costs as a % of median household income) and in its December 2019 report noted that home ownership continues to be more affordable in Calgary at 38.6% which is a direct result of lower prices and lower mortgage rates. This measure is below the long run average for Calgary of 40.6% and the Canadian average measure of 50.7%. In 2019, Calgary was one of the most livable cities in North America and the top city in Canada in the Economist Intelligence Unit's livability ranking.

Business Plan

In 2019, Genesis generated positive cash flows from operating activities of $9,537 and realized net earnings attributable to equity shareholders of $1,701, the 19th consecutive year of positive earnings. The Corporation maintained its strong financial position with $16,248 in cash and cash equivalents and $51,546 in loans and credit facilities (being 17% of total assets) at December 31, 2019.

The following highlights the progress by Genesis on the execution of its business plan in 2019:

1) Obtaining Additional Zoning and Servicing Entitlements

Genesis continues to make progress in obtaining additional zoning and servicing entitlements for its land, including:

- Sage Hill Crossing Outline Plan: Sage Hill Crossing is a mixed-use development in Calgary's northeast quadrant containing 15.4 acres of serviced land and 51 acres of undeveloped land. The 15.4 acres of serviced land is contained in the south segment of the development and is comprised of an 8.2-acre multi-family site and a 7.2-acre commercial site. The multi-family site has been sold and is expected to close in Q1 2020. The commercial site is actively being marketed for sale. The 51 acres of undeveloped land, contained in the north segment, received City Council approval on December 2019 for final outline plan and land use amendment. The northern segment is expected to yield 282 single family lots, 14.6 acres of multi-family land and 4.1 acres of commercial land over three phases of development. Tentative plan of subdivision and engineering drawings for the first phase have been submitted to the City of Calgary with servicing scheduled to commence in 2020.
- Ricardo Ranch ASP: Genesis owns 354 acres of undeveloped land in Calgary's southeast quadrant. An ASP for a new residential community on these lands was approved by the Calgary City Council in November 2019. The Outline Plan and Land Use applications are expected to be approved in late 2020.
- OMNI ASP (in North Conrich): Genesis controls 610 acres of undeveloped land in Rocky View County bordering the northeast quadrant of the City of Calgary, which are included in an ASP known as the "OMNI ASP". Genesis has received ASP approval for a 185-acre commercial and retail project on a portion of these lands and a preliminary conceptual scheme was submitted to the County in December 2019 with a formal submission expected to take place in early 2020. The adjacent Genesis controlled lands in Rocky View County are included in a special study area, with land use still to be determined.

2) Planning for the Development and Sale of Land

Genesis continues to develop and implement detailed plans for each of its core land holdings, with the objective of maximizing the risk adjusted net present value of the land and to sell or develop the land at the most opportune time. Please see information provided under the heading *Real Estate Held for Development and Sale* in this MD&A.

The 8.2-acre multi-family parcel in Genesis' Sage Hill Crossing community is under firm contract to sell for $8,998 and is expected to close in the first quarter of 2020. Genesis also has a multi-family parcel of 4.9 acres in its Sage Meadows community under contract to sell for $6,546, with an expected closing date in the third quarter of 2020. Although all required conditions to date have been met, including deposits, there can be no assurances that these transactions will close within the described time periods or that they will close at all.

3) Servicing Additional Phases

Servicing of four new community phases with an estimated budget of approximately $53,000 commenced in 2018, of which approximately $33,000 has been expended with $11,960 of this cost incurred in 2019. The remaining costs are expected to be expended in 2020 and 2021 for municipal fees, completion of landscaping and amenities and final infrastructure costs. All four projects are to date on or below budget. These phases are being financed by land servicing project credit facilities from two major Canadian chartered banks and will provide a substantial number of lots and land parcels for Genesis to sell, including:

- Saddlestone community: The final phase of Genesis' 160-acre Saddlestone community has been completed, adding 121 single-family lots and two multi-family sites totaling 1.9 acres and a 3.2-acre park;

- Sage Meadows community: The final phase of the 80-acre Sage Meadows community has been completed, servicing 18.1 acres containing three multi-family sites (one of which was sold in Q4 2018 and another has been contracted for sale with an expected closing date in the third quarter of 2020), 31 single-family lots on which GBG is building and selling houses and a school site; and

- Bayside and Bayview communities: The servicing of two new phases in the 720-acre Airdrie development was completed in 2019, including the 108 lot Bayside phase 10 and the 102 lot Bayview phase 1. Servicing of the 6-acre park is expected to be finished in mid-2020.

4) Investing in additional lands

In 2019, Genesis completed three transactions to add to its land base and provide additional future lots for GBG. In September 2019, the Corporation closed the purchase of 130 acres of future residential development land in north Calgary for $23,725. Consideration consisted of a cash payment at closing of $5,101 funded from internal resources, and a vendor-take-back mortgage (a "VTB") of $18,624. This VTB is repayable in two equal installments of $9,312 in 2021 and 2022, has an interest rate of 5% per annum and is secured by the acquired land. This area in north Calgary is experiencing strong growth, and this acquisition diversifies Genesis' existing land base in terms of location and time to market. Genesis intends to develop this land into a residential community, with servicing expected to begin in late 2020. Upon completion, the community is expected to include over 800 single-family homes and approximately 7 acres of multi-family and commercial sites.

In 2019, Genesis also completed two investments in land development ventures managed by other developers. In July 2019, Genesis invested $1,850 to acquire a 5% interest in a limited partnership that is expected to commence development in 2020 of 224 acres of land in northeast Calgary, located close to Genesis' Saddlestone community. As part of this acquisition, Genesis has the right to purchase a minimum of 25% of the single-family lots in this development for GBG. In November 2019, Genesis invested $3,758 to acquire an 8% interest in a joint venture that is expected to commence development in 2020 of 320 acres of land in southwest Calgary. As part of this acquisition, Genesis has the right to purchase 1/6th (333 lots) of the single-family lots in this development for GBG.

5) Adding Select Third-party Builders in Genesis Communities

To diversify offerings and increase velocity of sales within its residential communities, Genesis has regular discussions with reputable third-party builders to acquire lots in future phases in Genesis' communities. Genesis currently has three third-party builders building in its communities.

6) Increasing velocity of homes sold by GBG

GBG had 54 outstanding new home orders at December 31, 2019, a significant improvement over 34 outstanding orders at December 31, 2018. To increase the velocity of home sales in the face of a weak housing market GBG has:

- reduced pricing on select models and completed spec homes;
- reduced construction of new spec homes, reducing inventory on hand;
- introduced new models that provide a better value proposition; and
- achieved construction cost reductions.

The results of these actions have been:

- an increase in GBG's "order book";
- improved sales levels with 36 new home orders in the fourth quarter of 2019, up 24% from 29 new home orders in the fourth quarter of 2018. In 2019, total new home orders increased by 19% to 148 from 124 in 2018;
- reduced pricing on select models which had only a slight negative impact on gross margin realized which was 14.9% in Q4 2019 compared to 15.3% in Q4 2018. Overall in 2019, gross margin was 13.8%, 7.3% lower as compared to 14.9% in 2018; and
- decreased home building work-in-progress to $21,365 at December 31, 2019, down from $25,252 at December 31, 2018.

7) Return of capital to shareholders

No dividends were paid in 2019, and a small number of common shares were repurchased by Genesis under its normal course issuer bid.

The following table shows dividends and share repurchases for since the first dividend was declared in 2014:

($000s, except for number of shares and per share items) **Year**	**Dividend per share**	**Total dividends declared**	**Shares repurchased and cancelled**	**Cost of repurchases**
2019	-	-	23,694	$58
2018	$0.24	$10,309	1,069,100	3,501
2017	0.46	19,896	493,085	1,456
2016	0.25	10,936	551,796	1,420
2015	0.12	5,331	628,598	1,887
2014	0.12	5,386	-	-
Total	**$1.19**	**$51,858**	**2,766,273**	**$8,322**

Outlook

With the overall economic conditions in the CMA continuing to show signs of improvement, Genesis is committed to implementing its strategy focused on developing and realizing the value of its strong land holdings and opportunistically acquiring additional residential lands in the CMA, while prudently managing its financial and other resources and controlling costs.

The strategy includes actively pursue servicing and zoning approvals to maximize the value of its land holdings. The strong land base, integrated approach, solid financial position and experienced team positions Genesis to take advantage of opportunities to acquire additional lands for future residential development.

OPERATING HIGHLIGHTS

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

	Three months ended December 31, [1]		Year ended December 31, [2]	
($000s, except for per share items or unless otherwise noted)	**2019**	**2018**	**2019**	**2018**
Key Financial Data				
Total revenues	**26,081**	20,935	**68,097**	81,437
Direct cost of sales	**(17,530)**	(14,311)	**(46,677)**	(61,024)
Gross margin	**8,551**	6,624	**21,420**	20,413
Gross margin (%)	**32.8%**	31.6%	**31.5%**	25,1%
Net earnings attributable to equity shareholders	**1,684**	2,358	**1,701**	4,124
Net earnings per share - basic and diluted	**0.04**	0.06	**0.04**	0.10
Cash flows from operating activities	**7,969**	7,192	**9,537**	14,747
Cash flows from operating activities per share - basic and diluted	**0.19**	0.16	**0.23**	0.34
Key Operating Data				
Land Development				
Total residential lots sold (units)	**64**	33	**161**	176
Residential lot revenues	**12,230**	6,603	**29,071**	31,769
Gross margin on residential lots sold	**5,471**	3,539	**13,942**	12,726
Gross margin (%) on residential lots sold	**44.7%**	53.6%	**48.0%**	40.1%
Average revenue per lot sold	**191**	200	**181**	181
Development and non-core land sold	**550**	4,628	**550**	15,126
Home Building				
Homes sold (units)	**43**	32	**128**	121
Revenues [3]	**20,551**	16,033	**59,746**	54,113
Gross margin on homes sold	**3,068**	2,451	**8,266**	8,057
Gross margin (%) on homes sold	**14.9%**	15.3%	**13.8%**	14.9%
Average revenue per home sold	**478**	501	**467**	447
New home orders at period end (units)			**54**	34

Key Balance Sheet Data	**As at Dec. 31, 2019**	**As at Dec. 31, 2018**
Cash and cash equivalents	**16,248**	24,042
Total assets	**296,268**	278,156
Loans and credit facilities	**51,546**	31,696
Total liabilities	**83,373**	68,387
Shareholders' equity	**193,957**	191,970
Total equity	**212,895**	209,769
Loans and credit facilities (debt) to total assets	**17%**	11%

(1) Three months ended December 31, 2019 and 2018 ("Q4 2019" and "Q4 2018")
(2) Year ended December 31, 2019 and 2018 ("YE 2019" and "YE 2018")
(3) Includes revenues of $7,250 for 43 lots in Q4 2019 and $21,270 for 128 lots in YE 2019 purchased by the Home Building division from the Land Development division ($6,329 and 32 in Q4 2018; $19,571 and 121 in YE 2018) and sold with the home. These amounts are eliminated on consolidation

Results from operations, including earnings and cash flows, vary considerably between periods for the reasons explained under the heading *Factors Affecting Results of Operations* in this MD&A.

Q4 2019 home sales increased to 43 as compared to 32 in the same period in 2018. This brought the total home sales to 128, an increase of 6% over the 121 home sales in 2018. The demand for presale homes increased and Genesis ended the fourth quarter of 2019 with 54 new home orders, up from 34 new home orders a year earlier. New home orders for the year ended December 31, 2019 were 148 units an increase of 19% over the 124 units for the same period in 2018.

Lower revenues from the sale of development land parcels were offset by the higher volume of residential lots sold in Q4 2019 (64 lots) compared to 33 lots in Q4 2018. In Q4 2019 one parcel of development land owned by a limited partnership was sold for $550, compared to one parcel sold for $4,628 in Q4 2018.

There was a lower volume of residential lots sold in 2019 (161 lots) than in 2018 (176 lots). During 2019, one development land parcel owned by a limited partnership was sold for $550, while $15,126 was realized from three land development parcel sales in 2018. These are the two main factors for lower 2019 revenue, and as a result, direct cost of sales was also lower in 2019.

On June 28, 2019, legislation was enacted to decrease the Alberta corporate income tax rate from 12% to 8% with a 1% reduction effective July 1, 2019 and further 1% reductions on each of January 1, 2020, 2021 and 2022. As a result, deferred income tax assets were reduced by $1,359 which was recognized as an increase in 2019 deferred income tax expense and a corresponding decrease in Genesis' 2019 net income attributable to equity shareholders.

Net earnings attributable to equity shareholders in Q4 2019 was $1,684 ($0.04 earnings per share - basic and diluted) compared to net earnings attributable to equity shareholders of $2,358 ($0.06 earnings per share - basic and diluted) in Q4 2018. Net earnings attributable to equity shareholders in YE 2019 was $1,701 ($0.04 earnings per share - basic and diluted) compared to net earnings attributable to equity shareholders of $4,124 ($0.10 earnings per share - basic and diluted) in YE 2018.

Genesis' cash flows from operating activities were $7,969 ($0.19 per share - basic and diluted) in Q4 2019, compared to $7,192 ($0.16 per share - basic and diluted) in Q4 2018. Genesis' cash flows from operating activities were $9,537 ($0.23 per share - basic and diluted) in YE 2019, compared to $14,747 ($0.34 per share - basic and diluted) in YE 2018.

Genesis had $16,248 in cash and cash equivalents at December 31, 2019 compared to $24,042 as at December 31, 2018 with the reduction mainly due to Genesis paying down land project servicing loans and housing project construction loans.

Total loans and credit facilities outstanding at December 31, 2019 were $51,546, 17% of the total book value of assets, compared to $31,696 or 11% of the total book value of assets at December 31, 2018. Total loans and credit facilities increased due to two new loans. One new loan related to the acquisition of the Calgary north lands described previously for which consideration included a $18,624 VTB. A second new loan related to the purchase a $20,500 VTB receivable from a controlled limited partnership which was financed in part by a $14,470 loan. Please see information provided under the heading *Purchase of Vendor-take-back Mortgage Receivable* in this MD&A. These increases to total loans and credit facilities were partially offset by the $8,000 payment on the vendor-take back mortgage issued in 2015 as partial consideration for the acquisition of the southeast Calgary lands subsequently named "Ricardo Ranch".

Factors Affecting Results of Operations

When reviewing the results, there are a number of factors that affect Genesis' results of operations, including:

- the volatility of oil and gas prices and changes in the Canadian US dollar exchange rate, both of which impact the Alberta oil and gas industry, and have significant impact on the CMA real estate market and economy;
- changes to the regulatory environment, both direct and indirect, including for example, the land development approval process, mortgage lending rules and immigration policies;
- changes in interest rates, including residential mortgage rates and the rates of interest charged to Genesis on its various credit facilities;
- costs incurred for the development and servicing of land and the sale of residential lots and other land parcels occurs over a substantial period of time and results in cash flows that vary considerably between periods, creating significant volatility in the revenues, earnings and cash flows from operating activities;
- land, lot and home prices and gross margins vary by community and lot/home type, the nature of the development work required to be undertaken before the land and lots are ready for sale, and the original cost of the land and servicing; and
- seasonality which has historically resulted in higher revenues in the summer and fall months when home building sales often peak.

Land Development

	Three months ended December 31,			Year ended December 31,		
	2019	**2018**	**% change**	**2019**	**2018**	**% change**
Key Financial Data						
Residential lot revenues (1)	**12,230**	6,603	85.2%	**29,071**	31,769	(8.5%)
Development land revenues	**550**	4,628	(88.1%)	**550**	15,126	(96.4%)
Direct cost of sales	**(7,297)**	(6,158)	(18.5%)	**(15,667)**	(32,719)	52.1%
Write-down of land held for development	**-**	(900)	N/R (4)	**(800)**	(1,820)	56.0%
Gross margin	**5,483**	4,173	31.4%	**13,154**	12,356	6.5%
Gross margin (%) (2)	**42.9%**	37.2%	15.3%	**44.4%**	26.3%	68.8%
Other expenses (3)	**(2,718)**	(1,308)	(107.8%)	**(6,836)**	(5,546)	(23.3%)
Earnings before taxes	**2,765**	2,865	(3.5%)	**6,318**	6,810	(7.2%)
Key Operating Data						
Residential lots sold to third-parties	**21**	1	N/R (4)	**33**	55	(40.0%)
Residential lots sold through GBG - home building	**43**	32	34.4%	**128**	121	5.8%
Total residential lots sold	**64**	33	93.9%	**161**	176	(8.5%)
Average revenue per lot sold	**191**	200	(4.5%)	**181**	181	0.0%

(1) Includes residential lot sales to third-parties and to GBG
(2) Gross margin amount divided by the sum of residential lot revenues and development land revenues
(3) Other expenses include general and administrative, selling and marketing, income or (expense) 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,	
	2019	**2018**	**2019**	**2018**
Residential lots				
Residential lot revenues (1)	**12,230**	6,603	**29,071**	31,769
Direct cost of sales	**(6,759)**	(3,064)	**(15,129)**	(19,043)
Gross margin	**5,471**	3,539	**13,942**	12,726
Gross margin (%)	**44.7%**	53.6%	**48.0%**	40.1%
Development land				
Development land revenues	**550**	4,628	**550**	15,126
Direct cost of sales	**(538)**	(3,094)	**(538)**	(13,676)
Write-down of land held for development	**-**	(900)	**(800)**	(1,820)
Gross margin	**12**	634	**(788)**	(370)
Gross margin (%)	**2.2%**	13.7%	**(143.3%)**	(2.4%)
Residential lot and development land gross margin	**5,483**	4,173	**13,154**	12,356

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

Results from operations, including earnings and cash flows, vary considerably between periods for the reasons explained under the heading *Factors Affecting Results of Operations* of this MD&A.

Revenues and unit volumes

In Q4 2019, 21 lots were sold to third-party builders, up from 1 lot sold to a third-party builder in Q4 2018. In YE 2019, 33 lots were sold to third-party builders, down 40% from 55 lots sold to third-party builders in YE 2018. In Q4 2019, GBG also sold 43 homes on Genesis lots, up 34% from 32 homes it sold on Genesis lots in Q4 2018. In YE 2019, GBG also sold 128 homes on Genesis lots, up 6% from 121 homes it sold on Genesis lots in YE 2018. Total residential lot sales revenues in Q4 2019 were $12,230 (64 lots), up 85% from $6,603 (33 lots) in Q4 2018. Total residential lot sales revenues for the YE 2019 were $29,071 (161 lots), a 9% decrease over the $31,769 (176 lots) sold in YE 2018.

One parcel of development land owned by a limited partnership (100% non-controlling interest) was sold in Q4 2019 for $550, compared to one parcel sold by Genesis for $4,628 in Q4 2018. During 2019, one development land parcel, owned by the limited partnership was sold for $550, while $15,126 was realized from three land development parcel sales by Genesis in 2018. Development land sales occur periodically and comprise sales of commercial, multi-family and other lands that Genesis does not intend to build on through GBG.

Gross margin

Residential lot sales in Q4 2019 had a gross margin of 45%, compared to 54% in Q4 2018. In YE 2019, gross margin realized was 48% compared to 40% in YE 2018. Gross margins on development land are impacted by write-downs in prior periods and also vary significantly due to the *Factors Affecting Results of Operations* described in this MD&A.

Write-down of land held for development

In YE 2019, the Corporation recorded a write-down of $800 (2018 - $1,820) due to costs capitalized during the period (mainly property taxes and interest) relating to its Sage Hill Crossing land held for development parcel that is carried at net realizable value. The provision for write-down may be reversed in the future if the net realizable value of the property exceeds its net book value.

Other expenses

Other expenses include general and administrative, selling and marketing and net finance expense. In Q4 2019, other expenses were $2,718 compared to $1,308 incurred in Q4 2018. Other expenses were $1,290 (23%) higher in YE 2019 compared to YE 2018. Other expenses were higher in both Q4 2019 and YE 2019 due to: (i) higher net finance expenses as a result of higher loan balances; and (ii) expenses incurred to purchase the $20,500 VTB from Limited Partnership Land Pool (2007) ("**LPLP 2007**"). These increases were partially offset by lower compensation and benefits and sales and marketing expenses.

Home Building – Genesis Builders Group Inc. (GBG)

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

	Three months ended December 31,			Year ended December 31,		
	2019	**2018**	**% change**	**2019**	**2018**	**% change**
Key Financial Data						
Revenues (1)	**20,551**	16,033	28.2%	**59,746**	54,113	10.4%
Direct cost of sales	**(17,483)**	(13,582)	(28.7%)	**(51,480)**	(46,056)	(11.8%)
Gross margin	**3,068**	2,451	25.2%	**8,266**	8,057	2.6%
Gross margin (%)	**14.9%**	15.3%	(2.6%)	**13.8%**	14.9%	(7.3%)
Other expenses (2)	**(2,277)**	(2,667)	14.6%	**(8,735)**	(9,331)	6.4%
Earnings (loss) before taxes	**791**	(216)	N/R (3)	**(469)**	(1,274)	63.2%
Key Operating Data						
Homes sold (units)	**43**	32	34.4%	**128**	121	5.8%
Average revenue per home sold	**478**	501	(4.6%)	**467**	447	4.5%
New home orders (units)	**36**	29	24.1%	**148**	124	19.4%
Outstanding new home orders at period end (units)				**54**	34	58.8%

(1) Revenues include residential home sales and other revenue
(2) Other expenses include general and administrative, selling and marketing and net finance expense
(3) Not reflective due to percentage change

Results from operations, including earnings and cash flows, vary considerably between periods for the reasons explained under the heading *Factors Affecting Results of Operations* in this MD&A.

Revenues and unit volumes

Revenues for single-family homes and townhouses were $20,551 (43 units) in Q4 2019, 28% higher than Q4 2018 revenues of $16,033 (32 units). Revenues for single-family homes and townhouses were $59,746 (128 units) in YE 2019, 10% higher than YE 2018 revenues of $54,113 (121 units).

148 homes were contracted for sale in YE 2019 as compared to 124 in YE 2018, resulting in a "book" of 54 new home orders at the end of Q4 2019 as compared to 34 new home orders at the end of Q4 2018.

Homes sold in Q4 2019 had an average price of $478 per home, down 5% compared to $501 in Q4 2018. Homes sold in YE 2019 had an average price of $467 per home, up 5% compared to $447 in YE 2018. Fluctuations in the average revenue per home sold were mainly due to differences in product mix. During 2018 and 2019, GBGs single-family homes product ranged in price from $343-$766 depending on the location and the model being offered. Similarly, GBGs townhouse product ranged in price from $183-$357 depending on the location and the model being offered. In YE 2019, 111 single-family homes and 17 townhouses were sold compared to 103 single-family homes and 18 townhouses in YE 2018. In Q4 2019, 40 single-family homes and 3 townhouses were sold compared to 27 single-family homes and 5 townhouses in Q4 2018.

All homes sold in Q4 2019 and in Q4 2018 were built on residential lots or parcels supplied by Genesis, with revenues of $7,250 and $6,329, respectively. All homes sold in YE 2019 and in YE 2018 were built on residential lots or parcels supplied by Genesis, with revenues of $21,270 and $19,571, respectively. GBG is planning to purchase lots in the future from third parties as a means to increase its volumes. It is expected that higher volumes will improve profitability.

GBG builds single-family homes either after receiving a firm sale contract (a "pre-construction home") or on a quick possession ("spec") basis and builds townhouses generally on a quick possession 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. Construction of quick possession homes is started before GBG receives a firm sale contract to have sufficient inventory for buyers seeking possession within a short period of time (often 30-90 days). Townhouses are multi-unit buildings for which GBG commences construction prior to selling all the units in the building. This provides construction efficiencies and requires GBG to build some townhouses on a spec basis and to hold them in inventory until sold. The timing of the sale of spec homes is unpredictable, with spec home buyers usually being time sensitive, wanting to take possession in a short time frame. Genesis closely monitors its home building work-in-progress to anticipate and react to market conditions in a timely manner. As at YE 2019, GBG had $21,366 of work in progress, of which approximately $13,183 was related to spec homes (YE 2018 - $25,252 and $16,459, respectively).

The following table shows the split between quick possession sales (i.e. spec homes that are contracted and delivered within 90 days) and pre-construction homes (i.e. homes built after receiving a firm sale contract). The timeline for pre-construction homes ranges from around 8 to 10 months and can exceed this depending on the desired possession date.

	Three months ended December 31,			Year ended December 31,		
	2019	**2018**	**% change**	**2019**	**2018**	**% change**
Quick possession sales (units)	**19**	19	0.0%	**76**	77	(1.3%)
Pre-construction home sales (units)	**24**	13	84.6%	**52**	44	18.2%
Total homes sold (units)	**43**	32	34.4%	**128**	121	5.8%

Gross margin

Genesis realized a gross margin on home sales of 15% in both Q4 2019 and in Q4 2018. Genesis realized a gross margin on home sales of 14% in YE 2019 as compared to 15% in YE 2018. The year over year decline was a result of more competitive market conditions requiring sales price reductions and in changes to product mix.

Other expenses

Other expenses include general and administrative, selling and marketing and net finance expense. Other GBG expenses were $596 or 6% lower in YE 2019 compared to YE 2018 due to lower compensation and benefits expense and sales and marketing expenses. These lower expenses were partially offset by higher share-based compensation expenses and net finance expense.

Other GBG expenses in Q4 2019 were 15% or $390 lower than in Q4 2018 due to lower compensation and benefits expense, selling and marketing expenses, net finance expense and share-based compensation expense, partially offset by higher professional expenses.

Real Estate Held for Development and Sale

	December 31,		
	2019	**2018**	**% change**
Real estate held for development and sale	**236,183**	217,191	8.7%
Provision for write-downs	**(13,914)**	(14,692)	5.3%
	222,269	202,499	9.8%

Real estate held for development and sale increased by $19,770 as at YE 2019 compared to YE 2018 mainly due to the purchase of 130 acres of future residential development land in north Calgary for $23,725. Consideration comprised a cash payment of $5,101 and a $18,624 VTB mortgage with an interest rate of 5% per annum. The VTB mortgage is repayable in two installments of $9,312 each, in May 2021 and 2022. Real estate held for development and sale is also affected by the sale of residential lots and homes and by development and construction activities.

Refer to note 5 in the consolidated financial statements for the years ended December 31, 2019 and 2018 for information regarding the gross book value and net book value of real estate held for development and sale.

The following table presents Genesis' real estate held for development and sale as at December 31, 2019:

	Net Book Value		
Real Estate Held for Development and Sale	**Lots, multi-family & commercial parcels**	**Land held for development** [1]	**Total**
Community			
Airdrie - Bayside, Bayview, Canals	26,415	20,016	46,431
Calgary NW - Sage Meadows	18,089	-	18,089
Calgary NW - Sage Hill Crossing	9,462	29,559	39,021
Calgary NE – Saddlestone	15,153	-	15,153
Calgary N – Lewisburg	-	24,087	24,087
Calgary SE - Ricardo Ranch	-	45,081	45,081
Rocky View County - North Conrich [2]	-	5,077	5,077
Sub-total	69,119	123,820	**192,939**
Other assets [3] - non-core	18	1,986	2,004
Total land development	69,137	125,806	**194,943**
Home building work-in-progress			21,365
Total land development and home building			**216,308**
Limited Partnerships [2], [4]			5,961
Total real estate held for development and sale			**222,269**

(1) Land held for development comprises lands not yet subdivided into single-family lots or parcels
(2) Includes the undivided interest of Genesis and two limited partnerships in North Conrich including the "Omni" project
(3) Other assets are non-core and available for sale.
(4) Net of intra-segment eliminations of $4,194.

The following table presents the breakdown of Genesis' serviced single-family lots, multi-family and commercial parcels shown above, by community as at December 31, 2019:

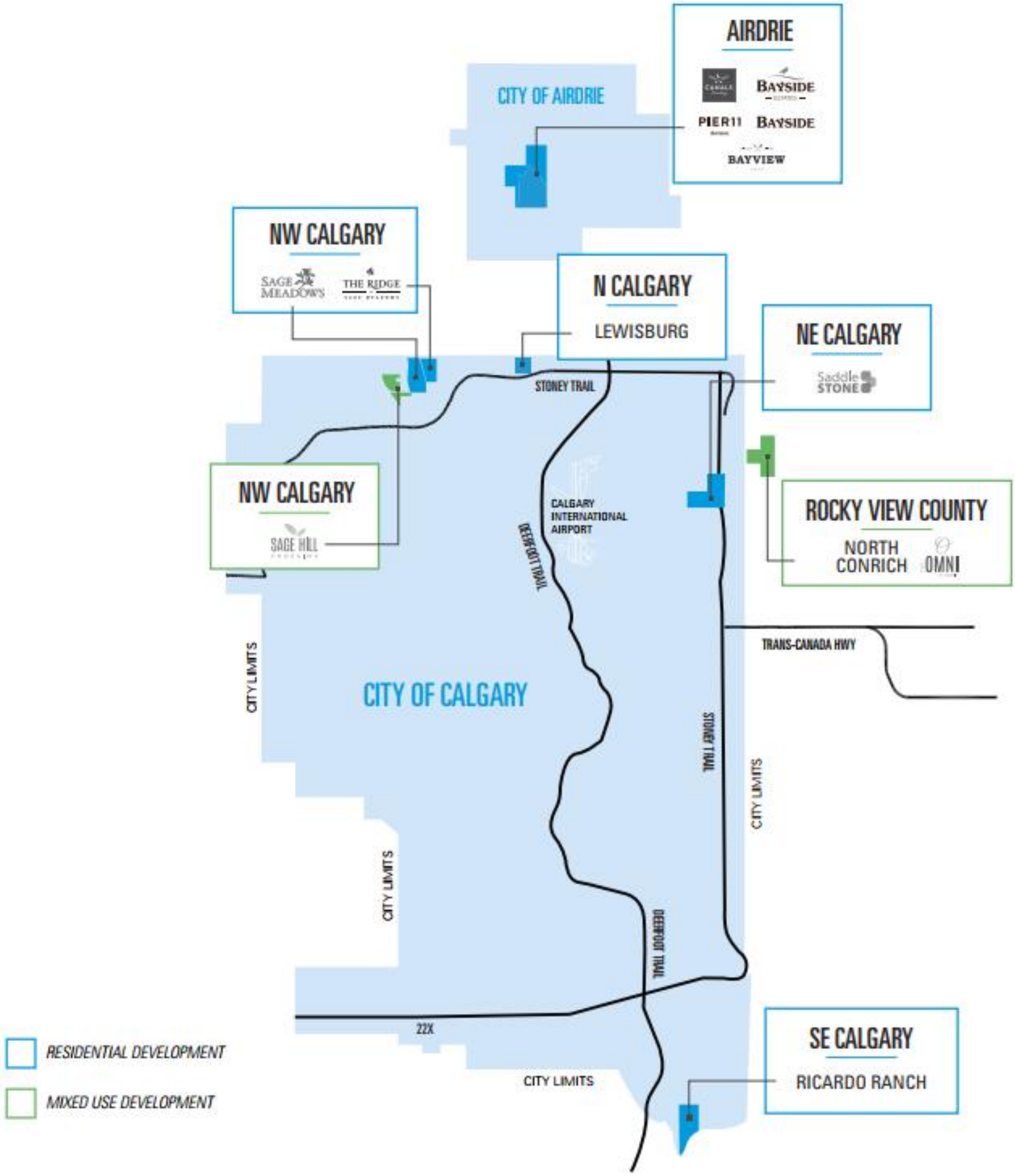
Serviced Lots, Multi-family and Commercial Parcels, by Community	**Net Book Value**	**Single-family lots**	**Townhouse units**	**Townhouse/ multi-family parcels**	**Commercial parcels**
Airdrie - Bayside, Bayview, Canals	26,415	237	67	1	-
Calgary NW - Sage Meadows	18,089	42	-	3	-
Calgary NW - Sage Hill Crossing	9,462	-	-	1	1
Calgary NE - Saddlestone	15,153	169	40	2	-
	69,119	**448**	**107**	**7**	**1**
Other assets - non-core	18	14	-	-	-
Total	**69,137**	**462**	**107**	**7**	**1**

The following table presents the estimated equivalent, if and when developed, by community of single-family lots and multi-family and commercial acres of Genesis' land held for development (shown previously) as at December 31, 2019. Genesis has developed detailed plans for the development of these lands however, given the uncertainties related to the regulatory approval process and market conditions, there can be no assurance as to when or if any or all of these lands can or will be developed.

			Estimated Equivalent if/when Developed		
Land Held for Development, by Community	**Net Book Value**	**Land** (acres) (1)	**Single-family** (lots)	**Multi-family** (acres)	**Commercial** (acres)
Airdrie - Bayside, Bayview	20,016	186	1,112	9	2
Calgary NW - Sage Hill Crossing	29,559	51	282	15	4
Calgary N – Lewisburg	24,087	130	800	7	-
Calgary SE - Ricardo Ranch	45,081	354	1,190	16	-
Rocky View County - North Conrich (2)	5,077	312	-	-	-
	123,820	1,033	3,384	47	6
Other assets - non-core	1,986	333	-	-	-
Total	**125,806**	**1,366**	**3,384**	**47**	**6**

(1) Land not yet subdivided into single-family and other lots or parcels
(2) Includes the undivided interest of Genesis and two limited partnerships in North Conrich including the "Omni" project

LOCATIONS OF GENESIS' DEVELOPMENTS



Amounts Receivable

	December 31,		
	2019	**2018**	**% change**
Amounts receivable	**6,131**	14,960	(59.0%)

Genesis generally receives a minimum 15% non-refundable deposit at the time of entering into a sale agreement for residential lots with a third-party builder. Title to a lot or home that is contracted for sale is not transferred by Genesis to the builder or purchaser until full payment is received, thus mitigating credit risk.

As at YE 2019, Genesis had $5,515 in amounts receivable related to the sale of 31 lots to third-party builders compared to $10,569 in amounts receivable as at YE 2018. The amounts at YE 2018 were $10,569 from the sale of 64 lots to third-party builders and approximately $4,100 from recoveries relating to land servicing and land development activities. The decrease of $8,829 in amounts receivable was due to (i) lower volume of residential lot sales to third party builders during 2019; (ii) the receipt of recoveries relating to land servicing and development activities; and (iii) the collection of amounts receivable during the year.

Individual balances due from third-party builders at YE 2019 that were 10% or more of total amounts receivable were $5,515 from two third-party builders (YE 2018 - $10,082 from three third-party builders).

Purchase of Vendor-take-back Mortgage Receivable

	December 31,		
	2019	**2018**	**% change**
Vendor-take-back mortgage receivable (1)	**20,558**	20,558	0.0%

(1) Includes accrued interest

Limited Partnership Land Pool ("LPLP 2007"), 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. As consideration for the sale LPLP 2007 received $20,500 in cash and a $20,500 three-year vendor-take-back secured first mortgage bearing interest at 6.5% per annum (the "VTB Mortgage"). Interest on the vendor-take-back mortgage receivable is payable annually, in arrears and the principal is fully payable in December 2020. The second VTB Mortgage interest payment of $1,333 was received in December 2019 (2018 - $1,333).

On October 17, 2019 Genesis purchased the VTB Mortgage from LPLP 2007. The acquisition cost to Genesis was $22,020. Consideration to LPLP 2007 was comprised of a cash payment of $10,360, with the balance of $11,660 satisfied by the repayment in full of a loan owed by LPLP 2007 to Genesis (the "Loan"). Interest owed by LPLP 2007 on the Loan of approximately $650 was waived as part of the purchase consideration. The VTB Mortgage purchase price represented a modest premium to the mortgage face value and interest receivable based on the underlying strong interest rate and covenant on the VTB Mortgage. In addition to realizing a positive return upon receipt of the 2019 interest and the 2020 interest and principle, the transaction significantly reduces Genesis' risks. The risks either eliminated or substantially mitigated include:

(i) the risk of Genesis collecting on the Loan owed it by LPLP 2007 as that Loan was fully repaid as part of the VTB purchase transaction;

(ii) the collection risks on the Loan payable by the purchaser of the land sold in 2017 as Genesis now had direct recourse to that party without LPLP 2007 as an intermediary; and

(iii) the litigation risks related to the proposed class action due to the terms of the distribution arrangement with the limited partners described below.

Financing for this transaction consisted of a loan described under the heading *Loan to Purchase VTB Receivable* in this MD&A.

The net cash proceeds realized by LPLP 2007 of $10,360 were placed in trust pending distribution to limited partners of LPLP 2007 ("Limited Partners") in accordance with the terms of the distribution (including the provision of a release and undertaking relating to the proposed class action). It is proposed that LPLP 2007 be wound-up once all net cash proceeds are distributed (or otherwise spent) and obligations of LPLP 2007 are satisfied.

In conjunction with the VTB Mortgage transaction a special meeting of Limited Partners was held on October 10, 2019 ("Special Meeting") to vote on and approve the VTB Mortgage transaction (and related matters) by special resolution (being a resolution passed by 66 2/3% of the votes cast at the Special Meeting). Limited Partners voting in person and by proxy at the meeting approved the VTB Mortgage transaction by special resolution, including the Limited Partner holding approximately 22% of all of the issued and outstanding limited partnership units of LPLP 2007 (the "Requesting Limited Partner"). Genesis and the general partner of LPLP 2007 (controlled by Genesis) did not vote at the Special Meeting. The costs of the Special Meeting were paid by Genesis, and $100 was paid towards the legal fees and other costs incurred by the Requesting Limited Partner in negotiating and evaluating the VTB Mortgage transaction.

The VTB Mortgage transaction arose primarily because the Requesting Limited Partner was seeking a resolution that did not involve it in the proposed class action and requested that Genesis make a proposal to Limited Partners that would result in a final liquidating cash distribution being paid to Limited Partners in 2019, or an economically similar proposal. As a result, Genesis made an offer to unitholders to purchase the VTB Mortgage and the Special Meeting was convened for Limited Partners to consider, and if thought fit, approve the VTB Mortgage transaction (and related matters). The Requesting Limited Partner is arms-length to Genesis and LPLP 2007 and is represented by its own independent legal counsel. As noted above, the Requesting Limited Partner voted in favour of the special resolution approving the VTB Mortgage transaction.

Cash Flows from Operating Activities

Results from operations, including earnings and cash flows, vary considerably between periods for the reasons explained under the heading *Factors Affecting Results of Operations* of this MD&A.

	Three months ended December 31,		Year ended December 31,	
	2019	**2018**	**2019**	**2018**
Cash flows from operating activities	**7,969**	7,192	**9,537**	14,747
Cash flows from operating activities per share – basic and diluted	**0.19**	0.16	**0.23**	0.34

Cash flows from operating activities in Q4 2019 were $777 higher than in Q4 2018 and consist of the following:

	Three months ended December 31,		
	2019	**2018**	**Change**
Cash inflows from sale of residential homes by GBG	**20,667**	15,984	4,683
Cash inflows from sale of residential lots	**2,994**	5,099	(2,105)
Cash inflows from sale of development land	**550**	4,628	(4,078)
Cash outflows for home building activity	**(8,337)**	(6,866)	(1,471)
Cash outflows for land servicing	**(3,985)**	(8,157)	4,172
Cash outflows paid to suppliers, employees and other	**(4,694)**	(4,100)	(594)
Other cash receipts	**1,717**	1,216	501
Income tax payments	**(943)**	(612)	(331)
Total	**7,969**	7,192	777

Cash flows from operating activities in YE 2019 were $5,210 lower than in YE 2018 and consist of the following:

	Year ended December 31,		
	2019	**2018**	**Change**
Cash inflows from sale of residential homes by GBG	**60,543**	54,353	6,190
Cash inflows from sale of residential lots	**12,334**	26,520	(14,186)
Cash inflows from sale of development land	**550**	14,877	(14,327)
Cash outflows for home building activity	**(25,082)**	(35,385)	10,303
Cash outflows for land servicing	**(20,503)**	(19,387)	(1,115)
Cash outflows for land / lot acquisition	**(5,101)**	(5,124)	23
Cash outflows paid to suppliers, employees and other	**(14,405)**	(14,252)	(154)
Other cash receipts	**2,345**	1,744	601
Income tax payments	**(1,144)**	(8,599)	7,455
Total	**9,537**	14,747	(5,210)

Lower cash inflows from sales of residential land and development land are a result of lower volumes. Income tax payments were lower in 2019 due to the installments to be paid in 2018 being greater than the actual payments required and the 2018 overpayments were applied to 2019. In addition, the pace of home building and land servicing activity can impact cash flows significantly.

Genesis typically receives 15% of the purchase price in cash as a non-refundable deposit from a third-party builder at the time it recognizes all of the sales revenue. 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 sales proceeds and the transfer of title to the lot. Cash flows from operating activities are also impacted by the timing and amounts of tax installment payments.

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31,		December 31,	
	2019	**% of Total**	**2018**	**% of Total**
Loans and credit facilities	**51,546**	**17%**	31,696	11%
Customer deposits	**4,592**	**2%**	3,111	1%
Accounts payable and accrued liabilities	**7,900**	**3%**	12,679	5%
Lease liabilities	**233**	**0%**	-	-
Provision for future development costs	**19,102**	**6%**	20,901	8%
Total liabilities	**83,373**	**28%**	68,387	25%
Non-controlling interest	**18,938**	**6%**	17,799	6%
Shareholders' equity	**193,957**	**66%**	191,970	69%
Total liabilities and equity	**296,268**	**100%**	278,156	100%

Total liabilities to equity is as follows:

	December 31, 2019	December 31, 2018
Total liabilities	**83,373**	68,387
Total equity	**212,895**	209,769
Total liabilities to equity [(1)]	**39%**	33%

[(1)] *Calculated as total liabilities divided by total equity*

Loans and Credit Facilities

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Land development servicing loans	4,145	5,856	4,344	4,454	7,914
Demand operating line for single-family homes	2,261	370	679	1,328	1,509
Project specific townhouse construction loans	4,370	4,239	5,362	5,770	7,177
Loan to purchase VTB receivable	14,470	-	-	-	-
Demand operating line	-	-	-	-	-
Vendor-take-back mortgages payable	26,634	26,471	7,694	7,540	15,387
	51,880	36,936	18,079	19,092	31,987
Unamortized deferred financing fees	(334)	(174)	(214)	(252)	(291)
Balance, end of period	51,546	36,762	17,865	18,840	31,696

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

	Year ended December 31, 2019				
	VTB payable - north Calgary lands	VTB payable - southeast Calgary lands	Land development servicing loans	**Total**	**Year ended December 31, 2018**
Balance, beginning of period	-	15,387	7,914	**23,301**	28,372
Advances	18,624	-	12,274	**30,898**	22,974
Repayments	-	(8,000)	(16,043)	**(24,043)**	(29,224)
Interest expense	10	613	-	**623**	1,179
Balance, end of period	18,634	8,000	4,145	**30,779**	23,301

Loans and credit facilities are used primarily to finance the costs of developing land, building homes and for land purchases.

Genesis has various covenants in place with its lenders with respect to its loan and 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 consolidated entities were in compliance with all covenants for all periods in these financial statements.

Management is confident that Genesis has sufficient liquidity from its cash flows from operating activities, supplemented by credit facilities, to meet its financial obligations as they become due. 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 the sale proceeds of secured lands.

Land development servicing loans

As at December 31, 2019, Genesis has four land project loan facilities with $4,145 drawn (YE 2018 - four loans and $7,914). Up to $34,396 from these facilities is available to finance future development and servicing costs from these facilities as land development activities progress. Interest on these facilities is charged at prime +0.75% per annum.

Demand operating line for single-family homes

GBG has a demand operating line of $6,500 bearing interest at prime +0.75% per annum. As at YE 2019, the amount drawn on this facility was $2,261 (YE 2018 - $1,509).

Project specific townhouse construction loans

As at December 31, 2019, GBG has a townhouse project loan facility with $2,614 drawn (YE 2018 - $3,234). Up to $4,431 is available from this facility to finance future construction costs on this townhouse project. This facility bears interest at prime +0.90% per annum and is due on March 28, 2020.

As at December 31, 2019, GBG has a second townhouse project loan facility with $1,756 drawn (YE 2018 - $3,943). Up to $8,600 is available from this facility to finance future construction costs on this townhouse project. This facility bears interest at prime +0.90% per annum and is due on August 31, 2020.

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 2019, the outstanding balance of this facility was Nil (YE 2018 - Nil). This facility was used for short term cash flow purposes in both 2019 and 2018.

Loan to purchase VTB receivable

As at December 31, 2019, Genesis has a loan secured by the $20,500 third party VTB mortgage receivable with $14,470 drawn (YE 2018 - Nil). The loan has an interest rate of 6.5% per annum and is repayable on December 15, 2020. Please see information provided under the heading *Purchase of Vendor-take-back Mortgage Receivable* in this MD&A.

Vendor-take-back mortgages payable

Genesis entered into a $40,000 VTB on the purchase of its southeast Calgary lands in January 2015. As at YE 2019, the VTB had an outstanding balance of $8,000 with nil unamortized discount (YE 2018 - $16,000 and $613 respectively). The outstanding balance and final installment of $8,000 was paid in January 2020.

Genesis entered into a $18,624 VTB on the purchase of its north Calgary lands in September 2019. The VTB is secured by the land. The VTB has an interest rate of 5% per annum and is repayable in two equal installments of $9,312 each, in May 2021 and 2022.

Provision for Future Development Costs

When Genesis sells lots, land parcels and homes, it often remains responsible for paying for certain future development costs known as Provision for Future Development Costs ("FDC").

In Genesis' land development business, FDC represents the estimated remaining construction and other development costs related to each lot or parcel that has previously been sold by Genesis, if any. These estimated costs include the direct and indirect construction and other development costs, including municipal levies, expected to be incurred by Genesis during the remainder of the development process, net of expected future recoveries from third-parties that are allocable to the relevant lot or parcel. FDC is reviewed periodically and, when a prior estimate is known to be different from the actual costs incurred or expected to be incurred, an adjustment is made to FDC and a corresponding adjustment is made to cost of sales and in some cases, to real estate held for development and sale.

FDC for GBG are additional future costs relating to previously sold homes estimated to be incurred, which are primarily for seasonal and other work (such as paving and landscaping) and estimated warranty expenses over the one-year warranty period.

FDC as at YE 2019 was $17,828 for the land division (YE 2018 - $20,033) and $1,274 (YE 2018 - $868) for GBG. For additional details, please see information provided under the heading *Critical Accounting Estimates* in this MD&A.

LIQUIDITY AND CAPITAL RESOURCES

Genesis had cash and cash equivalents of $16,248 at YE 2019 compared to $24,042 at YE 2018. Genesis increased its debt from $31,696 at YE 2018 to $51,546 at YE 2019, mainly due to a $18,624 VTB granted on purchase of 130 acres of land in north Calgary and a $14,470 loan to purchase the VTB receivable. This increase in debt was partially offset by a $8,000 installment paid in early January 2019 on the VTB relating to Genesis' southeast Calgary lands and a net decrease of $5,867 in land servicing and home building project loans. For additional details, please see information provided under the heading *Loans and Credit Facilities.*

	December 31,		
	2019	**2018**	**% change**
VTBs payable	**26,634**	15,387	(73.1%)
Land development servicing and home building loans	**10,442**	16,309	36.0%
Loan to purchase VTB receivable	**14,470**	-	N/R [3]
Total loans and credit facilities	**51,546**	31,696	(62.6%)
	December 31,		
Loans and credit facilities as a percentage of total assets	**2019**	**2018**	**% change**
VTBs payable [1]	**9.0%**	5.5%	(63.6%)
Land development servicing and home building loans [1]	**3.5%**	5.9%	40.7%
Loan to purchase VTB receivable	**4.9%**	-	N/R [3]
Loans and credit facilities (debt) to total assets	**17.4%**	11.4%	(52.6%)
Total liabilities to equity [2]	**39%**	33%	20.1%

(1) Calculated as each component of loans and credit facilities divided by total assets
(2) Calculated as total liabilities divided by total equity
(3) Not reflective due to percentage change

Finance Expense

	Three months ended December 31,			Year ended December 31,		
	2019	**2018**	**% change**	**2019**	**2018**	**% change**
Interest incurred	**273**	177	(54.2%)	**722**	437	(65.2%)
Finance expense relating to VTBs [1]	**395**	295	(33.9%)	**855**	1,179	27.5%
Financing fees amortized	**71**	39	(82.1%)	**186**	171	(8.8%)
Interest and financing fees capitalized	**-**	(65)	N/R [2]	**(158)**	(256)	38.3%
	739	446	(65.7%)	**1,605**	1,531	(4.8%)

(1) VTBs related to Calgary southeast and north lands
(2) Not reflective due to percentage change

Finance expense during Q4 2019 and YE 2019 was higher than in Q4 2018 and YE 2018 due to higher average loan balances. A $14,470 loan to purchase VTB receivable and a VTB for $18,624 impacted interest incurred and finance expense related to VTBs respectively, during Q4 2019 and YE 2019. These increases were partially offset by lower finance expense related to the VTB which has a 0% face rate (and an imputed rate of 8%) as this carried a lower balance throughout 2019 as compared to 2018. In addition, land servicing and home construction loans carried a lower balance in 2019 compared to 2018.

The weighted average interest rate of loan agreements with various financial institutions was 5.76% (YE 2018 - 4.76%) based on December 31, 2019 balances.

Income Taxes Payable (Recoverable)

The continuity in income taxes payable (recoverable) is follows:

	For the year ended December 31,	
	2019	**2018**
Balance, beginning of period	**(2,283)**	2,785
Provision for current income tax	**2,283**	3,531
Net payments	**(1,144)**	(8,599)
Balance, end of period	**(1,144)**	(2,283)

2019 and 2018 income tax installments were based on the prior year's taxes payable and exceed the current year's provision, resulting in income tax recoverable.

Shareholders' Equity

As at March 6, 2020, the Corporation had 42,116,473 common shares issued and outstanding. The common shares of the Corporation are listed for trading on the Toronto Stock Exchange under the symbol "GDC".

The Corporation purchased and cancelled common shares under its normal course issuer bid ("**NCIB**") as follows:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	**2019**	**2018**
Number of shares purchased and cancelled	**20,394**	769,100	**23,694**	1,069,100
Total cost	**50**	2,400	**58**	3,501
Average price per share purchased	**2.39**	3.12	**2.41**	3.27
Shares cancelled as a % of common shares outstanding at beginning of period	**0.05%**	1.79%	**0.06%**	2.47%

During YE 2019, the Corporation purchased and cancelled 23,694 common shares for $58 at an average cost of $2.41 per share (representing 0.06% of issued and outstanding shares at the beginning of the year) compared to 1,069,100 common shares for $3,501 at an average cost of $3.27 at YE 2018 (representing 2.47% of issued and outstanding shares at the beginning of 2018).

The Corporation repurchased 52,516 common shares between January 1, 2020 and March 6, 2020 for cancellation under the NCIB.

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 2019 were as follows:

	Loans and Credit Facilities [1]	Levies and Municipal Fees	Naming Rights	Lease Obligations	Total
Current	30,450	6,406	500	452	**37,808**
January 2021 to December 2021	12,118	4,794	500	35	**17,447**
January 2022 to December 2022	9,312	-	-	30	**9,342**
January 2023 and thereafter	-	-	-	27	**27**
Total	51,880	11,200	1,000	544	**64,624**

[1] *Excludes deferred financing fees*

Levies and municipal fees are related to municipal agreements signed by Genesis on commencement of development of certain real estate assets. Non-payment of levies and municipal fees could result in the municipalities drawing upon letters of credit, impact the development of the associated real estate assets and impact Genesis' status as a developer with the municipality.

Over a period of 10 years, commencing in 2008 and ending in 2017, Genesis contributed $200 each year for a total of $2,000 for 40-year naming rights to "Genesis Place", a recreation complex in the city of Airdrie.

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, ending in 2021). The first eight installments totaling $4,000 were paid as at December 31, 2019. The ninth payment was made in January 2020.

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 18 of the consolidated financial statements for the years ended December 31, 2019 and 2018.

Current Contractual Obligations, Commitments and Provision

	December 31	
	2019	**2018**
Loans and credit facilities, excluding deferred financing fees	**30,450**	9,498
Accounts payable and accrued liabilities	**7,900**	12,679
Total short-term liabilities	**38,350**	22,177
Commitments [1]	**952**	981
Levies and municipal fees	**6,406**	7,203
	45,708	30,361

[1] Commitments comprises naming rights and lease obligations

At YE 2019, Genesis had obligations due within the next 12 months of $45,708, of which $30,450 related to loans and credit facilities. Repayment is either linked directly to the collection of lot receivables and sales proceeds or due at maturity. Management is confident that Genesis has sufficient liquidity from its cash flows from operating activities, supplemented by credit facilities, to meet its financial obligations as they become due.

Provision for Litigation

The Corporation is a defendant in a statement of claim alleging wrongful termination of employment. The aggregate amount of the claim is approximately $1,600 and the Corporation recorded this amount as a provision as at December 31, 2017. In March 2019, the plaintiffs amended their statement of claim to add claims in the amount of $1,100 plus costs and interest in connection with a disputed purported exercise of stock options. The Corporation has not made any provision for this additional amount claimed. The Corporation's view is that this action is without merit and is actively contesting it. No significant developments occurred on this litigation claim in the three months ended December 31, 2019.

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. These letters of credit indemnify the municipalities by enabling them to draw upon the letters of credit if Genesis does not perform its contractual obligations. At YE 2019, these letters of credit totalled approximately $4,795 (YE 2018 - $6,358).

Levies and Municipal Fees

For additional details, please see information provided under the heading *Contractual Obligations and Debt Repayment* in this MD&A.

Lease Agreements

Genesis has certain lease agreements that are entered in the normal course of operations. In the event the office lease 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. For additional details, please see information provided under the heading *Contractual Obligations and Debt Repayment* in this MD&A.

SELECTED ANNUAL INFORMATION

	2019	2018	2017	2016	2015
Total revenues	**68,097**	81,437	150,933	115,957	119,088
Gross margin	**21,420**	20,413	53,229	26,618	22,509
Net earnings attributable to equity shareholders	**1,701**	4,124	16,998	5,906	11,014
Net earnings per share – basic and diluted	**0.04**	0.10	0.39	0.13	0.25
Total assets	**296,268**	278,156	301,425	288,995	331,045
Loans and credit facilities	**51,546**	31,696	30,135	43,295	63,819
Cash dividends per share, declared (1)	**-**	0.24	0.46	0.25	0.12

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

	2019	2018	2017	2016	2015
Return on shareholders' equity ("ROE") (1)	**0.90%**	2.1%	8.3%	2.8%	5.2%
Average shareholders' equity (2)	**192,964**	196,684	203,574	208,938	210,113

(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

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 and the repurchase and cancellation of shares under Genesis' NCIB. For additional details on dividends and NCIB, please see information provided under the heading *Return of capital to shareholders* in this MD&A.

For additional details, please see information provided under the heading *Factors Affecting Results of Operations* in this MD&A which discusses the factors that affect Genesis' results and seasonality.

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 161, 176 and 266 units in 2019, 2018 and 2017, respectively, reflecting market conditions in each period. In addition, development land sales were $550, $15,126 and $55,234 for 2019, 2018 and 2017 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 128, 121 and 148 in 2019, 2018 and 2017 respectively. Included in this were sales of townhouse units of 17, 18 and 21 units in 2019, 2018 and 2017 respectively.

Gross margins in 2017 were higher due to higher development land margins. Gross margins on development land sales can vary significantly and are also impacted by write-downs of real estate held for development and sale which were $800, $1,820 and $1,095 in 2019, 2018 and 2017 respectively. Net earnings and net earnings per share - basic and diluted were affected as a result of the above.

Total assets increased by $18,112 in 2019 compared to 2018. This was mainly due to the purchase of 130 acres of future residential development land in north Calgary for $23,725 and investments of $5,608 in two land development entities in Calgary. This was partially offset by a decrease in accounts receivable of $8,829 due to the collection of these amounts during the year.

Total assets decreased by $23,269 in 2018 compared to 2017. This was mainly due to a decrease in accounts receivable by $15,860 and a reduction of $13,667 in Other operating assets during 2018. In 2017, Other operating assets included $10,813 of dividends that was declared in 2017 and paid in 2018.

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 VTB 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 loans and credit facilities increased in 2019 compared to 2018. This was mainly due to the acquisition of a $18,634 VTB related to the purchase of the Calgary north lands mentioned previously and the acquisition of a $14,470 loan that was used to fund the $20,500 VTB from a limited partnership. Please see information provided under the heading *Purchase of Vendor-take-back Mortgage Receivable* in this MD&A.

Total loans and credit facilities were marginally higher in 2018 compared to 2017 mainly due to higher land servicing and home building project loan draws used to develop new phases and significant townhouse projects. This was offset by the $8,000 installment paid in early January 2018 on the VTB relating to Genesis' southeast Calgary lands.

Total loans and credit facilities decreased in 2017 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.

SUMMARY OF QUARTERLY RESULTS

	Q4 2019	**Q3 2019**	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**
Revenues	**26,081**	12,786	16,533	12,697	20,935	27,178	18,955	14,369
Net earnings (loss) (1)	**1,684**	300	(357)	74	2,358	539	540	687
EPS (2)	**0.04**	0.01	(0.01)	0.00	0.06	0.01	0.01	0.02

(1) Net earnings (loss) attributable to equity shareholders
(2) Net earnings (loss) per share - basic and diluted

	Q4 2019	**Q3 2019**	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**
Dividends declared	**-**	-	-	-	-	10,309	-	-
Dividends paid	**-**	-	-	-	-	10,309	-	10,813
Dividends declared – per share	**-**	-	-	-	-	0.24	-	-
Dividends paid – per share	**-**	-	-	-	-	0.24	-	0.25

	Q4 2019	**Q3 2019**	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**
Residential lots sold to third-parties (units)	**21**	1	4	7	1	10	40	4
Homes sold (units)	**43**	26	33	26	32	32	24	33

	Q4 2019	**Q3 2019**	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**
Development land revenues	**550**	-	-	-	4,628	10,498	-	-

Cash flows from (used in) operating activities	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Amount	**7,969**	(10,076)	7,061	4,583	7,192	7,694	(1,336)	1,197
Per share - basic and diluted	**0.19**	(0.24)	0.17	0.11	0.16	0.18	(0.03)	0.03

In general, revenues and 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. For additional details, please see information provided under the heading *Factors Affecting Results of Operations* in this MD&A which discusses the factors that affect Genesis' results and seasonality further.

During Q4 2019, Genesis sold 21 residential lots to third-party builders, 43 homes and a small development land parcel sale resulting in higher revenues in Q4 2019 compared to Q3 2019. Gross margins in Q4 2019 were higher than in Q3 2019 due to the higher volume of residential lots and homes sold. The development land parcel had a negligible margin. General and administrative expenses and net finance expenses were higher in Q4 2019 compared to Q3 2019 costs mainly due to higher loan balances. Selling and marketing expenses were comparable in Q4 2019 and Q3 2019 while income tax expenses were $841 in Q4 2019 compared to $193 in Q3 2019.

During Q3 2019, Genesis sold 1 residential lot to a third-party builder, 26 homes and had no development land parcel sales resulting in lower revenues in Q3 2019 compared to Q2 2019. There was no write-down in Q3 2019 while there was a write-down of $800 in Q2 2019. Gross margins in Q3 2019 were lower than in Q2 2019 due to the lower volume of residential lots and homes sold. This reduction was partially offset by the impact of the $800 write-down in Q2 2019 with no corresponding write-down in Q3 2019. General and administrative expenses and selling and marketing expenses were higher in Q3 2019 compared to Q2 2019, including higher stock-based compensation expenses and the write-off of $298 that was accounted for as being due from a limited partnership. Genesis incurred significantly lower income tax expense of $193 in Q3 2019 compared to $1,610 in Q2 2019. In Q2 2019, legislation enacted to decrease the Alberta corporate income tax rate from 12% to 8% resulted in deferred income tax assets being reduced by $1,387 with a corresponding increase in deferred income tax expense.

During Q2 2019, Genesis sold 4 residential lots to third-parties, 33 homes and no development land parcels. The higher number of homes sold in Q2 2019 resulted in higher revenues and higher gross margins in Q2 2019 compared to Q1 2019. This was despite a write-down of $800 in Q2 2019 with no write-down incurred in Q1 2019. Selling and marketing expenses were comparable in Q2 2019 and Q1 2019. Genesis incurred higher net finance expenses and income tax expenses in Q2 2019 partially offset by lower general and administrative expenses compared to Q1 2019. Income tax expense was significantly higher by $1,439 than in Q1 2019. On June 28, 2019, legislation was enacted to decrease the Alberta corporate income tax rate from 12% to 8% with a 1% reduction effective July 1, 2019 and further 1% reductions on each of January 1, 2020, 2021 and 2022. As a result, deferred income tax assets were reduced by $1,387 which was recognized as an increase in deferred income tax expense in Q2 2019. The write-down and income tax expense resulted in a net loss attributable to equity shareholders of $357 in Q2 2019.

During Q1 2019, Genesis sold 7 residential lots to third-parties, 26 homes and no development land parcels resulting in lower revenues in Q1 2019 compared to Q4 2018. Gross margins in Q1 2019 were marginally higher than in Q4 2018 mainly due to no write-down in Q1 2019 compared to $900 in Q4 2018. General and administrative expenses and selling and marketing expenses were comparable in Q1 2019 and Q4 2018. Genesis incurred lower net finance expenses and income tax expenses in Q1 2019 compared to Q4 2018.

During Q4 2018, Genesis sold 1 residential lot to a third-party, 32 homes and 1 development land parcel resulting in lower revenues in Q4 2018 compared to Q3 2018. Gross margins in Q4 2018 were higher than in Q3 2018 mainly due to higher gross margin being made on the development land parcel sale during the quarter. Higher general and administrative expenses and income tax expenses in Q4 2018 were partially offset by lower selling and marketing expenses compared to Q3 2018. Genesis had higher net finance expense in Q4 2018 compared to Q3 2018 mainly due to higher loan balances. On an overall basis, net earnings in Q4 2018 was higher compared to Q3 2018 mainly due to the development land parcel sale.

During Q3 2018, Genesis sold 10 residential lots to third-parties, 32 homes and two development land parcels resulting in higher revenues in Q3 2018 compared to Q2 2018. Gross margins in Q3 2018 were only marginally higher than in Q2 2018 mainly due to no gross margin being made on the development land parcel sales during the quarter. Higher selling and marketing expenses in Q3 2018 were partially offset by lower general and administrative expenses and lower income tax expense compared to Q2 2018. Genesis had higher net finance expense in Q3 2018 compared to Q2 2018 mainly due to higher loan balances. On an overall basis, this resulted in net earnings in Q3 2018 being comparable to Q2 2018.

During Q2 2018, Genesis sold 40 residential lots to third-parties, 24 homes and no development land parcels resulting in higher revenues in Q2 2018 compared to Q1 2018. Gross margins in Q2 2018 were higher than in Q1 2018 despite a write-down of $920 in Q2 2018. Higher selling and marketing expenses in Q2 2018 were partially offset by lower general and administrative expenses compared to Q1 2018. Genesis had lower net finance income and higher income tax expense in Q2 2018 compared to Q1 2018. On an overall basis, this resulted in lower net earnings in Q2 2018 compared to Q1 2018.

During Q1 2018, Genesis sold four residential lots to third-parties, 33 homes and no development land parcels. This resulted in lower revenues in Q1 2018 compared to Q4 2017. Higher general and administrative expenses in Q1 2018 were more than offset by lower selling and marketing expenses, net finance expenses and income taxes compared to Q4 2017. On an overall basis, this resulted in lower net earnings in Q1 2018 compared to Q4 2017.

SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the following occurred:

The Corporation repurchased 52,516 common shares between January 1, 2020 and March 6, 2020 for cancellation under the NCIB.

RELATED PARTY TRANSACTIONS

Transactions occurred with the following related party:

Underwood Capital Partners Inc. ("Underwood") - controlled by an officer and director, Stephen J. Griggs.

	Three months ended December 31,		Year ended December 31,	
	2019	**2018**	**2019**	**2018**
Paid to Underwood for the services of Stephen J. Griggs as CEO	-	-	-	251

Underwood no longer provides CEO services to Genesis following the appointment of Iain Stewart as President and Chief Executive Officer in September 2018.

SUMMARY OF ACCOUNTING CHANGES

The Corporation adopted new IFRSs and interpretations as of January 1, 2019, as noted below:

IFRS 16, "Leases"

The Corporation adopted IFRS 16 as of January 1, 2019. On January 13, 2016, the IASB published a new standard, IFRS 16, "Leases". The new standard brings most leases for lessees onto the balance sheet under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use ("ROU") 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 elected to use the modified retrospective approach in its adoption of IFRS 16. The modified retrospective method does not require restatement of prior period financial information as it may recognize the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Corporation's consolidated balance sheet, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows were not restated.

On adoption of IFRS 16, the Corporation recognized lease liabilities at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as of January 1, 2019. The associated ROU assets were measured at an amount equal to the lease liability on January 1, 2019 therefore having no impact on retained earnings. Adoption of the standard resulted in the recognition of ROU assets and lease liabilities of $232 as at January 1, 2019.

Refer to note 3 in the consolidated financial statements for the year ended December 31, 2019 and 2018 for further details.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS 3, "Business Combinations"

In October 2018, the International Accounting Standards Board issued "Definition of a Business (Amendments to IFRS 3)". The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Corporation is currently evaluating the potential impact of these amendments on the Corporation's consolidated financial statements.

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 2019 and YE 2018. Refer to note 2(o) in the consolidated financial statements for the years ended December 31, 2019 and 2018 for additional information on judgments and estimates.

Provision for Future Development Costs

Changes in estimated future development costs (net of recoveries, if any) 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 long time frames involved, particularly 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 takes 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, 2019. 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, 2019 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 and capital-intensive businesses. As a result, the profitability and liquidity 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 and key personnel risk, mortgage rates and financing risk, general uninsured losses, cyber-security and business continuity risk, environmental risk and government regulations.

There may be additional risks that management may need to consider from time to time. For a more detailed discussion on the Corporation's risk factors, refer to Genesis' AIF for the year ended December 31, 2019 available on SEDAR at www.sedar.com.

Development and Construction Cost Risk

Genesis may be impacted by higher prices of labour, 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 obtain financing for its servicing and other needs or 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, 2019 available on SEDAR at www.sedar.com.

TRADING AND SHARE STATISTICS

The Corporation's trading and share statistics for 2019 and 2018 are provided below.

	2019	2018
Average daily trading volume	**10,467**	7,592
Share price ($/share)		
High	**3.19**	4.01
Low	**1.96**	3.10
Close	**2.27**	3.16
Market capitalization at December 31,	**95,703**	133,300
Shares outstanding	**42,159,927**	42,183,621

OTHER

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

ADVISORIES

Cautionary Note Regarding 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", "proposed", "scheduled", "future", "likely", "seeks", "estimates", "plans", "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. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. The following table outlines certain significant forward-looking statements contained in this MD&A and factors that could cause actual results to differ from such statements.

Forward-looking statements in this MD&A include, but are not limited to:	**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 availability of excess cash on hand and its proposed use; • the future exercise of any right to purchase; • the future payment of dividends and/or common share buybacks; • the timing and approval of the Sage Hill Crossing plan of subdivision; • the timing and approval of the Ricardo Ranch Outline Plan and Land Use applications; • the timing and approval of the Conceptual Scheme for the OMNI ASP; • the timing for completion of the park in the Bayside and Bayview communities; • the expected completion dates of various projects that GBG is currently engaged in, the timeline for pre-construction homes and anticipated lot yields for projects under development; • plans and strategies surrounding the acquisition of additional land; • the future residential development of the land in the CMA acquired in September 2019; • the potential reversal of the write-down of land held for development; • commencement of the servicing phase and the construction phase of various communities and projects; • the financing of such phases and expected increased leverage; • the expected closing of a multi-family parcel of 4.9 acres currently under contract to sell; • the expected closing of a multi-family parcel of 8.2 acres currently under contract to sell; • anticipated general economic and business conditions; • potential changes, if any, to the federal mortgage lending rules; • expectations for lot and home prices; • construction starts and completions; • anticipated expenditures on land development activities; • GBG's sales process and construction margins; • the ability to continue to renew or repay financial obligations and to meet liabilities as they become due; and • the aggregate number of common shares that may be repurchased by Genesis' under the renewed NCIB.	• 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; • the cyclicality of the oil and gas industry; • changes in the Canadian US dollar exchange rate; • labour matters; • governmental regulations; • general economic and financial conditions; • 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 in 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, based only on information currently available to us, 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, 2019 AND 2018

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.

IAIN STEWART
President and Chief Executive Officer

WAYNE KING
Chief Financial Officer

March 6, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Genesis Land Development Corp.:

Opinion

We have audited the consolidated financial statements of Genesis Land Development Corp. and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2019 and December 31, 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis; and
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

MNP LLP

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Stephen Bonnell.

MNP LLP

Chartered Professional Accountants

Calgary, Alberta
March 6, 2020

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

	Notes	December 31, 2019	December 31, 2018
Assets			
Real estate held for development and sale	5	**222,269**	202,499
Amounts receivable	6	**6,131**	14,960
Vendor-take-back mortgage receivable	7	**20,558**	20,558
Investments in land development entities	8	**5,608**	-
Other operating assets	9	**15,251**	4,416
Right-of-use assets	10	**192**	-
Deferred tax assets	11	**8,867**	9,398
Income taxes recoverable		**1,144**	2,283
Cash and cash equivalents		**16,248**	24,042
Total assets		**296,268**	278,156
Liabilities			
Loans and credit facilities	12	**51,546**	31,696
Customer deposits		**4,592**	3,111
Accounts payable and accrued liabilities		**7,900**	12,679
Lease liabilities	10	**233**	-
Provision for future development costs		**19,102**	20,901
Total liabilities		**83,373**	68,387
Commitments and contingencies	18		
Subsequent events	12b, 13c, 18a		
Equity			
Share capital	13	**52,867**	52,898
Contributed surplus	14c	**603**	259
Retained earnings		**140,487**	138,813
Shareholders' equity		**193,957**	191,970
Non-controlling interest	23	**18,938**	17,799
Total equity		**212,895**	209,769
Total liabilities and equity		**296,268**	278,156

See accompanying notes to the consolidated financial statements

ON BEHALF OF THE BOARD:

/s/ **Stephen J. Griggs**
Director and Executive Chair

/s/ **Steven Glover**
Director and Chair of the Audit Committee

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018
(In thousands of Canadian dollars except per share amounts)

	Notes	Year ended December 31, 2019	2018
Revenues			
Sales revenue		**67,530**	81,367
Other revenue		**567**	70
	21	**68,097**	81,437
Direct cost of sales		**(45,877)**	(59,204)
Write-down of real estate held for development and sale	5	**(800)**	(1,820)
		(46,677)	(61,024)
Gross margin		**21,420**	20,413
General and administrative	15	**(11,220)**	(10,406)
Selling and marketing	16	**(4,234)**	(4,452)
		(15,454)	(14,858)
Earnings from operations		**5,966**	5,555
Finance income		**1,489**	1,512
Finance expense	17	**(1,605)**	(1,531)
Earnings before income taxes		**5,850**	5,536
Income tax expense	11	**(2,815)**	(1,757)
Net earnings being comprehensive earnings		**3,035**	3,779
Attributable to non-controlling interest	23	**1,334**	(345)
Attributable to equity shareholders		**1,701**	4,124
Net earnings per share - basic and diluted	13b	**0.04**	0.10

See accompanying notes to the consolidated financial statements

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2019 and 2018

(In thousands of Canadian dollars except number of shares)

		Equity attributable to Corporation's shareholders						
		Common shares - Issued						
	Notes	**Number of Shares**	**Amount**	**Contributed Surplus**	**Retained Earnings**	**Total Shareholders' Equity**	**Non-Controlling Interest**	**Total Equity**
At December 31, 2017		43,252,721	54,260	-	147,137	201,397	18,144	219,541
Share-based payments	14c	-	-	259	-	259	-	259
Normal course issuer bid ("NCIB")	13c	(1,069,100)	(1,362)	-	(2,139)	(3,501)	-	(3,501)
Dividends	13d	-	-	-	(10,309)	(10,309)	-	(10,309)
Net earnings being comprehensive earnings		-	-	-	4,124	4,124	(345)	3,779
At December 31, 2018		42,183,621	52,898	259	138,813	191,970	17,799	209,769

At December 31, 2018		42,183,621	52,898	259	138,813	191,970	17,799	209,769
Share-based payments	14c	-	-	344	-	344	-	344
Normal course issuer bid	13c	(23,694)	(31)	-	(27)	(58)	-	(58)
Distribution [(1)]	5	-	-	-	-	-	(518)	(518)
Net earnings being comprehensive earnings and other		-	-	-	1,701	1,701	1,657	3,358
At December 31, 2019		**42,159,927**	**52,867**	**603**	**140,487**	**193,957**	**18,938**	**212,895**

See accompanying notes to the consolidated financial statements

[(1)] Distribution to unit holders of Genesis Limited Partnership #8. Refer to note 5

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018
(In thousands of Canadian dollars)

	Notes	Year ended December 31, 2019	2018
Operating activities			
Receipts from residential lot sales		**12,334**	26,520
Receipts from development land sales		**550**	14,877
Receipts from residential home sales		**60,543**	54,353
Other cash receipts		**856**	232
Paid for land development		**(20,503)**	(19,387)
Paid for lots / land acquisition		**(5,101)**	(5,124)
Paid for residential home construction		**(25,082)**	(35,385)
Paid to suppliers and employees		**(14,405)**	(14,252)
Interest received		**1,489**	1,512
Income tax payments		**(1,144)**	(8,599)
Cash flows from operating activities		**9,537**	14,747
Investing activities			
Acquisition of equipment		**(242)**	(274)
Change in restricted cash	7	**(10,364)**	-
Investments in land development entities	8	**(5,608)**	-
Proceeds on disposal of property and equipment		**-**	5
Cash flows used in investing activities		**(16,214)**	(269)
Financing activities			
Advances from loans and credit facilities		**39,847**	33,975
Repayments of loans and credit facilities		**(31,295)**	(25,436)
Payment on vendor-take-back mortgage payable	12b	**(8,000)**	(8,000)
Interest and fees paid on loans and credit facilities		**(1,093)**	(750)
Distributions to unit holders of a limited partnership	5	**(518)**	-
Repurchase and cancellation of shares under NCIB	13c	**(58)**	(3,501)
Dividends paid	13d	**-**	(10,309)
Cash flows used in financing activities		**(1,117)**	(14,021)
Change in cash and cash equivalents		**(7,794)**	457
Cash and cash equivalents, beginning of period		**24,042**	23,585
Cash and cash equivalents, end of period		**16,248**	24,042

See accompanying notes to the consolidated financial statements

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 6, 2020.

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 and stock options and deferred share units 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.

Controlled entities 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. 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 owned 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 controlled entity are attributed to the non-controlling interest even if that results in a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) **Revenue recognition**

(i) Residential lot sales

Lot sales to third parties are recognized when the Corporation's performance obligations are satisfied, and transfer of control has passed to the purchaser.

Performance obligations are considered satisfied when the Corporation has the ability to release a grade slip to the purchaser after agreed to services pertaining to the property have been substantially performed.

Indicators of transfer of control to a purchaser include a present right to payment at the closing date of the contract, the purchaser having full access to the lot and the purchaser's ability to obtain a building permit from the relevant authority, all indicating that significant risk and rewards of ownership have been transferred to the purchaser who has signed a contract and has made a minimum 15% non-refundable deposit. In order to mitigate credit risk, the Corporation does not transfer title to sold residential lots until full payment is received.

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) Development land sales

Development land sales to third parties are recognized when the Corporation's performance obligations are satisfied, and transfer of control has passed to the purchaser.

Performance obligations are satisfied after agreed to services pertaining to the property have been substantially performed.

Indications of transfer of control to a purchaser include registering the subdivision plan with the land titles office and transferring title of the land to the purchaser on receipt of full payment, all indicating significant risk and rewards of ownership are transferred to the purchaser. In situations where extended payment terms are provided to a purchaser, an appropriate rate of interest is included, and the Corporation secures appropriate security for the remaining unpaid portion before title to the land is transferred to the purchaser.

Deposits received upon signing of contracts for purchases of land on which revenue recognition criteria have not been met are recorded as customer deposits.

(iii) Residential home sales

Home sales to third parties are recognized when the Corporation's performance obligations are satisfied, and transfer of control has passed to the purchaser.

Performance obligations are considered satisfied 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.

(iv) Finance income

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

(v) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) **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.

f) **Borrowing costs**

Borrowing costs consist of interest and other costs incurred in connection with the borrowing of the funds. The acquisition or construction of real estate assets takes a substantial period of time to prepare it 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 from the date of commencement of development work until the date of completion. All other borrowing costs are expensed in the period in which they are incurred. The recording of interest to inventory is suspended if the project's development is suspended for a prolonged period.

g) **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

h) **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 23) and are not subject to income taxes. The income or loss for Canadian tax purposes is attributable to the taxable income of the limited 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 limited partners that form part of the non-controlling interest.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) 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.

j) Leases

The Corporation adopted IFRS 16, “Leases” as of January 1, 2019 and elected to use the modified retrospective approach in its adoption of IFRS 16. Prior to that, operating lease payments were recognized as an operating expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

The modified retrospective method does not require restatement of prior period financial information as the Corporation may recognize the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date,

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation’s estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

The Corporation applied the following practical expedients:

(i) The Corporation elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery with a lease term of 12 months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) The Corporation used hindsight in determining the lease term where the contract contained an option to extend or terminate the lease.

k) Financial assets

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The three primary measurement categories for financial assets are: amortized cost, fair value through profit and loss (“FVTPL”), and fair value through other comprehensive income (“FVOCI”).

Financial assets measured at amortized cost are assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial instruments classified as amortized cost 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 at FVOCI are assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL are assets that do not meet the criteria for amortized cost or FVOCI. Financial assets classified as FVTPL are carried on the balance sheet at fair value with changes in fair value recognized in the consolidated statements of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets are derecognized 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.

Loss allowance for trade receivables is calculated using the expected lifetime credit loss model and recorded at the time of initial recognition. Title to land sold is typically transferred on receipt of full payment from the purchaser. In situations where extended payment terms are provided to a purchaser, the Corporation secures adequate security for the remaining unpaid portion before title to the land is transferred to the purchaser. The Corporation experiences no material impact of the loss allowance for trade receivables due to the above. The expected loss allowance using the lifetime credit loss approach, has no material impact.

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. Bad debt expense or recovery is included in the Corporation's general and administrative expenses.

l) Financial liabilities

The classification of financial liabilities is determined by the Corporation at initial recognition. The classification categories are: amortized cost and FVTPL.

Financial liabilities classified as amortized cost are financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the consolidated statements of comprehensive income.

Financial liabilities measured at FVTPL are financial liabilities measured at fair value with changes in fair value and interest expense recognized in the consolidated statements of comprehensive income.

Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset, and the net amount presented on the balance sheet when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Corporation's financial instruments (assets and liabilities) are classified as follows:

• Cash	FVTPL
• Cash equivalents	Amortized cost
• Deposits	Amortized cost
• Equity investments in land development entities	FVTPL
• Restricted cash	FVTPL
• Amounts receivable	Amortized cost
• Vendor-take-back mortgage receivable	Amortized cost
• Accounts payable and accrued liabilities	Amortized cost
• Loans and credit facilities	Amortized cost

m) 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. The diluted earnings per share amount is calculated giving effect to the potential dilution that would occur if stock options were exercised. The treasury stock method is used to determine the dilutive effect of stock options.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) **Provision for future development costs**

The Corporation sells land, lots and homes for which it is responsible to pay for future development costs. 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. 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.

o) **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 performance obligations are satisfied and transfer of control has passed to the purchaser. The Corporation reviews each contract and evaluates all the factors to determine the appropriate date to recognize revenue.

(ii) *Consolidation*

The Corporation applies judgment in determining control over certain limited partnerships 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.

(v) *Investments in land development entities*

The fair value of investments in land development entities are based on the market approach method. This method uses prices and other relevant information that have been generated by market transactions involving identical or comparable assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) 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 and investments in land development entities 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 and vendor-take-back mortgage 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.

(iv) Share-based compensation

The fair values of equity-settled share-based payments are estimated using the Black-Scholes options pricing model. These estimates are based on the Corporation's share price and on several assumptions, including the risk-free interest rate, the future forfeiture rate, time to expiry, and the expected volatility of the Corporation's share price. Accordingly, these estimates are subject to measurement uncertainty.

p) **Share-based compensation**

On September 20, 2018, the Corporation's Board of Directors adopted a new long-term incentive plan comprised of a stock option plan and a deferred share unit ("DSU") plan. The adoption of the long-term incentive plan and the vesting and exercise of initial stock option grants made under this plan were conditional upon and subject to the approval by the Toronto Stock Exchange and Genesis' shareholders, which was approved by the shareholders at the Corporation's annual general meeting in May 2019.

(i) Stock options

The Corporation's stock option plan allows for the recipients to purchase common shares. Vesting provisions and exercise prices are set at the time of issuance by the Board of Directors. Options vest over a number of years on various anniversary dates from the date of the original grant. Options are issued with exercise prices not less than the fair market value of the common shares at the date of grant and with terms not exceeding ten years from the date of grant.

The fair value of share-based payments related to the stock options granted is calculated at the grant date using the Black-Scholes Option-Pricing Model. The costs of the share-based payments are recognized on a proportionate basis over the related vesting period of each tranche of the grant as an expense with recognition of the corresponding increase in contributed surplus. Any consideration paid on the exercise of stock options, together with any related contributed surplus, is credited to the share capital account.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments may be settled in cash or equity at the sole discretion of the Corporation and are accounted for as equity-settled plans.

The dilutive effect of outstanding options is reflected in the computation of earnings per share.

(ii) Deferred share unit plan

DSUs are notional common shares of the Corporation that do not settle until the recipient leaves the Corporation. The Corporation's DSU plan allows for the participants to receive cash-settled DSUs. The fair value of DSUs and the cash payment, when made, is based on the common share price of the Corporation at the relevant time. Vesting provisions for DSUs, if any, are determined at the time of issuance.

The fair value of the DSUs is recognized as share-based compensation expense, with a corresponding increase in accrued liabilities over the vesting period. The amount recognized as an expense is based on the estimate of the number of DSUs expected to vest. DSUs are measured at their fair value at each reporting period on a mark-to-market basis. The accrued liability is reduced on the cash payout of any DSU.

3. NEW STANDARDS ADOPTED EFFECTIVE JANUARY 1, 2019

The Corporation adopted new IFRSs and interpretations as of January 1, 2019, as noted below:

IFRS 16, "Leases"

The Corporation adopted IFRS 16 as of January 1, 2019. On January 13, 2016, the IASB published a new standard, IFRS 16, "Leases". The new standard brings most leases for lessees onto the balance sheet under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use ("ROU") asset and a lease liability. The ROU asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest.

The Corporation elected to use the modified retrospective approach in its adoption of IFRS 16. The modified retrospective method does not require restatement of prior period financial information as it may recognize the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Corporation's consolidated balance sheet, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows were not restated.

On adoption of IFRS 16, the Corporation recognized lease liabilities at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as of January 1, 2019. The associated ROU assets were measured at an amount equal to the lease liability on January 1, 2019, therefore having no impact on retained earnings. Adoption of the standard resulted in the recognition of ROU assets and lease liabilities of $232 as at January 1, 2019.

The impacts of the adoption of IFRS 16 as at January 1, 2019 are as follows:

Balance sheet adjustments

	As reported as at December 31, 2018	Adjustments	Opening balance as at January 1, 2019
ROU assets	-	232	232
Lease liabilities	-	(232)	(232)
	-	-	-

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

4. NEW ACCOUNTING PRONOUNCEMENTS

IFRS 3, "Business Combinations"

In October 2018, the International Accounting Standards Board issued "*Definition of a Business (Amendments to IFRS 3)*". The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Corporation is currently evaluating the potential impact of these amendments on the Corporation's consolidated financial statements.

5. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	Lots, Multi-family & Commercial Parcels	Land Held for Development	Home Building	Total	Limited Partnerships	Intra-segment Elimination	Consolidated Total
Gross book value							
As at December 31, 2018	42,395	138,307	25,252	205,954	15,431	(4,194)	217,191
Development activities	5,146	8,163	28,543	41,852	291	-	42,143
Transfer	35,564	(35,564)	-	-	-	-	-
Acquisition	-	23,725	-	23,725	-	-	23,725
Sold	(12,329)	-	(32,430)	(44,759)	(2,117)	-	(46,876)
As at December 31, 2019	70,776	134,631	21,365	226,772	13,605	(4,194)	236,183
Provision for write-downs							
As at December 31, 2018	1,446	8,218	-	9,664	5,028	-	14,692
Sold	-	-	-	-	(1,578)	-	(1,578)
Write-down of real estate held for development and sale	193	607	-	800	-	-	800
As at December 31, 2019	1,639	8,825	-	10,464	3,450	-	13,914
Net book value							
As at December 31, 2018	40,949	130,089	25,252	196,290	10,403	(4,194)	202,499
As at December 31, 2019	69,137	125,806	21,365	216,308	10,155	(4,194)	222,269

During the year ended December 31, 2019, interest of $158 (2018 - $256) was capitalized as a component of development activities.

During the year ended December 31, 2019, the Corporation recorded a write-down of $800 (2018 - $1,820*)* due to costs capitalized during the period (primarily property taxes and planning costs) relating to a parcel of land held for development that is carried at net realizable value since December 2016.

During the year ended December 31, 2019, the Corporation purchased 130 acres of future residential development land in north Calgary for $23,725. The purchase was paid for with a cash payment of $5,101 and a $18,624 vendor-take-back mortgage with an interest rate of 5% per annum. The vendor-take-back mortgage is repayable in two installments of approximately $9,312 each, in May 2021 and 2022.

During the three months and year ended December 31, 2019, the Corporation closed the sale of an 357-acre parcel of land belonging to a limited partnership for $550. In November 2019, the limited partnership made a distribution of $518 to its unit holders from the proceeds of this sale.

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

6. AMOUNTS RECEIVABLE

	2019	2018
Agreements receivable	**5,515**	10,584
Other receivables	**616**	4,376
	6,131	14,960

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. On receipt of a minimum 15% non-refundable deposit the purchaser is deemed to have control over the lot and is permitted to start construction. 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.

7. VENDOR-TAKE-BACK MORTGAGE RECEIVABLE

	2019	2018
Vendor-take-back mortgage receivable (1)	**20,558**	20,558

(1) Includes accrued interest

Interest of $1,333 was received in December 2019 (2018 - $1,333).

Limited Partnership Land Pool (“LPLP 2007”), 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. LPLP 2007 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 receivable is payable annually, in arrears.

On October 17, 2019, the Corporation completed a transaction with LPLP 2007, whereby the Corporation acquired the third-party, secured vendor-take-back mortgage receivable held by LPLP 2007. The acquisition cost to Genesis was $22,020. Consideration to LPLP 2007 was comprised of a cash payment of $10,360 to LPLP 2007 by the Corporation with the balance of $11,660 applied to fully repay the loan owed by LPLP 2007 to the Corporation. Interest owed on that loan by LPLP 2007 of approximately $650 was waived as part of the settlement arrangements.

The cash proceeds of $10,360 paid by the Corporation to LPLP 2007 were placed in escrow by LPLP for pro rata distribution to those limited partners who request the distribution and will release LPLP, Genesis and related entities from any liabilities, including in respect of a class action against them proposed by several limited partners of LPLP and related partnership (see note 18d). The Corporation also paid $100 to reimburse a limited partner holding a significant number of limited partnership units (22%) for a portion of its legal fees and other costs incurred by it in negotiating and evaluating these settlement arrangements. Any funds not distributed to requesting limited partners within a period of time to be determined by the general partner of LPLP will be retained by LPLP to fund its operating expenses, including its share of any costs in may incur in respect of the proposed class action.

8. INVESTMENTS IN LAND DEVELOPMENT ENTITIES

	2019	2018
Investment in land development limited partnership – 5% interest	**1,850**	-
Investment in land development joint venture – 8% interest	**3,758**	-
	5,608	-

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

9. OTHER OPERATING ASSETS

	2019	2018
Deposits – construction projects	**2,357**	2,648
Prepayments	**370**	309
Restricted cash	**12,077**	1,029
Property and equipment	**447**	430
	15,251	4,416

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 18b for additional information). Restricted cash includes $10,360 paid to LPLP 2007 by the Corporation and has been placed in trust pending distribution to its unit holders (refer to note 7 for additional information).

10. LEASES

ROU Assets	**Photocopiers**	**Office Building**	**Trucks**	**Total**
As at January 1, 2019	-	184	48	232
Additions	90	-	-	90
Depreciation charge for the year (1)	(12)	(105)	(13)	(130)
As at December 31, 2019	78	79	35	192

Lease Liabilities	**Photocopiers**	**Office Building**	**Trucks**	**Total**
As at January 1, 2019	-	184	48	232
Additions	90	-	-	90
Lease payments	(13)	(77)	(14)	(104)
Depreciation charge for the year (1)	2	11	2	15
As at December 31, 2019	79	118	36	233

Lease liabilities – undiscounted cash flows	**Photocopiers**	**Office Building**	**Trucks**	**Total**
January 1, 2020 to December 31, 2020	20	121	14	155
January 1, 2021 to December 31, 2024	67	-	24	91
As at December 31, 2019	87	121	38	246

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

10. LEASES (continued)

Amounts recognized in statements of comprehensive income	Photocopiers	Office Building	Trucks	Total
Interest on lease liabilities	3	7	2	12
For the year ended December 31, 2019	3	7	2	12

Amounts recognized in the statement of cash flows [(2)]	Photocopiers	Office Building	Trucks	Total
Interest paid	3	2	2	7
Payment of lease liabilities	11	71	12	94
For the year ended December 31, 2019	14	73	14	101

[(1)] Depreciation rate used ranged between 4.76% and 4.77%.

[(2)] These amounts are included in the line item Paid to suppliers and employees in the consolidated statements of cash flows

11. INCOME TAXES

a) On June 28, 2019, legislation was enacted to decrease the Alberta corporate income tax rate from 12% to 8% with a 1% reduction effective July 1, 2019 and further 1% reductions on each of January 1, 2020, 2021 and 2022. As a result, deferred income tax assets were reduced by $1,359 which was recognized as an increase in deferred income tax expense. Income tax was recognized in the consolidated statements of comprehensive income as follows:

	2019	2018
Current income tax	**2,283**	3,531
Deferred income tax	**532**	(1,774)
Income tax expense	**2,815**	1,757

b) Income tax expense differed from that which would be expected from applying the combined statutory Canadian federal and provincial income tax rates of 26.50% (2018 - 27.00%) to earnings before income taxes. The difference resulted from the following:

	2019	2018
Earnings before income taxes	**5,850**	5,536
Statutory tax rate	**26.50%**	27.00%
Expected income tax expense	**1,550**	1,495
Change in tax rate impact on future tax	**1,359**	-
Share-based compensation	**113**	70
Other	**147**	99
Non-controlling interest	**(354)**	93
Tax expense for the year	**2,815**	1,757

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

	2019	2018
Deferred tax assets	**9,275**	10,774
Deferred tax liabilities	**(408)**	(1,376)
Net deferred tax assets	**8,867**	9,398

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

11. INCOME TAXES (continued)

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

	2019	2018
Real estate held for development and sale	**5,677**	7,076
Reserves from land sales	**(209)**	(1,376)
Unamortized financing costs	**2,862**	3,111
Other temporary differences	**537**	587
Net deferred tax assets	**8,867**	9,398

12. LOANS AND CREDIT FACILITIES

	2019	**2018**
Secured by agreements receivable and real estate held for development and sale (a) Demand land project servicing loans from major Canadian chartered banks, payable on collection of agreements receivable, bearing interest at prime +0.75% per annum, secured by real estate held for development and sale with a carrying value of $53,728. These loans are due between December 30, 2020 and July 4, 2021.	**4,145**	7,914
Secured by real estate held for development and sale (b) Vendor-take-back mortgage payable ("VTB") at 0% per annum 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 $45,081. The VTB is to be paid in five annual installments of $8,000 each, commencing January 6, 2016 and ending January 6, 2020. The final installment of $8,000 was paid in January 2020.	**8,000**	16,000
Unamortized portion of the discount on the VTB.	**-**	(613)
(c) The VTB bearing interest at 5% per annum was entered into on September 13, 2019 in partial payment for the purchase of approximately 130 acres of future residential development land in north Calgary. The VTB is secured by these lands which have a carrying value of $24,087. The VTB is to be repaid in two installments of approximately $9,312 each in May 2021 and 2022.	**18,634**	-
(d) A loan facility for $15,375 bearing interest at 6.50% per annum, due on December 15, 2020 and is secured by a $20,500 VTB (refer to note 7).	**14,470**	-
(e) Demand operating line of credit up to $10,000 from a major Canadian chartered bank, bearing interest at prime +1.00% per annum, secured by real estate held for development and sale with a carrying value of $15,051 due on March 31, 2020.	**-**	-
Secured by housing projects under development (f) Demand operating line of credit from a major Canadian chartered bank 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.	**2,261**	1,509
(g) Demand project specific townhouse construction loans from a major Canadian chartered bank, 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 $7,153. One loan is due on March 28, 2020 and the other is due on August 31, 2020.	**4,370**	7,177
	51,880	31,987
Deferred fees on loans and credit facilities	**(334)**	(291)
	51,546	31,696

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

12. LOANS AND CREDIT FACILITIES (continued)

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 5.76% (December 31, 2018 – 4.76%) based on December 31, 2019 balances.

During the year ended December 31, 2019, the Corporation received advances of $39,847 (2018 - $33,975) relating to various loan facilities. These are secured by agreements receivable, real estate held for development and sale, housing projects under development and a $20,500 VTB and bear interest ranging from prime +0.75% to 6.50% per annum, with due dates ranging from March 28, 2020 to July 4, 2021.

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 $613 (2018 - $1,179) for the year ended December 31, 2019.

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, 2019 and 2018, the Corporation and its subsidiaries were in compliance with all loan covenants.

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, 2020 to December 31, 2020	30,450
January 1, 2021 to December 31, 2021	12,118
January 1, 2022 to December 31, 2022	9,312
	51,880

13. 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, 2019 and 2018:

	Year ended December 31,	
	2019	**2018**
Basic	**42,181,015**	43,076,831
Effect of dilutive securities - stock options	**-**	135,000
Diluted	**42,181,015**	43,211,831

All 2,535,000 options outstanding at the year ended December 31, 2019 (2018 – 2,025,000) were excluded in calculating diluted earnings per share as their weighted average exercise price was higher than the average market price of the Corporation's shares during the period.

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

13. SHARE CAPITAL (continued)

c) Normal course issuer bid ("NCIB")

On October 8, 2019, the Corporation announced the renewal of its NCIB. The renewed NCIB commenced on October 10, 2019 and will terminate on the earlier of: (i) October 9, 2020; 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 2,109,016 common shares under the renewed NCIB.

The prior NCIB, which expired on October 9, 2019, allowed the Corporation to purchase for cancellation up to 2,147,636 common shares. The Corporation purchased a total of 772,400 common shares at an average price of $3.12 per share under this NCIB.

The following table sets forth the number of common shares repurchased and cancelled during the year ended December 31, 2019 and 2018 under the NCIB.

	Year ended December 31,	
	2019	**2018**
Number of shares repurchased and cancelled	**23,694**	1,069,100
Reduction in share capital	**31**	1,362
Reduction in retained earnings	**27**	2,139
Reduction in shareholders' equity	**58**	3,501
Average purchase price per share	**2.41**	3.27

Subsequent to December 31, 2019, the Corporation repurchased 52,516 common shares between January 1, 2020 and March 6, 2020 for cancellation under the NCIB.

d) Dividends

No dividends were declared or paid in the year ended December 31, 2019 (2018 - $10,309 or $0.24 per share).

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

14. SHARE-BASED COMPENSATION

On September 20, 2018, the Corporation's Board of Directors adopted a new long-term incentive plan comprised of a stock option plan and a deferred share unit ("DSU") plan which was approved by the Corporation's shareholders on May 9, 2019.

a) Stock Option Plan

Share-based payments may be settled in cash or equity at the sole discretion of the Corporation and are accounted for as equity-settled plans. Stock options have a 7-year term and vest 25% on each of the first, second, third and fourth anniversary dates of the grant. Share-based compensation was recorded and included as a part of general and administrative expense.

Details of stock options are as follows:

	Year ended December 31,			
	2019		2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	**2,025,000**	**$3.36**	-	-
Options forfeited	**(270,000)**	**$3.12**	-	-
Options issued	**780,000**	**$3.11**	2,025,000	$3.36
Outstanding - end of period	**2,535,000**	**$3.31**	2,025,000	$3.36
Exercisable - end of period	**438,750**	**$3.40**	-	-

	Outstanding		Exercisable		
Range of Exercise Prices ($)	Number at December 31, 2019	Weighted Average Exercise Price	Number at December 31, 2019	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
3.11 - 3.48	2,535,000	$3.31	438,750	$3.40	5.85

The following assumptions were used in estimating the fair value of options granted using the Black-Scholes Option-Pricing Model:

	2019	2018
Risk-free interest rate	**1.50 - 1.59%**	2.25 - 2.30%
Estimated term/period prior to exercise (years)	**5.50**	5.50
Volatility in the price of the Corporation's common shares	**28.8 - 29.1%**	25.6 – 28.1%
Forfeiture rate	**0.00%**	0.00%
Dividend yield rate	**0.00%**	0.00%

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

14. SHARE-BASED COMPENSATION (continued)

b) Deferred Share Unit Plan ("DSU")

The Corporation's DSU plan provides DSUs to be issued to directors and designated employees. DSUs vest 25% on each of the first, second, third and fourth anniversary dates of the grant and shall not be redeemed except upon the occurrence of the earlier of any one of the following: the death of a participant; the retirement of a participant; or in the case of a designated employee, the termination of a participant. Details of the DSUs are as follows:

	Year ended December 31,	
	2019	**2018**
Outstanding - beginning of period	**-**	-
DSUs granted pursuant to bonus / incentive plan	**70,941**	-
Outstanding - end of period	**70,941**	-
Vested - end of period	**-**	-

The outstanding liability related to cash settled DSUs as at December 31, 2019 was $84 (2018 - $nil) and is recorded in accounts payable and accrued liabilities.

c) Share-based compensation expense

Share-based compensation expense of the Corporation consisted of the following:

	Years ended December 31,	
	2019	**2018**
Stock options	**344**	259
Deferred share units - cash settled grants	**84**	-
	428	259

15. GENERAL AND ADMINISTRATIVE

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

	Years ended December 31,	
	2019	2018
Compensation and benefits	**6,761**	7,463
Share-based compensation	**428**	259
Corporate administration	**2,754**	1,628
Professional services	**1,277**	1,056
	11,220	10,406

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

15. GENERAL AND ADMINISTRATIVE (continued)

Compensation and benefits of the directors and key management personnel, included in the general and administrative expenses above, were as follows:

	Years ended December 31,	
	2019	2018
Salaries, wages and benefits	**1,904**	1,801
Share-based compensation	**428**	259
	2,332	2,060

16. SELLING AND MARKETING

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

	Years ended December 31,	
	2019	2018
Advertising and marketing	**2,970**	3,068
Sales commissions	**1,264**	1,384
	4,234	4,452

17. FINANCE EXPENSE

Finance expense of the Corporation consisted of the following:

	Years ended December 31,	
	2019	2018
Interest incurred	**722**	437
Finance expense relating to VTBs (note 12)	**855**	1,179
Financing fees amortized	**186**	171
Interest and financing fees capitalized (note 5)	**(158)**	(256)
	1,605	1,531

18. 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 eight installments totaling $4,000 have been paid. The ninth payment was made in January 2020.

b) 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, 2019, the letters of credit amounted to $4,795 (December 31, 2018 - $6,358).

c) The Corporation is committed to pay levies and municipal fees relating to signed municipal agreements on commencement of development of certain real estate assets with the following payments:

January 1, 2020 to December 31, 2020	6,406
January 1, 2021 to December 31, 2021	4,794
	11,200

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

18. COMMITMENTS AND CONTINGENCIES (continued)

d) The Corporation is a co-defendant in a statement of claim initiated by a limited partner of LPLP 2007 and its affiliated RRSP limited partnerships. The statement of claim seeks to be certified as a class action and is seeking damages of $60,000. Any potential liability to the Corporation and/or the Partnership is indeterminate, and no provision has been made. The Corporation's view is that this action is without merit and is actively contesting it. No significant developments occurred on this litigation claim in the year ended December 31, 2019.

19. PROVISION FOR LITIGATION

The Corporation is a defendant in a statement of claim against the Corporation alleging wrongful termination of employment. The aggregate amount of the claim is approximately $1,600 and the Corporation recorded this amount as a provision as at December 31, 2017.

In March 2019, the plaintiffs amended their statement of claim to add claims in the amount of $1,100 plus costs and interest in connection with a disputed purported exercise of stock options. The Corporation has not made any provision for this additional amount claimed. The Corporation's view is that this action is without merit and is actively contesting it. No significant developments occurred on this litigation claim in the year ended December 31, 2019.

20. FINANCIAL INSTRUMENTS

a) Risks associated with financial instruments

(i) Credit risk

The Corporation recognizes bad debt expense (or recovery) relating to amounts receivable on sold lots, net of the value of the related sold lots which are taken back into the Corporation's lot inventory on the termination of the relevant agreement. Termination could occur when the buyer fails to perform or observe terms of covenants of the relevant agreement.

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, 2019, which comprise greater than 10% of total amounts receivable, totaled $5,515 from two customers (2018 - $10,082 from three customers).

Aging of amounts receivable was as follows:

	2019	2018
Past due	**-**	-
Not past due	**6,131**	14,960
	6,131	14,960

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

20. FINANCIAL INSTRUMENTS (continued)

(ii) Liquidity risk

The contractual maturities of financial liabilities and other commitments as at December 31, 2019 were as follows:

	<1 Year	>1 Year	Total
Financial liabilities			
Accounts payable and accrued liabilities	7,900	-	7,900
Loans and credit facilities excl. deferred fees (note 12)	30,450	21,430	51,880
	38,350	21,430	59,780
Commitments			
Lease obligations	452	92	544
Naming rights (note 18)	500	500	1,000
Levies and municipal fees (note 18)	6,406	4,794	11,200
	7,358	5,386	12,744
	45,708	**26,816**	**72,524**

At December 31, 2019, the Corporation had obligations due within the next 12 months of $45,708 (2018 - $23,158). 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 $108 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 values of the Corporation's loans and credit facilities, amounts receivable and vendor-take-back mortgage receivable were estimated based on current market rates for loans of the same risk and maturities.

The fair value of investments in land development entities are based on the market approach method. This method uses prices and other relevant information that have been generated by market transactions involving identical or comparable assets.

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).

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

20. FINANCIAL INSTRUMENTS (continued)

The Corporation's current financial assets are measured at amortized cost or fair value through profit and loss ("FVTPL"). The estimated fair value of financial assets and liabilities as at December 31, 2019 and December 31, 2018 are presented in the following table:

			Carrying Value		Fair Value	
	Fair Value Hierarchy	Measurement Basis	As at Dec. 31, 2019	As at Dec. 31, 2018	As at Dec. 31, 2019	As at Dec. 31, 2018
Financial Assets						
Cash	Level 1	FVTPL	**16,248**	24,042	**16,248**	24,042
Investments in land development entities	Level 3	FVTPL	**5,608**	-	**5,608**	-
Restricted cash	Level 1	FVTPL	**12,077**	1,029	**12,077**	1,029
Amounts receivable	Level 2	Amortized cost	**6,131**	14,960	**5,968**	14,733
Vendor-take-back mortgage receivable	Level 2	Amortized cost	**20,558**	20,558	**20,312**	20,254

During the year ended December 31, 2019 and 2018, no transfers were made between the levels in the fair value hierarchy.

Investments in land development entities are classified as level 3 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:

	2019	2018
Loans and credit facilities (note 12)	**51,546**	31,696
Shareholders' equity	**193,957**	191,970
	245,503	223,666

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

21. SEGMENTED INFORMATION

The income producing business units of the Corporation reported the following activities for the year ended December 31, 2019 and 2018:

	Land Development Segment				Home Building Segment	Intersegment Elimination	Total
Year ended December 31, 2019	**Genesis**	**LP**	**Intrasegment Elimination**	**Total**			
Revenues	28,560	511	-	29,071	59,746	(21,270)	67,547
Revenues – development lands	-	550	-	550	-	-	550
Direct cost of sales	(15,129)	(538)	-	(15,667)	(51,480)	21,270	(45,877)
Write-down of real estate held for development and sale	(800)	-	-	(800)	-	-	(800)
Gross margin	12,631	523	-	13,154	8,266	-	21,420
G&A, selling & marketing and net finance expense or income	(7,646)	811	-	(6,835)	(8,735)	-	(15,570)
Earnings (loss) before income taxes and non-controlling interest	4,985	1,334	-	6,319	(469)	-	5,850
Segmented assets as at December 31, 2019	254,898	20,574	(5,804)	269,668	28,940	(2,340)	296,268
Segmented liabilities as at December 31, 2019 (1), (2)	73,463	1,805	(1,752)	73,516	12,197	(2,340)	83,373
Segmented net assets as at December 31, 2019 (1), (2)	181,435	18,769	(4,052)	196,152	16,743	-	212,895

	Land Development Segment				Home Building Segment	Intersegment Elimination	Total
Year ended December 31, 2018	**Genesis**	**LP**	**Intrasegment Elimination**	**Total**			
Revenues	31,750	19	-	31,769	54,113	(19,571)	66,311
Revenues – development lands	15,126	-	-	15,126	-	-	15,126
Direct cost of sales	(32,701)	(18)	-	(32,719)	(46,056)	19,571	(59,204)
Write-down of real estate held for development and sale	(920)	(900)	-	(1,820)	-	-	(1,820)
Gross margin	13,255	(899)	-	12,356	8,057	-	20,413
G&A, selling & marketing and net finance expense or income	(5,958)	412	-	(5,546)	(9,331)	-	(14,877)
Earnings (loss) before income taxes and non-controlling interest	7,297	(487)	-	6,810	(1,274)	-	5,536
Segmented assets as at December 31, 2018	237,274	30,972	(17,384)	250,862	31,199	(3,905)	278,156
Segmented liabilities as at December 31, 2018 (1), (2)	58,216	13,342	(13,332)	58,226	14,066	(3,905)	68,387
Segmented net assets as at December 31, 2018 (1), (2)	179,058	17,630	(4,052)	192,636	17,133	-	209,769

(1) Segmented liabilities under the Genesis land development segment include $392 due to the home building segment (December 31, 2018 – $2,112 due from the home building segment to the land development segment).

(2) Segmented liabilities under the LP segment is comprised of accounts payable and accrued liabilities and includes $1,752 (December 31, 2018 - $13,332) due to Genesis.

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

22. RELATED PARTY TRANSACTIONS

	Year ended December 31,	
	2019	**2018**
Fees for services provided by a corporation controlled by an officer and director	-	251
	-	251

There were no amounts in accounts payable and accrued liabilities relating to related party transactions as at December 31, 2019 and 2018.

23. 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 partnerships 4/5 ("LP 4/5") is a partner in a joint venture with the Corporation, that holds land held for future development located east of Calgary in the Municipal District of Rocky View. No capital repayments are required with respect to LP 4/5. The Corporation has a nominal ownership interest in Genesis Limited Partnership #4 and is entitled to a management fee of 10% of the future development service costs payable on a per-lot basis as lots are sold on the limited partnership portion.

On October 17, 2019, the Corporation completed a transaction with LPLP 2007, whereby the Corporation acquired the third-party, secured vendor-take-back mortgage receivable held by LPLP 2007. The acquisition cost to Genesis was $22,020. Consideration to LPLP 2007 was comprised of a cash payment of $10,360 to LPLP 2007 by the Corporation with the balance of $11,660 applied to fully repay the loan owed by LPLP 2007 to the Corporation. Refer to note 7 for additional information.

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

23. CONSOLIDATED ENTITIES (continued)

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

	% equity interest as at	
Name	**December 31, 2019**	**December 31, 2018**
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%
Genesis Keystone Ltd.	100%	-
Polar Hedge Enhanced Income Trust	100%	100%
Home Building		
Genesis Builders Group Inc.	100%	100%
The Breeze Inc.	100%	100%
Joint Venture		
Kinwood Communities Inc.	50%	50%
Limited Partnerships		
LP 4/5 Group		
Genesis Limited Partnership #4	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 8/9 Group		
Genesis Limited Partnership #8	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%

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

23. 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, 2019			
	LP 4/5	**LP 8/9**	**LPLP 2007**	**Total**
Assets				
Real estate held for development and sale	8,980	1,176	-	**10,156**
Amounts receivable	-	1	5	**6**
Other operating assets including restricted cash (refer to note 7)	-	30	10,364	**10,394**
Cash and cash equivalents	-	9	9	**18**
Total assets	8,980	1,216	10,378	**20,574**
Liabilities				
Customer deposits	-	30	-	**30**
Accounts payable and accrued liabilities	-	2	21	**23**
Due to related parties	1,400	246	106	**1,752**
Total liabilities	1,400	278	127	**1,805**
Net assets (liabilities)	7,580	938	10,251	**18,769**
Non-controlling interest (%)	100%	100%	100%	

	December 31, 2018			
	LP 4/5	**LP 8/9**	**LPLP 2007**	**Total**
Assets				
Real estate held for development and sale	8,721	1,683	-	**10,404**
Amounts receivable	-	-	20,558	**20,558**
Cash and cash equivalents	-	1	9	**10**
Total assets	8,721	1,684	20,567	**30,972**
Liabilities				
Accounts payable and accrued liabilities	-	-	10	**10**
Due to related parties	1,049	529	11,754	**13,332**
Total liabilities	1,049	529	11,764	**13,342**
Net assets (liabilities)	7,672	1,155	8,803	**17,630**
Non-controlling interest (%)	100%	100%	100%	

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

23. CONSOLIDATED ENTITIES (continued)

SUMMARIZED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31, 2019			
	LP 4/5	LP 8/9	LPLP 2007	Total
Revenues	19	550	492	**1,061**
Net (loss) earnings	(92)	(22)	1,448	**1,334**
Non-controlling interest (%)	100%	100%	100%	

	Year ended December 31, 2018			
	LP 4/5	LP 8/9	LPLP 2007	Total
Revenues	19	-	-	**19**
Net (loss) earnings	(48)	(913)	474	**(487)**
Non-controlling interest (%)	100%	100%	100%	

SUMMARIZED STATEMENT OF CASH FLOWS

	Year ended December 31, 2019			
	LP 4/5	LP 8/9	LPLP 2007	Total
Cash flows from operating activities	-	8	1,454	**1,462**
Cash flows used in financing activities	-	-	(1,454)	**(1,454)**
Net decrease in cash and cash equivalents	-	8	-	**8**

	Year ended December 31, 2018			
	LP 4/5	LP 8/9	LPLP 2007	Total
Cash flows from operating activities	-	-	1,349	**1,349**
Cash flows used in financing activities	-	-	(1,340)	**(1,340)**
Net decrease in cash and cash equivalents	-	-	9	**9**

Officers

IAIN STEWART
President 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, Asset Management

Directors

STEPHEN J. GRIGGS
Executive Chair

STEVEN GLOVER
Lead Director

MARK W. MITCHELL
Director

LOUDON OWEN
Director

IAIN STEWART
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

GENESIS LAND DEVELOPMENT CORP.

7315 - 8th Street NE

Calgary, Alberta, Canada T2E 8A2

Main 403 265 8079

Email info@genesisland.com

www.genesisland.com