



GENESIS LAND DEVELOPMENT CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2019

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, 2019 and 2018, 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, 2018 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 6, 2019.

STRATEGY AND 2019 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 growing 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 Genesis single-family lots and townhouse land parcels.

The Corporation is executing on its 2019 strategic plan to acquire additional residential development lands in the CMA. The Corporation completed two such transactions in the third quarter and is actively exploring other potential land acquisitions in the CMA.

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

Additionally, in July 2019, Genesis invested \$1,850 to acquire a 5% interest in a limited partnership that is expected to commence development in 2020 of 224 acres of land in northeast Calgary, located close to Genesis’ Saddlestone community. As part of this acquisition, Genesis has the right to purchase a minimum of 25% of the single-family lots in this development for its home building division.

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

When considered prudent, excess cash on hand is used to pay dividends to shareholders and/or buy back common shares and opportunistically acquire additional development land.

Market Overview

After several challenging years and a difficult start to 2019, the Calgary economy and the related housing market appears to have stabilized with demand improving but overall sales activity remains relatively weak (per the Calgary Real Estate Board). Recent market forecasts continue to predict a modest 0.6% GDP growth in Alberta in 2019, followed by 2.0% GDP growth in 2020. A new provincial government was sworn in on April 30, 2019 with a promise that “Alberta is open for business” and there have been announcements related to future increases in pipeline and rail export capacity for Alberta’s key products, oil and natural gas, including the announced approval of the Trans-Mountain pipeline expansion to tide waters. However, the provincial government’s recent budget contains a number of reductions, including the deferral or cancellation of certain infrastructure projects which may have a negative impact on the Alberta economy and on the timing of the delivery of key infrastructure needed for new residential developments.

The average benchmark home price in Calgary remained stable in the third quarter of 2019 at \$426 slightly above the December 31, 2018 benchmark of \$425, but still 5% below the September 30, 2018 benchmark. For the nine months ended September 30, 2019, the Calgary Real Estate Board reported 12,934 total sales in Calgary in line with the 12,856 units sold in the same period in 2018. However, inventory levels for home listings in Calgary are at 5.0 months as of September 2019, with detached homes at 4.37 months, an improvement from the December 2018 inventory levels of over 6 months.

Home and lot sales remain negatively impacted by the federal mortgage lending rules changes that were effective January 1, 2018. The Alberta election campaign included a commitment from the new government for a “made-in-Alberta” approach to the mortgage lending rules for those institutions under provincial regulation, and to advocate change with the federal government. Genesis continues to work with industry associations to promote these changes.

Business Plan

The following highlights progress on the business plan for 2019:

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

In July 2019, Genesis invested \$1.85 million to acquire a 5% interest in a limited partnership that is expected to commence development in 2020 of 224 acres of land in northeast Calgary, located close to the Genesis’ Saddlestone community. Genesis has the right to purchase a minimum of 25% of the single-family lots for its home building division, which is expected to be able to leverage its Saddlestone design, construction and marketing infrastructure. The first phase of the development consisting of 180 single-family lots is expected to be ready for home construction to commence in late 2021. Genesis intends to purchase 65 lots in this phase. The total development is planned to produce 1,400 single-family lots over 8-10 years of which Genesis has the right to purchase a minimum of 350 lots.

In September 2019, the Corporation closed the purchase of 130 acres of future residential development land in north Calgary for \$23,725. Land servicing is slated to begin in 2020 and upon completion the community is expected to include over 800 single-family homes, and approximately 7 acres of multi-family and commercial sites.

Since 2014 when it paid its first dividend, Genesis has returned to shareholders \$51.9 million (\$1.19 per share) by way of dividends and bought back over 2.7 million common shares for approximately \$8.3 million under its normal course issuer bids (approximately 6.1% of the common shares outstanding at the commencement of the program in 2015). The Corporation did not pay any dividends in the first three quarters of 2019 and made only minor share buybacks in this nine-month period.

Obtaining Additional Zoning and Servicing Entitlements

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

- **Sage Hill Crossing Outline Plans:** Sage Hill Crossing is a mixed-use development in Calgary’s northeast quadrant with 49 acres remaining to be developed. Calgary City Council approved an Area Structure 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 ASP to split the plan into two segments and to make certain modifications to improve their marketability. It is expected that Calgary City Council will approve the modified plans by the end of 2019. The northern portion of the plan proposes 1,297 residential units comprising 127 single-family units, 270 townhouses and villa units, 900 apartment units and 130,000 square feet of commercial space.
- **Southeast Lands ASP:** Genesis owns 349 acres of undeveloped land in Calgary’s southeast quadrant. An ASP for a new residential community on these lands was approved by Planning and Urban Design Committee of the City of Calgary on July 3, 2019 and it received first reading by Calgary City Council on July 29, 2019. The ASP has been approved by the Calgary Region Metropolitan Board and is expected to be considered for second and third readings by the Calgary City Council in late 2019.
- **OMNI ASP:** Genesis controls 610 acres of undeveloped land in Rocky View County bordering the northeast quadrant of the City of Calgary, which are included in an ASP known as the “OMNI ASP”. Genesis has received ASP approval for a 185-acre commercial and retail project on a portion of these lands and is preparing a conceptual scheme for submission to the County later in 2019 for this project. The remainder of the Genesis controlled lands in this development are included in a special study area, with land use still to be determined.

2) Planning for the Development and Sale of Land

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

Genesis has a multi-family parcel of 4.9 acres in its Sage Meadows community under contract to sell for \$6,546, with a proposed closing date in the third quarter of 2020, although there can be no assurances that it will close.

3) Servicing Additional Phases

Servicing of four new phases with a three-year estimated budget of approximately \$52,000 commenced in 2018. Approximately \$20,900 of this cost was incurred in 2018 and the balance is to be expended in 2019 and 2020. \$11,437 was expended in the first three quarters of 2019. All four projects are proceeding on or below budget and within planned timelines and lots will be available for sale in 2020. These phases are being financed by land servicing project credit facilities from two major Canadian chartered banks and will provide a substantial number of lots and land parcels for Genesis to sell, including:

- Saddlestone community: The final phase of Genesis' 160-acre Saddlestone community has been completed, adding 121 single-family lots and two multi-family sites totaling 1.9 acres and a 3.2-acre park;
- Sage Meadows community: The final phase of the 80-acre Sage Meadows community has been completed, providing 18.1 acres containing three multi-family sites (of which one was sold in Q4 2018 and another has been contracted for sale with an expected closing date in the third quarter of 2020 although there can be no assurances that it will close), 31 single-family lots on which Genesis is building and selling houses and a school site; and
- Bayside and Bayview communities: Two new phases in our 720-acre Airdrie development, including Bayside phase 10 adding 108 lots and Bayview phase 1 adding 102 lots and a 6-acre park. All servicing is complete with the park expected to be finished in mid-2020.

4) Adding Select Third-party Builders in Genesis Communities

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

5) Increasing velocity of homes sold by GBG

To increase the velocity of home sales in the face of a weak housing market GBG has:

- reduced pricing on select models and completed spec homes;
- reduced construction of new spec homes, reducing inventory on hand;
- introduced new models that provide a better value proposition;
- renegotiated construction pricing on new homes achieving cost reductions of roughly 6%; and

The results of these actions have been:

- a significant increase in GBG's "order book" to 61 new home orders at September 30, 2019, up from 37 new home orders at September 30, 2018;
- improved sales levels with 38 new home orders in the third quarter of 2019, up from 32 new home orders in the third quarter of 2018. For YTD 2019, new home orders increased to 112 from 95 in the comparable period in 2018;
- reduced pricing on select models had only a slight negative impact on realized gross margin which was 14.0% in Q3 2019 compared to 15.0% in Q3 2018. For YTD 2019, gross margin was 13.3% compared to 14.7% in YTD 2018; and
- home inventory balances declined from \$27,072 at September 30, 2018 to \$24,355 at September 30, 2019.

Outlook

Genesis continues to implement its strategy focused on growing and developing its assets in a prudent manner. Genesis also continues to actively market lots, parcels and homes while controlling costs with the goal of maximizing cash flow and maintaining its solid financial position.

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

OPERATING HIGHLIGHTS

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

(\$000s, except for per share items or unless otherwise noted)	Three months ended September 30, ⁽¹⁾		Nine months ended September 30, ⁽²⁾	
	2019	2018	2019	2018
Key Financial Data				
Total revenues	12,786	27,178	42,016	60,502
Direct cost of sales	(8,538)	(22,468)	(29,147)	(46,713)
Gross margin	4,248	4,710	12,869	13,789
Gross margin (%)	33.2%	17.3%	30.6%	22.8%
Net earnings attributable to equity shareholders	300	539	17	1,766
Net earnings per share - basic and diluted	0.01	0.01	0.00	0.04
Cash flows (used in) from operating activities	(10,076)	7,694	(282)	7,555
Cash flows (used in) from operating activities per share - basic and diluted	(0.24)	0.18	(0.01)	0.18
Key Operating Data				
Land Development				
Total residential lots sold (units)	27	42	97	143
Residential lot revenues	4,911	7,574	16,841	25,166
Gross margin on residential lots sold	2,482	2,728	8,471	9,187
Gross margin (%) on residential lots sold	50.5%	36.0%	50.3%	36.5%
Average revenue per lot sold	182	180	174	176
Development and non-core land sold	-	10,498	-	10,498
Home Building				
Homes sold (units)	26	32	85	89
Revenues ⁽³⁾	12,623	13,816	39,195	38,080
Gross margin on homes sold	1,766	2,066	5,198	5,606
Gross margin (%) on homes sold	14.0%	15.0%	13.3%	14.7%
Average revenue per home sold	485	432	461	428
New home orders at period end (units)			61	37

Key Balance Sheet Data	As at Sept. 30, 2019	As at Dec. 31, 2018 ⁽⁴⁾
Cash and cash equivalents	8,968	24,042
Total assets	280,914	278,156
Loans and credit facilities	36,762	31,696
Total liabilities	70,270	68,387
Shareholders' equity	192,220	191,970
Total equity	210,644	209,769
Loans and credit facilities (debt) to total assets	13%	11%

⁽¹⁾ Three months ended September 30, 2019 and 2018 ("Q3 2019" and "Q3 2018")

⁽²⁾ Nine months ended September 30, 2019 and 2018 ("YTD 2019" and "YTD 2018")

⁽³⁾ Includes revenues of \$4,748 for 26 lots in Q3 2019 and \$14,020 for 85 lots in YTD 2019 purchased by the Home Building division from the Land Development division (\$4,710 and 32 in Q3 2018; \$13,242 and 89 in YTD 2018) and sold with the home. These amounts are eliminated on consolidation

⁽⁴⁾ Year ended December 31, 2018 ("YE 2018")

No development or non-core land sales occurred in 2019 to September 30, 2019, while \$10,498 was realized from two land development parcels in the same period in 2018. As well, there were much lower volumes of lots and homes sold in Q3 2019 and YTD 2019 than the 2018 comparative periods. These two factors explain the revenue declines for these periods. Due to the lower sales, direct cost of sales was also lower in Q3 2019 and YTD 2019.

Genesis is seeing the demand for presale homes increasing. The Corporation ended the third quarter of 2019 with a backlog of 61 new home orders, up from a backlog of 37 new home orders a year earlier. New home orders for the nine months ended September 30, 2019 were 112 units compared to 95 units for the same period in 2018.

On June 28, 2019, legislation was enacted to decrease the Alberta corporate income tax rate from 12% to 8% with a 1% reduction effective July 1, 2019 and further 1% reductions on each of January 1, 2020, 2021 and 2022. As a result, during the three months ended June 30, 2019, deferred income tax assets were reduced by \$1,371 which was recognized as an increase in deferred income tax expense. Increased income tax expense resulted in Genesis' net income attributable to equity shareholders in YTD 2019 declining.

Net earnings attributable to equity shareholders in Q3 2019 was \$300 (\$0.01 earnings per share - basic and diluted) compared to net earnings attributable to equity shareholders of \$539 (\$0.01 earnings per share - basic and diluted) in Q3 2018. Net earnings attributable to equity shareholders in YTD 2019 was \$17 (\$0.00 earnings per share - basic and diluted) compared to net earnings attributable to equity shareholders of \$1,766 (\$0.04 earnings per share - basic and diluted) in YTD 2018.

Genesis' cash flows used in operating activities were (\$10,076) or ((\$0.24) per share - basic and diluted) in Q3 2019, compared to cash flows from operating activities of \$7,694 (\$0.18 per share - basic and diluted) in Q3 2018. Cash flows from operating activities vary considerably between periods for the reasons explained under the heading *Factors Affecting Results of Operations* in this MD&A. The total change of \$17,770 is result of those factors, lower lot and home volumes plus significant transactions occurring which do not occur on a regular basis being the Q3 2019 land acquisition of \$5,101 and the Q3 2018 proceeds from the sale of development land of \$10,249. Genesis' cash flows used in operating activities were (\$282) or ((\$0.01) per share - basic and diluted) in YTD 2019, compared to cash flows from operating activities of \$7,555 (\$0.18 per share - basic and diluted) in YTD 2018.

Genesis had \$8,968 in cash and cash equivalents at September 30, 2019 compared to \$24,042 as at December 31, 2018 with the reduction due to Genesis making an \$8,000 payment on a vendor-take-back mortgage payable in the first quarter of 2019 and the reduction of land project servicing loans and housing project construction loans. Total loans and credit facilities outstanding at September 30, 2019 were \$36,762, 13% of the total book value of assets, compared to \$31,696 or 11% of the total book value of assets at December 31, 2018.

Factors Affecting Results of Operations

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

- the volatility of oil and gas prices and changes in the Canadian US dollar exchange rate, both of which impact the Alberta oil and gas industry, and having significant impact on the Calgary area real estate market and economy;
- changes to the regulatory environment, both direct and indirect, including for example, the land development approval process and mortgage lending rules;
- Changes in interest rates, including residential mortgage rates and the rates of interest charged to Genesis on its various credit facilities;
- 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, lot and home prices and gross margins vary by community and lot/home type, the nature of the development work required to be undertaken before the land and lots are ready for sale, and the original cost of the land and servicing; and
- seasonality which has historically resulted in higher revenues in the summer and fall months when home building sales often peak.

Land Development

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% change	2019	2018	% change
Key Financial Data						
Residential lot revenues ⁽¹⁾	4,911	7,574	(35.2%)	16,841	25,166	(33.1%)
Development land revenues	-	10,498	(100.0%)	-	10,498	(100.0%)
Direct cost of sales	(2,429)	(15,428)	84.3%	(8,370)	(26,561)	68.5%
Gross margin	2,482	2,644	(6.1%)	8,471	9,103	(6.9%)
Gross margin (%) ⁽²⁾	50.5%	14.6%	245.9%	50.3%	25.5%	97.3%
Write-down of land held for development	-	-	-	(800)	(920)	13.0%
Other expenses ⁽³⁾	(1,523)	(1,521)	(0.1%)	(4,118)	(4,238)	2.8%
Earnings before taxes	959	1,123	(14.6%)	3,553	3,945	(9.9%)
Key Operating Data						
Residential lots sold to third-parties	1	10	(90.0%)	12	54	(77.8%)
Residential lots sold through GBG - home building	26	32	(18.8%)	85	89	(4.5%)
Total residential lots sold	27	42	(35.7%)	97	143	(32.2%)
Average revenue per lot sold	182	180	1.1%	174	176	(1.1%)

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

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

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

Gross margin by source of revenue

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Residential lot revenues ⁽¹⁾	4,911	7,574	16,841	25,166
Direct cost of sales	(2,429)	(4,846)	(8,370)	(15,979)
Gross margin	2,482	2,728	8,471	9,187
Gross margin (%)	50.5%	36.0%	50.3%	36.5%
Development land sales	-	10,498	-	10,498
Direct cost of sales	-	(10,582)	-	(10,582)
Gross margin	-	(84)	-	(84)
Gross margin (%)	-	(0.8%)	-	(0.8%)
Residential lot and development land gross margin	2,482	2,644	8,471	9,103

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

Revenues and unit volumes

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.

In Q3 2019, 1 lot was sold to a third-party builder, down from 10 lots sold to third-party builders in Q3 2018. In YTD 2019, 12 lots were sold to third-party builders, down 78% from 54 lots sold to third-party builders in YTD 2018. In Q3 2019, GBG also sold 26 homes on Genesis lots, down 19% from 32 homes it sold on Genesis lots in Q3 2018. In YTD 2019, GBG also sold 85 homes on Genesis lots, down 5% from 89 homes it sold on Genesis lots in YTD 2018. Total residential lot sales revenues in Q3 2019 were \$4,911 (27 lots), down 35% from \$7,574 (42 lots) in Q3 2018. Total residential lot sales revenues for the YTD 2019 were \$16,841 (97 lots), a 33% decrease over the \$25,166 (143 lots) sold in YTD 2018.

There were no development land sales in Q3 and YTD 2019 compared to two parcels sold for \$10,498 in Q3 and YTD 2018. Development land sales occur periodically and comprise sales of commercial, multi-family and other lands that Genesis does not intend to build on through GBG.

Gross margin

Residential lot sales in Q3 2019 had a gross margin of 51%, compared to 36% in Q3 2018. In YTD 2019, gross margin realized was 50% compared to 37% in YTD 2018. Overall gross margins for residential lot sales and development land sales together were higher in both Q3 2019 and YTD 2019 compared to the same periods in 2018. 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.

Write-down of land held for development

In YTD 2019, the Corporation recorded a write-down of \$800 (2018 - \$920) due to costs capitalized during the period (mainly property taxes and interest) relating to its Sage Hill Crossing land held for development parcel that is carried at net realizable value. The provision for write-down may be reversed in the future if the net realizable value of the property exceeds its book value.

Other expenses

Other expenses include general and administrative, selling and marketing and net finance expense. Other expenses were \$120 (3%) lower in YTD 2019 compared to YTD 2018, mainly due to lower net finance expenses and lower sales and marketing expenses (including lower sales commissions paid on sales of development land parcels). These reductions were partially offset by higher share-based compensation expenses and the write-off of \$298 that was accounted for as being due from a limited partnership.

In Q3 2019, other expenses were \$1,523 compared to \$1,521 incurred in Q3 2018. This was due to lower sales and marketing expenses and higher net finance income and these savings being offset by the \$298 write-off mentioned above.

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,		
	2019	2018	% change	2019	2018	% change
Key Financial Data						
Revenues ⁽¹⁾	12,623	13,816	(8.6%)	39,195	38,080	2.9%
Direct cost of sales	(10,857)	(11,750)	7.6%	(33,997)	(32,474)	(4.7%)
Gross margin	1,766	2,066	(14.5%)	5,198	5,606	(7.3%)
Gross margin (%)	14.0%	15.0%	(6.7%)	13.3%	14.7%	(9.5%)
Other expenses ⁽²⁾	(2,130)	(2,314)	8.0%	(6,458)	(6,664)	3.1%
(Loss) before taxes	(364)	(248)	(46.8%)	(1,260)	(1,058)	(19.1%)
Key Operating Data						
Homes sold (units)	26	32	(18.8%)	85	89	(4.5%)
Average revenue per home sold	485	432	12.3%	461	428	7.7%
New home orders (units)	38	32	18.8%	112	95	17.9%
Outstanding new home orders at period end (units)				61	37	64.9%

⁽¹⁾ Revenues include residential home sales and other revenue

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

⁽³⁾ Not reflective due to percentage change

Revenues and unit volumes

Revenues for single-family homes and townhouses were \$12,623 (26 units) in Q3 2019, 9% lower than Q3 2018 revenues of \$13,816 (32 units). 112 homes were contracted for sale in YTD 2019 as compared to 95 in YTD 2018, resulting in a “book” of 61 new home orders at the end of Q3 2019 as compared to 37 new home orders at the end of Q3 2018.

Homes sold in YTD 2019 had an average price of \$461 per home, up 8% compared to \$428 in YTD 2018. Homes sold in Q3 2019 had an average price of \$485 per home, up 12% compared to \$432 in Q3 2018. Fluctuations in the average revenue per home sold were mainly due to differences in product mix. In YTD 2019, 71 single-family homes and 14 townhouses were sold compared to 76 single-family homes and 13 townhouses in YTD 2018. In Q3 2019, 20 single-family homes and 6 townhouses were sold compared to 28 single-family homes and 4 townhouses in Q3 2018.

All homes sold in Q3 2019 and in Q3 2018 were built on residential lots or parcels supplied by Genesis, with revenues of \$4,748 and \$4,710, respectively. All homes sold in YTD 2019 and in YTD 2018 were built on residential lots or parcels supplied by Genesis, with revenues of \$14,020 and \$13,242, respectively.

GBG builds single-family homes either after receiving a firm sale contract (a “pre-construction home”) or on a quick possession (“spec”) basis and builds townhouses generally on a quick possession basis. The delivery time of a pre-construction home can be determined in advance, with a home typically being delivered within 8 to 10 months of a customer signing a purchase agreement. Construction of quick possession homes is started before GBG receives a firm sale contract to have sufficient inventory for buyers seeking possession within a short period of time (often 30-90 days), 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 Q3 2019, GBG had \$24,355 of work in progress, of which approximately \$14,327 was related to spec homes (YE 2018 - \$27,072 and \$19,610).

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

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% change	2019	2018	% change
Quick possession sales (units)	19	20	(5.0%)	57	58	(1.7%)
Pre-construction home sales (units)	7	12	(41.7%)	28	31	(9.7%)
Total Homes Sold (units)	26	32	(18.8%)	85	89	(4.5%)

Gross margin

Genesis realized a gross margin on home sales of 14% in Q3 2019 as compared to 15% in Q3 2018 and a gross margin on home sales of 13% in YTD 2019 as compared to 15% in YTD 2018. The year over year decline was a result of more competitive market conditions requiring sales price reductions and the change in community and product mix.

Other expenses

Other expenses include general and administrative, selling and marketing and net finance expense. Other GBG expenses were \$206 or 3% lower in YTD 2019 compared to YTD 2018 due to lower general and administrative, professional services and depreciation expenses. These lower expenses were partially offset by higher share-based compensation expenses and net finance expense.

Other GBG expenses in Q3 2019 were 8% or \$184 lower than in Q3 2018 due to lower general and administrative, professional services and selling and marketing expenses (including lower sales commissions), partially offset by higher share-based compensation expenses.

Real Estate Held for Development and Sale

	September 30,	December 31,	
	2019	2018	% change
Real estate held for development and sale	245,737	217,191	13.1%
Provision for write-downs	(15,492)	(14,692)	(5.4%)
	230,245	202,499	13.7%

Real estate held for development and sale increased by \$27,746 as at Q3 2019 compared to YE 2018 mainly due to the purchase of 130 acres of future residential development land in north Calgary for \$23,725. The purchase was paid with a cash payment of \$5,101 and a \$18,624 vendor-take-back mortgage with an interest rate of 5% per annum. The vendor-take-back mortgage is repayable in two installments of \$9,312 each, in May 2021 and 2022.

Refer to note 4 in the condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 and 2018 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, 2019:

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	30,368	19,842	50,210
Calgary NW - Sage Meadows	18,147	-	18,147
Calgary NW - Sage Hill Crossing	9,467	29,570	39,037
Calgary NE - Saddlestone	16,105	-	16,105
Calgary N - Keystone lands	-	24,084	24,084
Calgary SE - Southeast lands	-	45,021	45,021
Rocky View County - North Conrich ⁽²⁾	-	4,928	4,928
Sub-total	74,087	123,445	197,532
Other assets ⁽³⁾ - non-core	18	1,985	2,003
Total land development	74,105	125,430	199,535
Home building work-in-progress			24,354
Total land development and home building			223,889
Limited Partnerships ^{(2), (4)}			6,356
Total real estate held for development and sale			230,245

⁽¹⁾ Land held for development comprises lands not yet subdivided into single-family lots or parcels

⁽²⁾ Includes the undivided interest of Genesis and two limited partnerships in North Conrich including the "Omni" project

⁽³⁾ Other assets are non-core and available for sale

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

The following table presents the breakdown of Genesis' serviced single-family lots, multi-family and commercial parcels by community as at September 30, 2019.

Serviced Lots, Multi-family and Commercial Parcels, by Community	Net Book Value	Single-family lots	Townhouse units	Townhouse/multi-family parcels	Commercial parcels
Airdrie - Bayside, Bayview, Canals	30,368	276	70	1	-
Calgary NW - Sage Meadows	18,147	46	-	3	-
Calgary NW - Sage Hill Crossing	9,467	-	-	1	1
Calgary NE - Saddlestone	16,105	187	40	2	-
	74,087	509	110	7	1
Other assets - non-core	18	14	-	-	-
Total	74,105	523	110	7	1

The following table presents the estimated equivalent, if and when developed, by community of single-family lots and multi-family and commercial acres of Genesis' land held for development as at September 30, 2019. There can be no assurance as to if or when any of these lands will be developed.

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	19,842	186	1,112	9	2
Calgary NW - Sage Hill Crossing	29,570	49	282	9	4
Calgary N – Keystone lands	24,084	130	800	7	-
Calgary SE - Southeast lands	45,021	349	1,190	16	-
Rocky View County - North Conrich ⁽²⁾	4,928	312	-	-	-
	123,445	1,026	3,384	41	6
Other assets - non-core	1,985	333	-	-	-
Total	125,430	1,359	3,384	41	6

⁽¹⁾ Land not yet subdivided into single-family and other lots or parcels

⁽²⁾ Includes the undivided interest of Genesis and two limited partnerships in North Conrich including the "Omni" project

Amounts Receivable

	September 30,	December 31,	
	2019	2018	% change
Amounts receivable	4,654	14,960	(68.9%)

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

The decrease of \$10,306 in amounts receivable was due to the receipt of recoveries relating to land servicing and development activities and the timing of residential lot sales and closings. As at Q3 2019, Genesis had \$4,255 in amounts receivable related to the sale of 24 lots to third-party builders compared to \$10,569 in amounts receivable as at YE 2018 primarily related to the sale of 64 lots to third-party builders and approximately \$4,100 in amounts receivable at YE 2018 related to recoveries relating to land servicing and land development activities.

Individual balances due from third-party builders at Q3 2019 that were 10% or more of total amounts receivable were \$3,936 from three third-party builders (YE 2018 - \$10,082 from three third-party builders).

Vendor-take-back Mortgage Receivable

	September 30,	December 31,	
	2019	2018	% change
Vendor-take-back mortgage receivable ⁽¹⁾	21,555	20,558	4.8%

⁽¹⁾ Includes accrued interest

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, payable \$20,500 in cash and \$20,500 in a three-year vendor-take-back first mortgage bearing interest at 6.5% per annum payable annually in arrears which is due on or before December 15, 2020. The increase in the VTB receivable is due to the accrual of the interest income. Please see information provided under the heading *Subsequent Events* in this MD&A.

Cash Flows from Operating Activities

Cash flow from the operating activities of Genesis varies from 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. Cash flows from operating activities are also impacted by the timing and amounts of tax installment payments.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cash flows (used in) from operating activities	(10,076)	7,694	(282)	7,555
Cash flows (used in) from operating activities per share – basic and diluted	(0.24)	0.18	(0.01)	0.18

The changes in cash flows from operating activities between Q3 2019 and Q3 2018 consist of the following:

	Three months ended September 30,		Change
	2019	2018	
Cash inflows from sale of residential homes by GBG	13,101	14,146	(1,045)
Cash inflows from sale of residential lots	1,637	4,242	(2,605)
Cash inflows from sale of development land	-	10,249	(10,249)
Cash outflows for home building activity	(8,265)	(12,228)	3,963
Cash outflows for land servicing	(7,762)	(6,678)	(1,084)
Cash outflows for land acquisition	(5,101)	-	(5,101)
Cash outflows paid to suppliers, employees and other	(2,911)	(3,318)	407
Other cash receipts	167	3,003	(2,836)
Income tax payments	(942)	(1,722)	780
Total	(10,076)	7,694	(17,770)

Cash flows from operating activities vary considerably between periods for the reasons explained under the heading *Factors Affecting Results of Operations* in this MD&A.

The total change of \$17,770 in the table above is result of those factors, lower lot and home volumes plus significant transactions occurring which do not occur on a regular basis being the Q3 2019 land acquisition of \$5,101 and the Q3 2018 proceeds from the sale of development land of \$10,249.

The changes in cash flows from operating activities between YTD 2019 and YTD 2018 consist of the following:

	Nine months ended September 30,		Change
	2019	2018	
Cash inflows from sale of residential homes by GBG	39,876	38,369	1,507
Cash inflows from sale of residential lots	9,340	21,421	(12,081)
Cash inflows from sale of development land	-	10,249	(10,249)
Cash outflows for home building activity	(16,745)	(28,519)	11,774
Cash outflows for land servicing	(16,517)	(11,230)	(5,287)
Cash outflows for land acquisition	(5,101)	(5,124)	23
Cash outflows paid to suppliers, employees and other	(9,712)	(10,152)	440
Other cash receipts	(1,222)	528	(1,750)
Income tax payments	(201)	(7,987)	7,786
Total	(282)	7,555	(7,837)

Cash flows from operating activities vary considerably between periods for the reasons explained under the heading *Factors Affecting Results of Operations* in this MD&A. The total change of \$7,837 in the table above is result of those factors, lower lot volumes plus significant transactions occurring which do not occur on a regular basis being the sale of development land of \$10,249 in 2018. In addition, the pace of home building and land servicing activity can impact of cash flows significantly.

LIABILITIES AND SHAREHOLDERS' EQUITY

The following table presents Genesis' liabilities and equity at the end of Q3 2019 and YE 2018:

	September 30,		December 31,	
	2019	% of Total	2018	% of Total
Loans and credit facilities	36,762	13%	31,696	11%
Customer deposits	3,656	1%	3,111	1%
Accounts payable and accrued liabilities	11,996	4%	12,679	5%
Lease liabilities	263	0%	-	-
Provision for future development costs	17,593	6%	20,901	8%
Total liabilities	70,270	24%	68,387	25%
Non-controlling interest	18,424	7%	17,799	6%
Shareholders' equity	192,220	69%	191,970	69%
Total liabilities and equity	280,914	100%	278,156	100%

Total liabilities to equity is as follows:

	September 30, 2019	December 31, 2018
Total liabilities	70,270	68,387
Total equity	210,644	209,769
Total liabilities to equity ⁽¹⁾	33%	33%

⁽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 Q3 2019 and as at the end of the previous four quarters:

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Land development servicing loans	5,856	4,344	4,454	7,914	2,312
Demand operating line for single-family homes	370	679	1,328	1,509	2,129
Project specific townhouse construction loans	4,239	5,362	5,770	7,177	7,402
Vendor-take-back mortgages payable	26,471	7,694	7,540	15,387	15,092
	36,936	18,079	19,092	31,987	26,935
Unamortized deferred financing fees	(174)	(214)	(252)	(291)	(330)
Balance, end of period	36,762	17,865	18,840	31,696	26,605

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

	Nine months ended September 30, 2019			Total	Year ended December 31, 2018
	VTB payable - north Calgary lands	VTB payable - southeast Calgary lands	Land development servicing		
Balance, beginning of period	-	15,387	7,914	23,301	28,372
Advances	18,624	-	8,789	27,413	22,974
Repayments	-	(8,000)	(10,847)	(18,847)	(29,224)
Interest expense	-	460	-	460	1,179
Balance, end of period	18,624	7,847	5,856	32,327	23,301

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 for all periods in these financial statements. 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 the sale proceeds of secured lands. Genesis intends to develop new phases primarily funded by financings that are specific to each new phase or phases of land under development and to also obtain construction financing for significant GBG townhouse projects.

Land development servicing loans

As at September 30, 2019, Genesis has four land project loan facilities with \$5,856 drawn (YE 2018 - four loans and \$7,914). Genesis can fund an additional \$38,612 of future development and servicing costs from these facilities as land development activities progress. Interest on these facilities is charged at prime +0.75% per annum.

Home building loans

GBG has a demand operating line of \$6,500 bearing interest at prime +0.75% per annum. As at Q3 2019, the amount drawn on this facility was \$370 (YE 2018 - \$1,509).

As at September 30, 2019, GBG has a townhouse project loan facility with \$1,685 drawn (YE 2018 - \$3,943). GBG can fund an additional \$9,383 of construction costs from this facility. This facility bears interest at prime +0.90% per annum and is due on August 31, 2020.

As at September 30, 2019, GBG has a second townhouse project loan facility with \$2,554 drawn (YE 2018 - \$3,243). GBG can fund an additional \$4,491 of construction costs from this facility. This facility bears interest at prime +0.90% per annum and is due on March 28, 2020.

Demand operating line

Genesis has a demand operating line of credit of up to \$10,000 for general corporate purposes at an interest rate of prime +1.00% per annum. As at Q3 2019, the outstanding balance of this facility was Nil (YE 2018 - Nil). This facility has not been drawn on in 2019. In 2018, this facility was used for short term cash flow purposes.

Vendor-take-back mortgage payable

Genesis granted a \$40,000 VTB on the purchase of its southeast Calgary lands in January 2015. As at Q3 2019, the VTB had an outstanding balance of \$8,000 with an unamortized discount of \$153 (YE 2018 - \$16,000 and \$613 respectively). The outstanding balance and last installment of \$8,000 is payable in January 2020.

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

Provision for Future Development Costs

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

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

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

FDC as at the end of Q3 2019 was \$16,803 for the land division (YE 2018 - \$20,033) and \$790 (YE 2018 - \$868) for GBG. For additional details, please see information provided under the heading *Critical Accounting Estimates* in this MD&A.

LIQUIDITY AND CAPITAL RESOURCES

Genesis increased its debt from \$31,696 at YE 2018 to \$36,762 at Q3 2019, mainly due to granting a \$18,624 VTB on purchasing 130 acres of land in north Calgary. This increase in debt was partially offset by a \$8,000 installment paid in early January 2019 on the VTB relating to Genesis' southeast Calgary lands and a net decrease of \$6,018 in land servicing and home building project loans. For additional details, please see information provided under the heading *Loans and Credit Facilities*.

	September 30,	December 31,	
	2019	2018	% change
VTBs payable	26,471	15,387	(72.0%)
Land development servicing and home building loans	10,291	16,309	36.9%
Total loans and credit facilities	36,762	31,696	(16.0%)
	September 30,	December 31,	
	2019	2018	% change
Loans and credit facilities as a percentage of total assets			
VTBs payable ⁽¹⁾	9.4%	5.5%	(70.9%)
Land development servicing and home building loans ⁽¹⁾	3.7%	5.9%	37.3%
Loans and credit facilities (debt) to total assets	13.1%	11.4%	(14.9%)
Total liabilities to equity ⁽²⁾	33%	33%	-

⁽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,		
	2019	2018	% change	2019	2018	% change
Interest incurred	132	101	(30.7%)	449	260	(72.7%)
Finance expense relating to VTB ⁽¹⁾	153	295	48.1%	460	884	48.0%
Financing fees amortized	38	41	7.3%	115	132	12.9%
Interest and financing fees capitalized	(8)	(39)	79.5%	(158)	(191)	17.3%
	315	398	20.9%	866	1,085	20.2%

⁽¹⁾ VTB related to Calgary southeast lands

Finance expense during Q3 2019 was lower than in Q3 2018 due to lower average loan balances during most of Q3 2019. The \$18,624 VTB for purchase of 130 acres of land in north Calgary was granted in late September 2019 thus having no impact on finance expense related to VTB during Q3 and YTD 2019. The Corporation paid the fourth installment of \$8,000 on the VTB relating to its Calgary southeast lands in January 2019. The imputed rate on this VTB, which has a 0% face rate, is 8%.

The weighted average interest rate of loan agreements with various financial institutions was 4.76% (YE 2018 - 4.76%) based on September 30, 2019 balances.

Income Tax Payable (Recoverable)

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

	September 30, 2019	December 31, 2018
Balance, beginning of period	(2,283)	2,785
Provision for current income tax	2,394	3,531
Net payments	(201)	(8,599)
Balance, end of period	(90)	(2,283)

Income tax (recoverable) balance at the beginning of 2019 was due to the installments to be paid in 2018 being greater than the actual payments required. Income tax recoverable was reduced to \$90 at September 30, 2019 by applying 2018 overpayments to 2019.

Shareholders' Equity

As at November 6, 2019, the Corporation had 42,180,321 common shares issued and outstanding. The common shares of the Corporation are listed for trading on the Toronto Stock Exchange under the symbol "GDC".

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Number of shares purchased and cancelled	-	-	3,300	300,000
Total cost	-	-	8	1,101
Average price per share purchased	-	-	2.54	3.67
Shares cancelled as a % of common shares outstanding at beginning of period	-	-	0.01%	0.69%

During the nine months ended September 30, 2019, the Corporation had purchased and cancelled 3,300 common shares for \$8 at an average cost of \$2.54 per share (representing 0.01% of issued and outstanding shares at the beginning of the year) compared to 300,000 common shares for \$1,101 at an average cost of \$3.67 at the end of Q3 2018 (representing 0.69% of issued and outstanding shares at the beginning of 2018).

The Corporation did not repurchase any common shares between October 1, 2019 and November 6, 2019. Please see information provided under the heading *Subsequent Events* in this MD&A.

Contractual Obligations and Debt Repayment

Contractual obligations (excluding accounts payable, accrued liabilities, income tax payable, customer deposits and provision for future development costs) at the end of Q3 2019 were as follows:

	Loans and Credit Facilities ⁽¹⁾	Levies and Municipal Fees	Naming Rights	Lease Obligations	Total
Current	12,456	6,406	500	640	20,002
October 2020 to September 2021	15,168	4,794	500	34	20,496
October 2021 to September 2022	9,312	-	-	34	9,346
October 2022 and thereafter	-	-	-	32	32
Total	36,936	11,200	1,000	740	49,876

⁽¹⁾ Excludes deferred financing fees

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

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

In 2012, Genesis entered into a memorandum of understanding with the Northeast Community Society to contribute \$5,000 over 10 years for 15-year naming rights to the "Genesis Centre for Community Wellness", a recreation complex in northeast Calgary (\$500 each year, ending in 2021). The first eight installments totaling \$4,000 were paid as at September 30, 2019.

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 9 of the condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 and 2018.

Current Contractual Obligations, Commitments and Provision

	September 30, 2019	December 31, 2018
Loans and credit facilities, excluding deferred financing fees	12,456	9,498
Accounts payable and accrued liabilities	11,996	12,679
Total short-term liabilities	24,452	22,177
Commitments ⁽¹⁾	1,140	981
Levies and municipal fees	6,406	7,203
	31,998	30,361

⁽¹⁾ Commitments comprises naming rights and lease obligations

At the end of Q3 2019, Genesis had obligations due within the next 12 months of \$31,998, of which \$12,456 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

The Corporation is a defendant in a statement of claim alleging wrongful termination of employment. The aggregate amount of the claim is approximately \$1,600 and the Corporation recorded this amount as a provision as at December 31, 2017. In March 2019, the plaintiffs amended their statement of claim to add claims in the amount of \$1,100 plus costs and interest in connection with a disputed purported exercise of stock options. The Corporation has not made any provision for this additional amount claimed. The Corporation's view is that this action is without merit and is actively contesting it. No significant developments occurred on this litigation claim in the three months ended September 30, 2019.

OFF BALANCE SHEET ARRANGEMENTS

Letters of Credit

Genesis has an ongoing requirement to provide irrevocable letters of credit to municipalities as part of the sub-division plan registration process. These letters of credit indemnify the municipalities by enabling them to draw upon the letters of credit if Genesis does not perform its contractual obligations. At Q3 2019, these letters of credit totalled approximately \$4,795 (YE 2018 - \$6,358).

Levies and Municipal Fees

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

Lease Agreements

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

SUMMARY OF QUARTERLY RESULTS

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Revenues	12,786	16,533	12,697	20,935	27,178	18,955	14,369	65,644
Net earnings (loss) ⁽¹⁾	300	(357)	74	2,358	539	540	687	8,713
EPS ⁽²⁾	0.01	(0.01)	0.00	0.06	0.01	0.01	0.02	0.20

⁽¹⁾ Net earnings (loss) attributable to equity shareholders

⁽²⁾ Net earnings (loss) per share - basic and diluted

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Dividends declared	-	-	-	-	10,309	-	-	10,813
Dividends paid	-	-	-	-	10,309	-	10,813	-
Dividends declared – per share	-	-	-	-	0.24	-	-	0.25
Dividends paid – per share	-	-	-	-	0.24	-	0.25	-

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Residential lots sold to third-parties (units)	1	4	7	1	10	40	4	37
Homes sold (units)	26	33	26	32	32	24	33	44

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Development land revenues	-	-	-	4,628	10,498	-	-	41,000

Cash flows (used in) from operating activities	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Amount	(10,076)	5,211	4,583	7,192	7,694	(1,336)	1,197	27,298
Per share - basic and diluted	(0.24)	0.12	0.11	0.16	0.18	(0.03)	0.03	0.62

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

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

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

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

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

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

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

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.

SUBSEQUENT EVENTS

Subsequent to September 30, 2019, the following occurred:

a) On October 17, 2019 the Corporation completed a transaction with one of its controlled limited partnership entities, LPLP 2007, whereby the parent company acquired a third-party, secured vendor-take-back mortgage receivable held by LPLP 2007 as a result of a land disposition in December 2017. The acquisition cost to Genesis was \$22,020. Consideration to LPLP 2007 was comprised of a cash payment of \$10,360, with the balance of \$11,660 applied to fully repay the loan owed by LPLP 2007 to the parent company. Interest owed on that loan by LPLP 2007 of approximately \$650 was waived as part of the settlement arrangements.

The cash proceeds of \$10,360 to LPLP 2007 were placed in trust pending distribution to its unit holders, pursuant to a court approved process. A pro-rata distribution was made on October 17, 2019 to a unit holder holding 22% of all of the issued and outstanding limited partnership units. The Corporation also paid \$100 towards the legal fees and other costs incurred by that unit holder in negotiating and evaluating this transaction and the settlement arrangements. The balance of the funds will remain in trust and distributed to the remaining limited partnership unit holders pursuant to the court approved process. Those remaining unit holders will receive their pro-rata share of the funds at such time as the unit holder provides a prescribed release and undertaking (as was the case for the 22% distribution reference above) to LPLP 2007 and the Corporation, which among other provisions, addresses the statement of claim referenced in note 9c in the condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 and 2018

b) On October 8, 2019, the Corporation announced the renewal of its NCIB. The renewed NCIB will commence on October 10, 2019 and will terminate on the earlier of: (i) October 9, 2020; and (ii) the date on which the maximum number of common shares are purchased pursuant to the bid. The Corporation may purchase for cancellation up to 2,109,016 common shares under the renewed NCIB.

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,	
	2019	2018	2019	2018
Paid to Underwood for the services of Stephen J. Griggs as CEO	-	81	-	251

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

SUMMARY OF ACCOUNTING CHANGES

No new IFRSs and interpretations were adopted by Genesis since July 1, 2019. For a discussion of new IFRS and interpretations that were adopted since January 1, 2019, refer to Genesis' MD&A for the three months ended March 31, 2019 available on SEDAR at www.sedar.com

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 2019 and Q3 2018. Refer to note 2(o) in the consolidated financial statements for the years ended December 31, 2018 and 2017 for additional information on judgments and estimates.

Provision for Future Development Costs

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

Impairment of Real Estate Held for Development and Sale

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

Valuation of amounts receivable

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

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, 2019.

There were no changes in the Corporation’s ICFR during the three months ended September 30, 2019 that have materially affected or are reasonably likely to materially affect the Corporation’s ICFR.

RISKS AND UNCERTAINTIES

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

There may be additional risks that management may need to consider from time to time. For a more detailed discussion on the Corporation’s risk factors, refer to Genesis’ AIF for the year ended December 31, 2018 available on SEDAR at www.sedar.com.

OTHER

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

ADVISORIES

Cautionary Note Regarding Forward-Looking Statements

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

Forward-looking statements are based on material factors or assumptions made by us with respect to, among other things, opportunities that may or may not be pursued by us; changes in the real estate industry; fluctuations in the Canadian and Alberta economy; changes in the number of lots sold and homes delivered per year; and changes in laws or regulations or the interpretation or application of those laws and regulations. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. The following table outlines certain significant forward-looking statements contained in this MD&A and factors that could cause actual results to differ from such statements.

<p>Forward-looking statements in this MD&A include, but are not limited to:</p> <ul style="list-style-type: none"> • the availability of excess cash on hand and its proposed use; • the future exercise of any right to purchase; • the future payment of dividends and/or common share buybacks; • the timing and approval of the Sage Hill Crossing Outline Plan and Land Use applications; • the timing and approval of the Southeast Lands ASP; • the timing and approval of the Conceptual Scheme for the OMNI ASP; • the timing for completion of the park in the Bayside and Bayview communities; • the expected completion dates of various projects that GBG is currently engaged in, the timeline for pre-construction homes and anticipated lot yields for projects under development; • plans and strategies surrounding the acquisition of additional land; • the future residential development of the land in the CMA acquired in September 2019; • the potential reversal of the write-down of land held for development; • commencement of the servicing phase and the construction phase of various communities and projects; • the financing of such phases and expected increased leverage; • the expected closing of a multi-family parcel of 4.9 acres currently under contract to sell; • anticipated general economic and business conditions; • potential changes, if any, to the federal mortgage lending rules; • expectations for lot and home prices; • construction starts and completions; • anticipated expenditures on land development activities; • GBG's sales process and construction margins; • the ability to continue to renew or repay financial obligations and to meet liabilities as they become due; and • the aggregate number of common shares that may be repurchased by Genesis' under the renewed NCIB. 	<p>Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to:</p> <ul style="list-style-type: none"> • the impact of contractual arrangements and incurred obligations on future operations and liquidity; • local real estate conditions, including the development of properties in close proximity to Genesis' properties; • the uncertainties of real estate development and acquisition activity; • fluctuations in interest rates; • ability to access and raise capital on favourable terms; • not realizing on the anticipated benefits from transactions or not realizing on such anticipated benefits within the expected time frame; • the cyclical nature of the oil and gas industry; • changes in the Canadian US dollar exchange rate; • labour matters; • governmental regulations; • general economic and financial conditions; • stock market volatility; and • other risks and factors described from time to time in the documents filed by Genesis with the securities regulators in Canada available at www.sedar.com, including in this MD&A under the heading "Risks and Uncertainties" and the AIF under the heading "Risk Factors".
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Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, based only on information currently available to us, and, except as required by applicable law, Genesis does not undertake any obligation to publicly update or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise.