



GENESIS LAND DEVELOPMENT CORP.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months and year ended December 31, 2017

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

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

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

## STRATEGY AND 2017 BUSINESS PLAN

### Strategy

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

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

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

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

### 2017 Business Plan

The business plan for 2017 included:

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

### *Dividends and/or Share Buybacks*

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

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

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

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

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

#### ***Obtain Additional Land Servicing and Zoning Entitlements***

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

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

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

### *Plans for the Development and Disposition of Core Lands*

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

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

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

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

### *Add Third-party Builders in Genesis Communities*

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

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

### *Increase Homes Sold by Genesis Builders Group*

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

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

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

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

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

### ***Service Additional Phases***

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

### ***Sale of Development lands***

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

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

## **OVERVIEW OF ALBERTA REAL ESTATE MARKET**

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

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

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

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

## OPERATING HIGHLIGHTS

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

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

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

## Land Development

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

<sup>(1)</sup> Includes residential lot sales to third parties and to GBG

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

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

<sup>(4)</sup> Not reflective due to percentage change

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

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

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

## Revenues

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

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

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

## Gross margin

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

## Write-down of real estate held for development and sale

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

## Other expenses

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

## Factors Affecting Results of Operations

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

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

## Home Building – Genesis Builders Group Inc. (GBG)

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

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

<sup>(1)</sup> Other expenses includes general and administrative, selling and marketing and net finance expense

### Revenues and Unit Volumes

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

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

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

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

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

## Gross margin

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

## Other Expenses

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

## Finance Expense

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

<sup>(1)</sup> VTB related to Calgary southeast lands acquisition

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

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

## LIQUIDITY AND CAPITAL RESOURCES

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

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

<sup>(1)</sup> Not reflective due to percentage change

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

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

<sup>(2)</sup> Calculated as total liabilities divided by total equity

Refer to "Loans and Credit Facilities" section on page 13 which provides additional information.

### Real Estate Held for Development and Sale

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

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

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

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

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

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

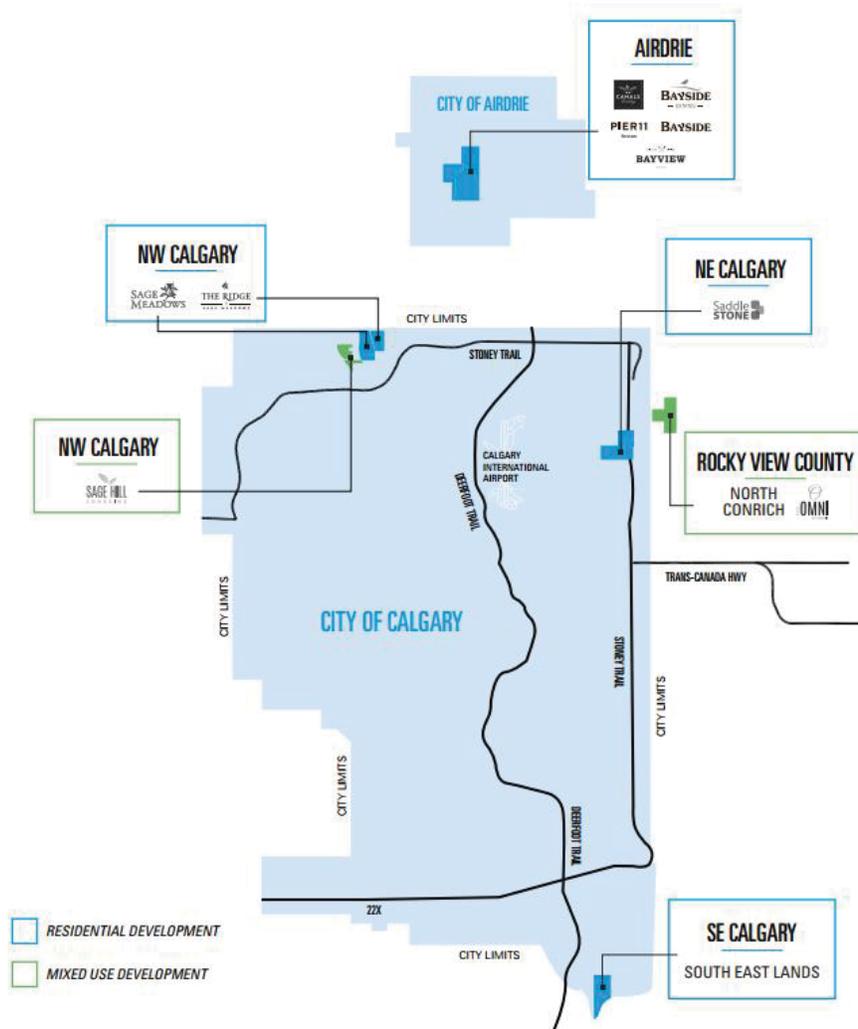
<sup>(3)</sup> Net of intra-segment eliminations of \$4,194.

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

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

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

### GENESIS' LANDS



## Amounts Receivable

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

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

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

## Cash Flows from Operating Activities

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

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

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

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

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

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

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

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

## LIABILITIES AND SHAREHOLDERS' EQUITY

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

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

Total liabilities to equity is as follows:

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

<sup>(1)</sup> Calculated as total liabilities divided by total equity

## Loans and Credit Facilities

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

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

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

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

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

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

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

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

#### Land development servicing loans

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

#### Home building loans

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

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

#### Demand operating line

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

#### Vendor-take-back loan

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

### Loan to a limited partnership

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

### Provision for Future Development Costs

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

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

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

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

### Income Tax (Payable) Recoverable

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

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

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

## Shareholders' Equity

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

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

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

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

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

## Contractual Obligations and Debt Repayment

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

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

<sup>(1)</sup> Excludes deferred financing fees

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

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

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

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

### Current Contractual Obligations, Commitments and Provision

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

<sup>(1)</sup> Commitments comprises naming rights and lease obligations

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

### Provision for Litigation

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

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

### Contingencies

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

## OFF BALANCE SHEET ARRANGEMENTS

### Letters of Credit

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

## Lease Agreements

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

## SELECTED ANNUAL INFORMATION

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

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

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

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

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

Refer to the Factors Affecting Results of Operations section of this MD&A (page 7)

### Summary analysis for last 3 years

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

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

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

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

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

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

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

## SUMMARY OF QUARTERLY RESULTS

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

<sup>(1)</sup> Net earnings attributable to equity shareholders

<sup>(2)</sup> Net earnings per share - basic and diluted

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

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

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

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

In general, net earnings are mainly affected by the volume of residential lot and home sales, development land parcel sales, and write-downs or recoveries, if any. Seasonality affects the land development and home building industry in Canada, particularly winter weather conditions. Refer to the Factors Affecting Results of Operations section on page 7 of this MD&A which discusses the factors that affect Genesis' results and seasonality further.

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

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

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

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

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

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

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

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

## RELATED PARTY TRANSACTIONS

Transactions occurred with the following related parties:

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

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

## CONSOLIDATED ENTITIES

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

## SUBSEQUENT EVENTS

Subsequent to YE 2017, the following occurred:

- Genesis paid the third installment of \$8,000 on the VTB in January 2018. The balance on the VTB after this payment, but excluding the unamortized portion, is \$16,000.
- The cash dividend of \$0.25 per share, which was declared in December 2017 was paid on January 5, 2018.
- Refer to Provision for Litigation on page 17

## SUMMARY OF ACCOUNTING CHANGES

The Corporation adopted no new IFRSs and interpretations during 2017.

### RECENT ACCOUNTING PRONOUNCEMENTS

#### *IFRS 15, "Revenue from contracts with customers"*

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

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

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

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

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

#### *IFRS 9, "Financial instruments"*

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

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

### NEW ACCOUNTING PRONOUNCEMENTS

#### *IFRS 16, "Leases"*

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

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

## CRITICAL ACCOUNTING ESTIMATES

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

### Provision for Future Development Costs

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

### Impairment of Real Estate Held for Development and Sale

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

### Valuation of amounts receivable

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

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

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

## RISKS AND UNCERTAINTIES

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

### Development and Construction Cost Risk

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

### Credit and Liquidity Risk

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

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

### Finance Risk

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

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

### Litigation Risk

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

### Cybersecurity and Business Continuity Risk

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

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

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

internal backups of network databases and files are made in case of data corruption or encryption. The Corporation maintains various types of insurance to cover certain potential risks and regularly evaluates the adequacy of this coverage.

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

## TRADING AND SHARE STATISTICS

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

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

## OTHER

Additional information relating to the Corporation can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## ADVISORIES

### Forward-Looking Statements

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

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

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

*Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to: the impact of contractual arrangements and incurred obligations on future operations and liquidity; local real estate conditions, including the development of properties in close proximity to Genesis' properties; the uncertainties of real estate development and acquisition activity; fluctuations in interest rates; ability to access and raise capital on favourable terms; not realizing on the anticipated benefits from transactions or not realizing on such anticipated benefits within the expected time frame; labour matters, governmental regulations, stock market volatility and other risks and factors described from time to time in the documents filed by Genesis with the securities regulators in Canada available at [www.sedar.com](http://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.*