



GENESIS LAND DEVELOPMENT CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2018

The Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of operations of Genesis Land Development Corp. ("**Genesis**", "**the Corporation**", "**we**", "**us**", or "**our**") should be read in conjunction with unaudited condensed consolidated interim financial statements and the notes thereto for the three and nine months ended September 30, 2018 and 2017, prepared in accordance with International Financial Reporting Standards ("**IFRS**").

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

All amounts are in thousands of Canadian dollars, except per share amounts or unless otherwise noted. This MD&A is dated as of November 13, 2018.

STRATEGY AND 2018 BUSINESS PLAN

Strategy

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

As a land developer, Genesis 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 at opportune times with the objective of maximizing the risk adjusted net present value of the land and to maximize net cash flow.

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

In mid-2018, management updated the strategy plan of the Corporation, which update was approved by the Board of Directors. As a part of this update, management identified that there was the potential for the Corporation to acquire additional residential development lands in the CMA, primarily with the objective of replacing the lots and parcels sold by the Corporation on an annual basis. Management is actively exploring potential CMA land acquisitions, although there is no assurance that any suitable transactions can be completed.

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

Any excess cash on hand is generally used to issue dividends to shareholders and/or buy back common shares and opportunistically acquire additional development land.

2018 Business Plan

The business plan for 2018 includes:

1) **Maximizing the return of capital to shareholders and investing in additional lands**

Genesis has paid \$10.3 million in dividends (\$0.24 per common share) and repurchased 300,000 shares for a total of \$1.1 million during the first three quarters of 2018.

Since 2014 when it paid its first dividend, Genesis has returned to shareholders \$51.9 million by way of dividends and bought back nearly 2 million common shares for approximately \$5.9 million under its normal course issuer bids (approximately 4.4% of the common shares outstanding at the commencement of the program in 2015).

<i>(\$000s, except for number of shares and per share items)</i>	Dividend per share	Total dividends declared	Shares repurchased and cancelled	Cost of repurchases
2018	\$0.24	\$10,309	300,000	\$1,101
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	1,973,479	\$5,864

\$ 5.2 million of land and housing assets in the CMA were acquired from the receiver of a third-party builder in a Genesis community in May 2018.

2) **Obtain Additional Zoning and Servicing Entitlements**

Genesis continues to make progress in obtaining additional zoning and servicing entitlements including:

- Sage Hill Crossing Outline Plan: Calgary City Council approved the Area Service Plan (“ASP”) amendment for Sage Hill Crossing in September 2017. Genesis submitted its Outline Plan and Land Use application in December 2017, and has subsequently filed amendments to its original plan to split the plan into two segments. The southern segment is fully serviced and will be marketable once the required regulatory approvals are in place. The northern segment is currently un-serviced and will take several years to service once the required approvals have been obtained. Discussions with approving authorities are proceeding and approvals of the Outline Plan and Land Use applications for the two segments by the Calgary City Council are anticipated in 2019.
- Southeast Lands ASP: The City of Calgary (the “City”) began the process for the creation and subsequent approval of the developer funded “Ricardo Ranch” ASP in January, 2018. Genesis has been leading discussions with the City on behalf of the three landowners involved. This ASP is anticipated to be approved by Calgary Planning Commission in early 2019, and then by Calgary City Council later in 2019.
- OMNI ASP: The OMNI ASP was approved by Rocky View County (the “County”) in September 2017. The City, the neighboring municipality, appealed this approval to the Alberta Municipal Government Board in October 2017. The Alberta Municipal Government Board held a hearing of this appeal in late July and early August, 2018. It is not known yet when the Board will make a ruling.

3) Plans for the Development and Sale of Lands

Genesis continues to develop detailed plans for each of its core land holdings, with the objective of maximizing the 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.

On July 30, 2018, the Corporation completed the sale of a 1.8 acre commercial parcel of land for \$2,688 and a 7.8 acre multi-family parcel of land for \$7,810 in Calgary.

Genesis has two parcels of land in the Calgary Sage Meadows community under contract to sell, consisting of two multi-family parcels of 4.7 and 3.9 acres, respectively. It is expected that the sale of one of the two sites will be completed in late 2018, with the final site closing in 2020, but there can be no assurances that both or either of these transactions will close.

4) Service Additional Phases

Servicing of four new phases with a three year estimated budget of approximately \$61,000 commenced in Q2 2018. Approximately \$29,000 of this is expected to be incurred in 2018. All four projects are proceeding on budget and within planned timelines. These phases are being financed by land servicing project credit facilities from two major Canadian chartered banks. Servicing is expected to be completed in 2020 and will provide a substantial number of future lots and parcels of land for sale, including:

- 1) Saddlestone community: The final phase of Saddlestone of 121 single-family lots, two multi-family sites totaling 1.9 acres and a 3.2 acre park;
- 2) Sage Meadows community: The final phase of Sage Meadows, servicing 18.1 acres with four multi-family sites (2 of which have been contracted for sale), 31 single-family lots on which GBG is expected to build and sell houses and a previously dedicated school site; and
- 3) Bayside and Bayview communities: Two new phases in Airdrie, including Bayside phase 10 adding 108 lots and Bayview phase 1 adding a 6 acre park and 102 lots.

5) Add Third-party Builders in Genesis Communities

To diversify offerings within its residential communities, Genesis is assessing various third-party builders to be included in future phases in Genesis’ communities, in addition to the four third-party builders currently working with Genesis.

6) Increase velocity of homes sold by GBG

Genesis strives to increase the velocity and volume of its home building group, while maintaining acceptable margins. The currently difficult housing market conditions, largely due to a weak economic environment, regulatory changes in early 2018 to mortgage loans issued by federally regulated lenders and also generally voluntarily adopted by provincially regulated lenders and higher mortgage interest rates, have resulted in a material decline in home sales by GBG in 2018 when compared to prior years. Through September 30, 2018, Genesis sold 89 homes, compared to 104 in the same period in 2017. This trend continued in the quarter ended September 30, 2018 with Genesis selling 32 homes in comparison to 49 in the same period in 2017.

OVERVIEW OF CALGARY REAL ESTATE MARKET

The Alberta economy continues to slowly recover from the major recession brought on by the collapse in global oil prices near the end of 2014. Global oil prices have improved but, with insufficient “take-away” capacity in pipelines for Alberta production and the resulting in large discounts from international prices, the Alberta economy has not realized the benefit. The Alberta energy sector continues to experience low levels of capital investment and employment. Gross domestic product (“GDP”) growth in Alberta was strong in 2017 at 4.9%, recouping some of the 7.0% decline experienced in 2015/16, and forecasts by TD Bank for 2018, 2019 and 2020 are for growth moderating to 2.4%, 2.3% and 2.0%, suggesting a modest economic recovery. Further evidence of the slow recovery is Calgary’s continued high unemployment rate of 8.2% as of August 31, 2018. Calgary’s population continues to grow modestly, with an expected increase of roughly 21,000 people in 2018.

There has been a marked slowdown in home sales in the CMA in 2018. Through September 30, 2018, the Calgary Real Estate Board (“CREB”) reported 12,862 homes were sold in Calgary, down 14.2% from the same period a year earlier. As of September 30, 2018, CREB reported 6.25 months of home listings in Calgary, up 33% over the same period in the prior year. The CMA real estate market has been negatively impacted by changes to the federal mortgage lending rules introduced on January 1, 2018 (primarily the new “B-20” borrowing stress test required to be met by all mortgage borrowers from federally regulated lenders) and a general increase in interest rates. Genesis has noted a marked slowdown in its sales activity and a significant increase in purchasers who have entered into conditional sales contracts not receiving approval from lenders.

EXECUTIVE APPOINTMENTS

Effective September 20, 2018, the following executive appointments were made:

- Iain Stewart was appointed President and Chief Executive Officer. Mr. Stewart had been an independent director of Genesis since August 2013, and was Vice Chair of the Board since May 12, 2017. Mr. Stewart remains as a member of the Board of Directors.
- Stephen J. Griggs was appointed Executive Chair of the Board. Mr. Griggs has been a director and Chair of the Board since August 2013, and was Chief Executive Officer or interim Chief Executive Officer since February 2016. Mr. Griggs remains as a member of the Board of Directors.

In these new roles, Mr. Stewart and Mr. Griggs are working collaboratively to implement Genesis’s strategy of realizing the value of its existing properties, opportunistically acquiring additional residential development lands in the CMA, and maximizing dividends and returns to shareholders while maintaining a strong balance sheet and creating long term shareholder value. An equity based long term incentive plan (“LTIP”) comprised of stock options and deferred share units was approved by the Board to align management incentives with the interests of shareholders.

OPERATING HIGHLIGHTS

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

(\$000s, except for per share items or unless otherwise noted)	Three months ended September 30, ⁽¹⁾		Nine months ended September 30, ⁽²⁾	
	2018	2017	2018	2017
Key Financial Data				
Total revenues	27,178	31,128	60,502	85,289
Direct cost of sales	(22,468)	(22,227)	(46,713)	(60,871)
Gross margin	4,710	8,901	13,789	24,418
Gross margin (%)	17.3%	28.6%	22.8%	28.6%
Net earnings attributable to equity shareholders	539	3,372	1,766	8,285
Net earnings per share - basic	0.01	0.08	0.04	0.19
Cash flows from operating activities	7,694	8,888	7,555	19,610
Cash flows from operating activities per share - basic	0.18	0.21	0.18	0.45
Key Operating Data				
Land Development				
Total residential lots sold (units)	42	59	143	188
Residential lot revenues	7,574	10,261	25,166	37,003
Gross margin on residential lots sold	2,728	4,779	9,187	16,350
Gross margin (%) on residential lots sold	36.0%	46.6%	36.5%	44.2%
Average revenue per lot sold	180	174	176	197
Development and non-core land sold	10,498	5,234	10,498	14,234
Home Building				
Homes sold (units)	32	49	89	104
Revenues ⁽³⁾	13,816	22,750	38,080	49,244
Gross margin on homes sold	2,066	3,917	5,606	8,601
Gross margin (%) on homes sold	15.0%	17.2%	14.7%	17.5%
Average revenue per home sold	432	464	428	473
Homes with lots subject to firm sale contracts (units) at the period end			37	40

Key Balance Sheet Data	As at Sept. 30, 2018	As at Dec. 31, 2017 ⁽⁴⁾
Cash and cash equivalents	14,704	23,585
Total assets	284,463	301,425
Loans and credit facilities	26,605	30,135
Total liabilities	74,220	81,884
Shareholders' equity	191,774	201,397
Total equity	210,243	219,541
Loans and credit facilities (debt) to total assets	9%	10%

⁽¹⁾ Three months ended September 30, 2018 and 2017 ("Q3 2018" and "Q3 2017")

⁽²⁾ Nine months ended September 30, 2018 and 2017 ("YTD 2018" and "YTD 2017")

⁽³⁾ Includes revenues of \$4,710 for 32 lots in Q3 2018 and \$13,242 for 89 lots in YTD 2018 purchased by the Home Building division from the Land Development division (46 and \$7,117 in Q3 2017; 93 and \$15,192 in YTD 2017) and sold with the home. These amounts are eliminated on consolidation.

⁽⁴⁾ As at December 31, 2017 ("YE 2017")

Highlights of Third Quarter

In Q3 2018, Genesis' cash flow from operating activities was \$7,694 (\$0.18 per share), compared to cash flow from operating activities of \$8,888 (\$0.21 per share) for the third quarter of 2017, a decrease of \$1,194 (\$0.03 per share). The difference was primarily due to lower cash inflows from the sale of residential homes and lots, partially offset by higher cash inflows from development land sales in Q3 2018 compared to the Q3 2017. In August Genesis completed the sale of two parcels of land in Sage Meadows for total proceeds of \$10.5 million.

Genesis' had \$14,704 in cash and cash equivalents at September 30, 2018 compared to \$23,585 as at December 31, 2017, the decrease being primarily due to the \$8,000 payment on the vendor-take-back mortgage payable in the first quarter of 2018. As a result of this payment, total loans and credit facilities as at September 30, 2018 were \$26,605, 12% lower than at December 31, 2017. Loans and credit facilities outstanding at September 30, 2018 were 9% of total book value of assets, compared to \$30,135 or 10% of the total book value of assets at December 31, 2017. In August a dividend aggregating \$10.3 million was declared, which was paid to shareholders in September.

Revenues for Q3 2018 were \$27,178, down \$3,950 (13%) from \$31,128 in Q3 2017. Revenues for YTD 2018 of \$60,502 were down \$24,787 (29%) compared to \$85,289 in YTD 2017. This decrease was primarily due to significantly fewer residential lot sales to third-party builders (54 in YTD 2018, in comparison to 95 in YTD 2017) and lower revenues from home sales by the home building division.

The gross margin on residential lot sales in Q3 2018 was 36%, compared to 47% in Q3 2017. Gross margin on development land sales made during Q3 2018 and YTD 2018 was nominal compared to 3.9% during Q3 2017 and YTD 2017. Gross margins vary primarily due to the mix of sales by community and product/lot type, the nature and cost of the development work required to ready the lots for sale and the original cost of the land.

The gross margin of the home building division was 15% in Q3 2018, down from 17% in Q3 2017 due to the reduction of prices to reflect market conditions and the change in product mix to lower priced and lower margin homes.

Total expenses for Q3 2018 were lower than in Q3 2017, with interest expense being lower by \$256 (39%) due to lower average loan balances during Q3 2018 compared to Q3 2017, higher financing income due to a vendor-take-back mortgage receivable, partially offset by higher selling and marketing expense.

Net earnings attributable to equity shareholders for Q3 2018 was \$539 (\$0.01 per share), down from \$3,372 (\$0.08 per share) in Q3 2017. Net earnings attributable to equity shareholders for YTD 2018 was \$1,766 (\$0.04 per share) compared to \$8,285 (\$0.19 per share) in YTD 2017. Both were a result of lower overall revenues and lower margins earned in both land and homes.

Factors Affecting Results of Operations

A number of factors affect the results of operations, including:

- the cyclical nature of the oil and gas industry which impacts the Calgary area real estate market and economy;
- the development and servicing of land and the sale of residential lots and other land parcels occurs over a substantial period of time which creates volatility in the revenues, earnings and cash flows from operating activities;
- land and lot prices and gross margins vary by community and lot 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;
- seasonality which has historically resulted in higher revenues in the summer and fall months when home building sales often peak; and
- changes to the regulatory environment both direct and indirect, for example land development approvals and mortgage rules and interest rates.

Land Development

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% change	2018	2017	% change
Key Financial Data						
Residential lot revenues ⁽¹⁾	7,574	10,261	(26.2%)	25,166	37,003	(32.0%)
Development land revenues	10,498	5,234	100.6%	10,498	14,234	(26.2%)
Direct cost of sales	(15,428)	(10,511)	46.8%	(26,561)	(34,325)	(22.6%)
Gross margin	2,644	4,984	(47.0%)	9,103	16,912	(46.2%)
Gross margin (%) ⁽²⁾	14.6%	32.2%		25.5%	33.0%	
Write-down of land held for development	-	-	-	(920)	(1,095)	(16.0%)
Other expenses ⁽³⁾	(1,521)	(2,116)	(28.1%)	(4,238)	(6,732)	(37.0%)
Earnings before taxes	1,123	2,868	(60.8%)	3,945	9,085	(56.6%)
Key Operating Data						
Residential lots sold to third-parties	10	13	(23.1%)	54	95	(43.2%)
Residential lots sold through GBG – home building	32	46	(30.4%)	89	93	(4.3%)
Total residential lots sold	42	59	(28.8%)	143	188	(23.9%)
Average revenue per lot sold	180	174	3.4%	176	197	(10.7%)

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

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

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

Gross margin by source of revenue

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Residential lot sales⁽¹⁾	7,574	10,261	25,166	37,003
Direct cost of sales	(4,846)	(5,482)	(15,979)	(20,653)
Gross margin	2,728	4,779	9,187	16,350
Gross margin (%)	36.0%	46.6%	36.5%	44.2%
Development land sales	10,498	5,234	10,498	14,234
Direct cost of sales	(10,582)	(5,029)	(10,582)	(13,672)
Gross margin	(84)	205	(84)	562
Gross margin (%)	(0.8%)	3.9%	(0.8%)	3.9%
Residential lot and development land gross margin	2,644	4,984	9,103	16,912

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

Revenues and Unit Volumes

Total residential lot sales revenues in Q3 2018 were \$7,574 (42 lots), down 26% from \$10,261 (59 lots) in Q3 2017. Total lot sales revenues for the YTD 2018 were \$25,166 (143 lots), a 32% decrease over the \$37,003 (188 lots) sold in YTD 2017. This was due to overall lower sales in YTD 2018. In addition, in YTD 2017, Genesis added a new third-party builder in its Bayview community in Airdrie, and as a result saw higher lot sales revenues as Genesis contracted a large number of residential lots (26 lots) to this builder as they initially established an inventory of lots.

During Q3 2018, 10 lots were sold to third-party builders, down 23% from the 13 lots sold to third-party builders in Q3 2017. In Q3 2018, GBG sold 32 homes on Genesis' lots, down 30% from 46 homes sold on Genesis' lots in Q3 2017. In YTD 2018, 54 lots were sold to third-party builders, down 43% from 95 lots sold to third-party builders in YTD 2017. GBG sold 89 homes on Genesis lots in YTD 2018, down 4% from 93 homes sold on Genesis lots in YTD 2017.

Two parcels of development land were sold in Q3 2018 for \$10,498 compared to one parcel sold for \$5,234 in Q3 2017. In YTD 2018, two parcels of development land were closed for \$10,498 compared to two parcels sold for \$14,234 in YTD 2017. 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 Q3 2018 had a gross margin of 36%, compared to 47% in Q3 2017. In YTD 2018, the margin realized was 37% compared to 44% in YTD 2017. Overall gross margins for residential lot sales and development land sales together were lower in both Q3 2018 and YTD 2018 compared to the same periods in 2017. Gross margins vary primarily due to the mix of sales by community and product /lot type, the nature of the development work required to ready the lots for sale and the original cost of the land.

Write-down of land held for development

In YTD 2018, the Corporation recorded a write-down of \$920 (2017 - \$1,095) due to costs capitalized during the period (mainly property taxes and interest) relating to its Sage Hill Crossing land held for development 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 book value.

Other expenses

Other expenses were 28% lower in Q3 2018 compared to Q3 2017 and 37% lower in YTD 2018 compared to YTD 2017, with lower general and administrative expenses, net finance expenses and depreciation expenses partially offset by higher selling and marketing expenses. General and administrative expenses were lower in a number of areas such as compensation expenses, partially offset by higher consulting and professional services during the quarter. Net finance expense was lower due to (i) the reduction in the outstanding balance of a vendor-take-back mortgage payable ("VTB") on Genesis' Calgary southeast lands following an \$8,000 payment in January 2018; (ii) the repayment of a third-party loan by a limited partnership in December 2017, and (iii) \$336 of finance income earned on the vendor-take-back mortgage receivable. The latter two items relate to the December 2017 transaction resulting in the final disposition of land held by this limited partnership. Please see information provided under the heading *Vendor-take-back Mortgage Receivable* in this MD&A.

Home Building – Genesis Builders Group Inc. (GBG)

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

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% change	2018	2017	% change
Key Financial Data						
Revenues ⁽¹⁾	13,816	22,750	(39.3%)	38,080	49,244	(22.7%)
Direct cost of sales	(11,750)	(18,833)	(37.6%)	(32,474)	(40,643)	(20.1%)
Gross margin	2,066	3,917	(47.3%)	5,606	8,601	(34.8%)
Gross margin (%)	15.0%	17.2%		14.7%	17.5%	
Other expenses ⁽²⁾	(2,314)	(2,151)	7.6%	(6,664)	(6,775)	(1.6%)
(Loss) Earnings before taxes	(248)	1,766	(114.0%)	(1,058)	1,826	(157.9%)
Key Operating Data						
Homes sold (units)	32	49	(34.7%)	89	104	(14.4%)
Average revenue per home sold	432	464	(6.9%)	428	473	(9.5%)
Homes with lots subject to firm sales contracts (units) at the period end				37	40	(7.5%)

⁽¹⁾ Revenues include residential home sales and other revenue

⁽²⁾ Other expenses includes general and administrative, selling and marketing and net finance expense

Revenues and Unit Volumes

The number of single-family homes and townhomes sold by GBG in Q3 2018 was lower than in Q3 2017, with revenues of \$13,816 (32 units) in Q3 2018, 39% lower than the \$22,750 (49 units) in Q3 2017. Revenues were \$38,080 (89 units) in YTD 2018, 23% lower than the revenues of \$49,244 (104 units) in YTD 2017.

Homes sold in Q3 2018 had an average price of \$432 per home, down 7% compared to \$464 in Q3 2017. Homes sold in YTD 2018 had an average price of \$428 per home, down 10% compared to \$473 in YTD 2017, due to differences in product mix to lower priced (and lower margin) homes and the reduction of sales prices to reflect weaker market conditions. In Q3 2018, 28 single-family homes and 4 townhouses were sold compared to 40 single-family homes and 9 townhouses in Q3 2017. 76 single-family homes and 13 townhouses were sold in YTD 2018 compared to 95 single-family homes and 9 townhouses in YTD 2017.

All homes sold in Q3 2018 were built on residential lots or parcels supplied by Genesis, with revenues of \$4,710, while in Q3 2017, 46 of 49 homes were built on residential lots or parcels supplied by Genesis, with lot revenues of \$7,117. The remaining 3 homes sold in Q3 2017 were on lots previously acquired by GBG from a third-party developer. All homes sold in YTD 2018 were built on residential lots or parcels purchased from the parent company, with lot or parcel revenues of \$13,242, while in YTD 2017, 93 of 104 homes were built on residential lots or parcels supplied by Genesis, with lot revenues of \$15,192. The remaining 11 homes sold in YTD 2017 were on lots previously acquired by GBG from a third-party developer.

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 townhomes 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 in order to have sufficient inventory for buyers seeking possession within a short period of time (often 30-90 days), due to the multi-unit nature of town homes and to obtain construction efficiencies. This requires GBG to build homes on a spec basis and to hold them in inventory until sold. The timing of the sale of spec homes is unpredictable, with spec home buyers usually being time sensitive, wanting to take possession in a short time frame. Genesis monitors its home building work-in-progress closely to anticipate and react to market conditions in a timely manner. As at September 30, 2018, GBG had \$27,072 of work in progress of which approximately \$19,610 was related to spec homes (YE 2017 - \$20,156 and \$11,398).

Of the 32 homes sold in Q3 2018, 63% or 20 homes were quick possession sales (i.e., contracted and delivered within 90 days), compared to 49 homes sold in Q3 2017 of which 53% or 26 homes were quick possession sales. Of 89 homes sold in YTD 2018,

65% or 58 homes were quick possession sales compared to 104 homes sold in YTD 2017 of which 59% or 61 homes were quick possession sales.

Gross margin

Gross margin on home sales was 15% in Q3 2018 compared to 17% in Q3 2017 due to reducing sales prices marginally to reflect weaker market conditions and the change in product mix to lower priced and lower margin homes. Genesis had a gross margins on home sales of 15% in YTD 2018 as compared to 18% in YTD 2017.

Other Expenses

Other GBG expenses in Q3 2018 were 8% higher than in Q3 2017 due to higher selling and marketing expenses and net finance expenses, partially offset by lower general and administrative expenses and depreciation expenses. Other GBG expenses in YTD 2018 were 2% lower than in YTD 2017 due to lower general and administrative expenses, depreciation expenses, partially offset by higher selling and marketing expenses and net finance expenses. Marketing efforts have been increased in an effort to increase home sales in the face of tough market conditions.

Real Estate Held for Development and Sale

	September 30, 2018	December 31, 2017	% change
Real estate held for development and sale	226,499	213,629	6.0%
Provision for write-downs	(13,792)	(12,872)	7.1%
	212,707	200,757	6.0%

Real estate held for development and sale increased by \$11,950 as at Q3 2018 compared to YE 2017. Refer to note 4 in the condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and 2017 which details 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 September 30, 2018.

Real Estate Held for Development and Sale	Net Book Value		
	Lots, multi-family & commercial parcels	Land held for development ⁽¹⁾	Total
Community			
Airdrie - Bayside, Bayview, Canals	15,930	34,082	50,012
Calgary NW - Sage Meadows	9,133	8,903	18,036
Calgary NW - Sage Hill Crossing	-	43,399	43,399
Calgary NE - Saddlestone	9,191	6,379	15,570
Calgary SE - Southeast lands	-	44,904	44,904
Sub-total	34,254	137,667	171,921
Rocky View County - North Conrich ⁽²⁾	-	4,704	4,704
Other assets ⁽³⁾ - non-core	13	1,976	1,989
Total land development	34,267	144,347	178,614
Home building work-in-progress			27,072
Total land development and home building			205,686
Limited Partnerships ⁽²⁾ , ⁽⁴⁾			7,021
Total real estate held for development and sale			212,707

⁽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 the "Omni" project.

⁽³⁾ Other assets are non-core and being marketed 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 by community as at September 30, 2018.

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	15,930	114	83	1	-
Calgary NW - Sage Meadows	9,133	28	-	1	-
Calgary NE - Saddlestone	9,191	116	46	-	-
	34,254	258	129	2	-
Other assets - non-core	13	14	-	-	-
Total	34,267	272	129	2	-

The following table presents the estimated equivalent, if and when developed, by community of single-family lots, multi-family and commercial acres of Genesis' land held for development as at September 30, 2018. There can be no assurance as to when and if this will be achieved.

Land Held For Development by Community	Net Book Value	Land (acres)⁽¹⁾	Estimated Equivalent if/when Developed		
			Single-family (lots)	Multi-family (acres)	Commercial (acres)
Airdrie - Bayside, Bayview	34,082	244	1,322	9	2
Calgary NW - Sage Meadows	8,903	22	31	18	-
Calgary NW - Sage Hill Crossing	43,399	64	-	39	19
Calgary NE - Saddlestone	6,379	19	121	2	-
Calgary SE - Southeast lands	44,904	349	1,190	16	-
	137,667	698	2,664	84	21
Rocky View County - North Conrich ⁽²⁾	4,704	312	-	-	-
Other assets - non-core	1,976	333	-	-	-
	144,347	1,343	2,664	84	21
Limited Partnerships ⁽²⁾	7,021	1,437	-	-	-
Total land held for development	151,368	2,780	2,664	84	21

⁽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 the "Omni" project.

Amounts Receivable

	September 30,	December 31,	
	2018	2017	% change
Amounts receivable	17,767	30,820	(42.4%)

Genesis generally receives a minimum 15% non-refundable deposit at the time of entering into a sale agreement for residential lots to 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.

The decrease of \$13,053 in amounts receivable was mainly due to the timing of residential lot sales and closings. As at Q3 2018, Genesis had \$15,354 in amounts receivable related to the sale of 91 lots to third-party builders and a non-core development land parcel (\$70), compared to \$28,500 in amounts receivable as at YE 2017 related to the sale of 156 lots to third-party builders and a non-core development land parcel (\$1,315).

Individual balances due from third-party builders at Q3 2018 that were 10% or more of total amounts receivable were \$14,868 from three third-party builders (2017 - \$25,752 from five customers).

Vendor-take-back Mortgage Receivable

	September 30,	December 31,	
	2018	2017	% change
Vendor-take-back mortgage receivable	21,555	20,558	4.8%

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

Cash Flows from Operating Activities

Cash flow from the operating activities of Genesis varies quarter to quarter due to the nature of land sales and the timing of the receipt of sale proceeds. 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 sale proceeds and the transfer of title to the lot. Cash outflow on land servicing and home building activity can vary from quarter to quarter. These expenditures are seasonal, can be impacted by weather and may be dependent on expected demand and this is considered when planning and incurring expenditures for both home building and land development activities.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cash flows from operating activities	7,694	8,888	7,555	19,610
Cash flows from operating activities per share – basic	0.18	0.21	0.18	0.45

The decrease in cash flows from operating activities between Q3 2018 and Q3 2017 is explained by the following:

	Three months ended September 30,		
	2018	2017	Change
Cash inflows from sale of residential lots	4,242	1,584	2,658
Cash inflows from sale of development land	10,249	5,000	5,249
Cash inflows from sale of residential homes by GBG	14,146	22,789	(8,643)
Other cash receipts	3,003	1,936	1,067
Cash outflows for land servicing	(6,678)	(6,836)	158
Cash outflows for home building activity	(12,228)	(11,130)	(1,098)
Cash paid to other suppliers and employees and other	(3,318)	(3,581)	263
Income taxes paid	(1,722)	(874)	(848)
Total	7,694	8,888	(1,194)

Cash inflows from the sale and closing of residential lots and development land varies quarter to quarter due to the nature of land sales and the timing of the receipt of sale proceeds. Cash inflows from the sale and closing of residential lots for Q3 2018 and Q3 2017 were \$4,242 and \$1,584 respectively. Cash inflows from development land sales in Q3 2018 were \$10,249 compared to \$5,000 in Q3 2017.

Lower cash inflows from the sale of residential homes was due to the lower number of homes sold in Q3 2018 compared to the Q3 2017, differences in product mix of lower priced single-family homes, and the reduction of sales prices to reflect weaker market conditions.

Other cash receipts mainly consisted of the receipts of cash from cash-secured letters of credit which was higher in Q3 2018 compared to Q3 2017. The requirement to obtain letters of credit varies as development activities are commenced and completed.

Cash outflows for land servicing can vary from quarter to quarter as these expenditures are seasonal, impacted by weather and are generally incurred based on expected demand. Genesis began the servicing of four new phases in 2018 and continued development activities in phases started in previous years.

Cash outflows for home building activity vary due to the product mix (i.e. single-family or townhouse) and managing the pace of construction and work-in-progress to meet anticipated demand.

Cash outflows for other suppliers and employees decreased in Q3 2018 mainly due to the reduction in office lease payments.

In YTD 2018, higher cash outflows for income taxes during 2018 were due to higher 2018 installments, triggered by higher 2017 taxes payable on which the next year's installments are based.

LIABILITIES AND SHAREHOLDERS' EQUITY

The following table presents Genesis' liabilities and equity at the end of Q3 2018 and YE 2017:

	September 30,		December 31,	
	2018	% of Total	2017	% of Total
Loans and credit facilities	26,605	9%	30,135	10%
Dividend payable	-	-	10,813	4%
Customer deposits	3,513	1%	4,629	2%
Accounts payable and accrued liabilities	21,682	8%	8,938	3%
Income tax payable	-	-	2,785	1%
Provision for future development costs	22,420	8%	24,584	8%
Total liabilities	74,220	26%	81,884	28%
Non-controlling interest	18,469	6%	18,144	6%
Shareholders' equity	191,774	68%	201,397	66%
Total liabilities and equity	284,463	100%	301,425	100%

Total liabilities to equity is as follows:

	September 30, 2018	December 31, 2017
Total liabilities	74,220	81,884
Total equity	210,243	219,541
Total liabilities to equity ⁽¹⁾	35%	37%

⁽¹⁾ Calculated as total liabilities divided by total equity

Loans and Credit Facilities

The following is a summary of outstanding loan and credit facility balances as at the end of the last five quarters:

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Land development servicing loans	2,312	-	2,955	6,164	8,757
Demand operating line for single-family homes	2,129	-	-	-	-
Project specific townhouse construction loans	7,402	6,519	4,482	1,896	871
Vendor-take-back mortgage payable	15,092	14,797	14,503	22,208	21,782
	26,935	21,316	21,940	30,268	31,410
Land loan relating to a limited partnership	-	-	-	-	4,125
	26,935	21,316	21,940	30,268	35,535
Unamortized deferred financing fees	(330)	(226)	(168)	(133)	(154)
Balance, end of period	26,605	21,090	21,772	30,135	35,381

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

	Nine months ended September 30, 2018			Year ended December 31, 2017
	Vendor-take-back mortgage payable	Land development servicing loans	Total	
Balance, beginning of period	22,208	6,164	28,372	34,072
Advances	-	13,726	13,726	30,574
Repayments	(8,000)	(17,578)	(25,578)	(37,976)
Interest expense	884	-	884	1,702
Balance, end of period	15,092	2,312	17,404	28,372

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

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

Genesis and its subsidiaries and consolidated entities were in compliance with all covenants at Q3 2018 and at YE 2017. Loans and credit facilities are used primarily to finance the costs of developing land, building homes and for land purchases.

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

Land development servicing loans

As at September 30, 2018, Genesis had four land project loan facilities with the ability to fund up to \$68,007 of future development and servicing costs. Interest on these facilities is charged at prime +0.75% per annum. Draws on these facilities can be made as land development activities progress. As at September 30, 2018, \$2,312 was drawn under these facilities (YE 2017 - four loans and \$6,164).

Home building loans

GBG has a demand operating line of \$6,500 bearing interest at prime +0.75% per annum. As at September 30, 2018, the amount drawn on this facility was \$2,129 (YE 2017 - Nil).

GBG has a townhouse project loan facility with the ability to fund up to \$10,593 of construction costs. This facility bears interest at prime +0.90% per annum and is due on August 31, 2020. As at September 30, 2018, \$3,814 was drawn under this facility (YE 2017 - \$1,896).

GBG has a second townhouse project loan facility with the ability to fund up to \$5,010 of construction costs. This facility bears interest at prime +0.90% per annum and is due on March 28, 2020. As at September 30, 2018, \$3,588 was drawn under this facility (YE 2017 - nil).

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 September 30, 2018, the outstanding balance of this facility was Nil (YE 2017 - Nil). This facility was used in 2018 and in 2017 for short term cash flow purposes.

Vendor-take-back mortgage payable

Genesis granted the VTB on the purchase of the Calgary southeast lands in January 2015. As at September 30, 2018, the VTB had an outstanding balance of \$16,000 with an unamortized discount of \$908 (YE 2017 - \$24,000 and \$1,792 respectively). The outstanding balance is payable in two equal installments of \$8,000 each in January 2019 and 2020.

Provision for Future Development Costs

When Genesis sells lots, land parcels and homes, it often remains responsible for paying for future development costs known as "costs-to-complete".

For the land development business, the provision for future development costs represents the estimated remaining construction and other development costs related to each lot or parcel that has previously been sold, if any. These estimated costs include the direct and indirect construction and other development costs 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. The provision 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 the provision for future development costs and a corresponding adjustment is made to land held for development and/or cost of sales.

The cost-to-complete estimates of GBG are additional future costs relating to previously sold homes estimated to be incurred, generally for seasonal and other work (such as paving and landscaping) and estimated warranty charges over the one year warranty period.

The provision for future development costs as at the end of Q3 2018 was \$21,738 for the land division (YE 2017 - \$23,809) and \$682 (YE 2017 - \$775) for GBG. For additional details, please see information provided under the heading *Critical Accounting Estimates* in this MD&A.

LIQUIDITY AND CAPITAL RESOURCES

Genesis reduced its debt from \$30,135 at YE 2017 to \$26,605 at the end of Q3 2018, primarily due to the \$8,000 installment paid in early January 2018 on the VTB relating to Genesis' southeast Calgary lands offset by a net increase of \$3,586 in land servicing and home building project loans. For additional details, please see information provided under the heading *Loans and Credit Facilities*.

	September 30, 2018	December 31, 2017	% change
VTB payable	15,092	22,208	(32.0%)
Land development servicing and home building loans	11,513	7,927	45.2%
Total loans and credit facilities	26,605	30,135	(11.7%)
	September 30, 2018	December 31, 2017	% change
Loans and credit facilities as a percentage of total assets			
VTB payable	5.3%	7.4%	(28.0%)
Land development servicing and home building loans	4.0%	2.6%	53.9%
Loans and credit facilities (debt) to total assets ⁽¹⁾	9.3%	10.0%	
Total liabilities to equity ⁽²⁾	35%	37%	(5.4%)

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

⁽²⁾ Calculated as total liabilities divided by total equity

Finance Expense

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% change	2018	2017	% change
Interest incurred	101	168	(39.9%)	260	604	(57.0%)
Finance expense relating to VTB ⁽¹⁾	295	425	(30.6%)	884	1,276	(30.7%)
Financing fees amortized	41	120	(65.8%)	132	296	(55.4%)
Interest and financing fees capitalized	(39)	(59)	(33.9%)	(191)	(282)	(32.3%)
	398	654	(39.1%)	1,085	1,894	(42.7%)

⁽¹⁾ VTB related to Calgary southeast lands

Interest incurred during Q3 2018 was lower than in Q3 2017 due to lower average loan balances during Q3 2018 compared to Q3 2017. The Corporation paid the third installment of \$8,000 on the VTB in January 2018. The imputed rate on the VTB, which has a 0% face rate, is 8%. In addition, the third-party loan owed by a limited partnership was fully repaid in Q4 2017, reducing interest expense in YTD 2018.

The weighted average interest rate of loan agreements with various financial institutions was 4.54% (YE 2017 - 3.99%) based on September 30, 2018 balances.

Income Tax (Recoverable) Payable

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

	September 30, 2018	December 31, 2017
Balance, beginning of period	2,785	(42)
Provision for current income tax	2,557	6,882
Net payments	(7,987)	(4,055)
Balance, end of period	(2,645)	2,785

Net payments in a period are a combination of installments and final payments on the prior year's taxable income, both of which can vary significantly from period to period. Genesis is current with installments and the payment of final taxes.

Shareholders' Equity

As at November 13, 2018, the Corporation had 42,952,721 common shares issued and outstanding. The common shares of the Corporation are listed for trading on the Toronto Stock Exchange under the symbol "GDC".

Genesis commenced a normal course issuer bid ("NCIB") in 2015 and renewed it in 2018. The NCIB is approved until October 2019. The Corporation purchased and cancelled common shares under its NCIB as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Number of shares purchased and cancelled	-	17,460	300,000	493,085
Total cost	-	63	1,101	1,456
Average price per share purchased	-	3.53	3.67	2.95
Shares cancelled as a % of common shares outstanding at beginning of period	-	0.04%	0.69%	1.13%

The Corporation did not repurchase any common shares between October 1, 2018 and November 13, 2018 for cancellation. As of the date of this MD&A, 2,147,636 common shares may be purchased for cancellation under the currently authorized NCIB.

In YTD 2018, The Corporation purchased and cancelled 300,000 common shares for \$1,101 at an average cost of \$3.67 per share (representing 0.69% of issued and outstanding shares at the beginning of the year), compared to 493,085 common shares for \$1,456 at an average cost of \$2.95 at the end of Q3 2017 (representing 1.13% of issued and outstanding shares at the beginning of 2017).

Contractual Obligations and Debt Repayment

Contractual obligations (excluding accounts payable, accrued liabilities, income taxes payable, customer deposits and provision for future development costs) at the end of Q3 2018 were as follows:

	Loans and Credit Facilities ⁽¹⁾	Naming Rights	Lease Obligations	Total
Current	9,963	500	498	10,961
October 2019 to September 2020	14,660	500	549	15,709
October 2020 to September 2021	2,312	500	14	2,826
October 2021 and thereafter	-	-	14	14
Total	26,935	1,500	1,075	29,510

⁽¹⁾ Excludes deferred financing fees

In 2012, Genesis entered into a memorandum of understanding with the Northeast Community Society to contribute \$5,000 over 10 years for 15-year naming rights to the "Genesis Centre for Community Wellness", a recreation complex in northeast Calgary (\$500 each year, terminating in 2021). The first seven installments totaling \$3,500 were paid as at September 30, 2018.

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

As a normal part of business, Genesis has entered into arrangements and incurred obligations that will impact future operations and liquidity, some of which are reflected as short-term liabilities and commitments in note 8 of the condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and 2017.

Current Contractual Obligations, Commitments and Provision

	September 30, 2018	December 31, 2017
Loans and credit facilities, excluding deferred financing fees	9,963	12,007
Accounts payable and accrued liabilities	21,682	8,938
Dividend payable	-	10,813
Total short-term liabilities	31,645	31,758
Commitments ⁽¹⁾	998	1,074
	32,643	32,832

⁽¹⁾ Commitments comprises naming rights and lease obligations

At the end of Q3 2018, Genesis had obligations due within the next 12 months of \$32,643, of which \$9,963 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 the ability to continue to renew or to repay its financial obligations as they become due.

Provision for Litigation

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

On March 8, 2018, the two former employees served an application for leave to amend their claim to add claims in the amount of \$1,100 plus costs and interest in connection with a disputed purported exercise of stock options.

The Corporation is vigorously defending against these claims.

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 encash the letters of credit in the event that Genesis does not perform its contractual obligations. At Q3 2018, these letters of credit totalled approximately \$7,282 (YE 2017 - \$5,491).

Lease Agreements

Genesis has certain lease agreements that are entered into in the normal course of operations. All leases are treated as operating leases and lease payments are included in general and administrative expenses. No asset value or liability has been assigned to these leases on the balance sheet as at Q3 2018 and YE 2017. In the event the lease for the office building is terminated early, Genesis is liable to pay the landlord for the loss of its income for the unexpired portion of the lease, in addition to damages and other expenses incurred by the landlord, if any.

SUMMARY OF QUARTERLY RESULTS

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Revenues	27,178	18,955	14,369	65,644	31,128	38,497	15,664	28,145
Net earnings ⁽¹⁾	539	540	687	8,713	3,372	4,209	704	(1,216)
EPS ⁽²⁾	0.01	0.01	0.02	0.20	0.08	0.09	0.02	(0.03)

⁽¹⁾ Net earnings attributable to equity shareholders

⁽²⁾ Net earnings per share - basic

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Dividends declared	10,309	-	-	10,813	9,083	-	-	10,936
Dividends paid	10,309	-	10,813	-	9,083	-	-	10,936
Dividends declared – per share	0.24	-	-	0.25	0.21	-	-	0.25
Dividends paid – per share	0.24	-	0.25	-	0.21	-	-	0.25

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Residential lots sold to third-parties (units)	10	40	4	37	13	45	37	12
Homes sold (units)	32	24	33	44	49	36	19	56

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Development land revenues	10,498	-	-	41,000	5,234	9,000	-	-

Cash flows from (used in) operating activities	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Amount	7,694	(1,336)	1,197	27,298	8,888	12,251	(1,529)	6,229
Per share basic	0.18	(0.03)	0.03	0.62	0.21	0.28	(0.03)	0.14

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* which discusses the factors that affect Genesis' results and seasonality further.

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.

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

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

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

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

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

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 September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Paid to Underwood for the services of Stephen J. Griggs as CEO	81	69	251	248

Underwood no longer provides CEO services to Genesis following the CEO appointment described earlier. Since February 16, 2016, the executive services of Stephen J. Griggs as interim and permanent CEO were provided to the Corporation through Underwood, a private corporation controlled by him, in accordance with an agreement dated as of February 16, 2016 and revised effective May 11, 2017. Under this agreement, Underwood was paid a monthly retainer fee until June 15, 2016, at which time the fee was changed to a fee based on days spent, plus travel and related expenses. No incentive or severance fees (share or cash based) were payable to Underwood under this agreement.

SUBSEQUENT EVENTS

Subsequent to Q3 2018, the following occurred:

On October 5, 2018, the Corporation announced the renewal of its NCIB. The renewed NCIB will commence on October 10, 2018 and will terminate on the earlier of: (i) October 9, 2019; 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 2,147,636 common shares under the renewed NCIB.

SUMMARY OF ACCOUNTING CHANGES

No new IFRSs and interpretations were adopted by Genesis since July 1, 2018. For a discussion of new IFRS and interpretations that were adopted since January 1, 2018, refer to Genesis' MD&A for the three months ended March 31, 2018 available on SEDAR at www.sedar.com.

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 16, "Leases"

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. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted but only if the entity is also applying IFRS 15, "Revenue from contracts with customers". Under the new standard, a lessee recognizes a right-of-use ("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 does not intend to early adopt IFRS 16. The Corporation has completed the assessment of the impact of IFRS 16 on its financial statements and there is no material impact. Refer to note 3 in the condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and 2017 for further details.

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 Q3 2018 and Q3 2017. Refer to note 2(p) in the consolidated financial statements for the years ended December 31, 2017 and 2016 for additional information on judgments and estimates.

Provision for Future Development Costs

Changes in estimated future development costs (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 longer 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 take into account recent market transactions of similar and adjacent lands and housing projects in the same geographic area.

Valuation of amounts receivable

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

The CEO and CFO have designed Genesis' Disclosure Controls and Procedures ("DC&P") and Internal Control over Financial Reporting ("ICFR") and certified that Genesis' DC&P and ICFR were effective as at September 30, 2018.

There were no changes in the Corporation's ICFR during the three months ended September 30, 2018 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, 2017 available on SEDAR at www.sedar.com.

OTHER

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

ADVISORIES

Forward-Looking Statements

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

Forward-looking statements are based on material factors or assumptions made by us with respect to, among other things, opportunities that may or may not be pursued by us; changes in the real estate industry; fluctuations in the Canadian and Alberta economy; changes in the number of lots sold and homes delivered per year; and changes in laws or regulations or the interpretation or application of those laws and regulations. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to Genesis' 2018 business plan, the availability of excess cash on hand and its proposed use, the payment of dividends and/or common share buybacks, the timing and approval of the Sage Hill Crossing Outline Plan and Land Use applications, the timing and approval of the Southeast Lands ASP, the timing for the final resolution of the OMNI ASP, the expected completion dates of various projects that GBG is currently engaged in and anticipated lot yields for projects under development, plans and strategies surrounding the acquisition of additional land, commencement of the servicing phase and the construction phase of various communities and projects, the financing of these phases and expected increased leverage, anticipated general economic and business conditions, the Alberta real estate cycle, expectations for lot and home prices, construction starts and completions, expenditures on land development activities in 2018, 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.

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