



**GENESIS LAND DEVELOPMENT CORP.**

---

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2020 and 2019  
(Unaudited)

**THIRD QUARTER**

**GENESIS LAND DEVELOPMENT CORP.**  
**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS**  
(Unaudited)  
(In thousands of Canadian dollars)

	Notes	September 30, 2020	December 31, 2019
<b>Assets</b>			
Real estate held for development and sale	3	190,789	222,269
Amounts receivable	9	12,677	6,131
Vendor-take-back mortgage receivable	3	24,275	20,558
Investments in land development entities		5,608	5,608
Other operating assets		13,094	15,251
Right-of-use assets		746	192
Deferred tax assets		8,238	8,867
Income tax recoverable		909	1,144
Cash and cash equivalents		30,719	16,248
<b>Total assets</b>		<b>287,055</b>	<b>296,268</b>
<b>Liabilities</b>			
Loans and credit facilities	4	44,383	51,546
Customer deposits		3,687	4,592
Accounts payable and accrued liabilities		10,242	7,900
Lease liabilities		799	233
Provision for future development costs		21,651	19,102
<b>Total liabilities</b>		<b>80,762</b>	<b>83,373</b>
Commitments and contingencies	7		
Subsequent events	12		
<b>Equity</b>			
Share capital		52,626	52,867
Contributed surplus	6c	814	603
Retained earnings		140,512	140,487
<b>Shareholders' equity</b>		<b>193,952</b>	<b>193,957</b>
Non-controlling interest		12,341	18,938
<b>Total equity</b>		<b>206,293</b>	<b>212,895</b>
<b>Total liabilities and equity</b>		<b>287,055</b>	<b>296,268</b>

See accompanying notes to the condensed consolidated interim financial statements.

**GENESIS LAND DEVELOPMENT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(Unaudited)  
**For the three and nine months ended September 30, 2020 and 2019**  
*(In thousands of Canadian dollars except per share amounts)*

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
<b>Revenues</b>					
Sales revenue		29,738	12,769	83,643	41,957
Other revenue		1	17	473	59
	10	29,739	12,786	84,116	42,016
Direct cost of sales		(21,444)	(8,538)	(62,275)	(28,347)
Write-down of real estate held for development and sale	3	-	-	(10,815)	(800)
		(21,444)	(8,538)	(73,090)	(29,147)
<b>Gross margin</b>		8,295	4,248	11,026	12,869
General and administrative		(2,274)	(2,660)	(7,407)	(7,710)
Selling and marketing		(1,167)	(1,080)	(3,381)	(3,127)
		(3,441)	(3,740)	(10,788)	(10,837)
Earnings from operations		4,854	508	238	2,032
Finance income		407	402	1,198	1,127
Finance expense		(681)	(315)	(2,058)	(866)
Earnings (loss) before income taxes		4,580	595	(622)	2,293
Income tax (expense) recovery		(850)	(193)	543	(1,974)
Net earnings (loss) being comprehensive earnings		3,730	402	(79)	319
Attributable to non-controlling interest		(83)	102	(153)	302
<b>Attributable to equity shareholders</b>		3,813	300	74	17
Net earnings per share - basic and diluted		0.09	0.01	0.00	0.00

See accompanying notes to the condensed consolidated interim financial statements.

**GENESIS LAND DEVELOPMENT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Unaudited)

**For the nine months ended September 30, 2020 and 2019**

(In thousands of Canadian dollars except number of shares)

		Equity attributable to Corporation's shareholders						
		Common shares - Issued				Total Shareholders' Equity	Non-Controlling Interest	Total Equity
	Notes	Number of Shares	Amount	Contributed Surplus	Retained Earnings			
<b>At December 31, 2018</b>		42,183,621	52,898	259	138,813	191,970	17,799	209,769
Share-based payments	6c	-	-	241	-	241	-	241
Normal course issuer bid	5c	(3,300)	(4)	-	(4)	(8)	-	(8)
Net earnings being comprehensive earnings and other		-	-	-	17	17	625	642
<b>At September 30, 2019</b>		42,180,321	52,894	500	138,826	192,220	18,424	210,644
<b>At December 31, 2019</b>		42,159,927	52,867	603	140,487	193,957	18,938	212,895
Share-based payments	6c	-	-	211	-	211	-	211
Normal course issuer bid	5c	(189,610)	(241)	-	(49)	(290)	-	(290)
Distributions	3, 11	-	-	-	-	-	(6,402)	(6,402)
Net earnings (loss) being comprehensive earnings (loss) and other		-	-	-	74	74	(195)	(121)
<b>At September 30, 2020</b>		<b>41,970,317</b>	<b>52,626</b>	<b>814</b>	<b>140,512</b>	<b>193,952</b>	<b>12,341</b>	<b>206,293</b>

See accompanying notes to the condensed consolidated interim financial statements.

**GENESIS LAND DEVELOPMENT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited)  
**For the three and nine months ended September 30, 2020 and 2019**  
*(In thousands of Canadian dollars)*

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
<b>Operating activities</b>					
Receipts from residential lot sales		1,085	1,637	4,784	9,340
Receipts from development land sales		320	-	6,763	-
Receipts from residential home sales		25,241	13,101	61,767	39,876
Other cash (payments) / receipts		(118)	167	69	498
Paid for residential home construction		(9,106)	(8,265)	(24,715)	(16,745)
Paid to suppliers and employees		(3,163)	(2,977)	(9,809)	(9,712)
Paid for land development		(4,386)	(7,762)	(12,163)	(16,517)
Paid for lots / land acquisitions		(1,458)	(5,101)	(3,178)	(5,101)
Interest received		71	66	200	130
Income tax refunds / (payments)		1,407	(942)	1,407	(201)
<b>Cash flows from (used in) operating activities</b>		<b>9,893</b>	<b>(10,076)</b>	<b>25,125</b>	<b>1,568</b>
<b>Investing activities</b>					
Leasehold improvements and equipment		(448)	(52)	(683)	(194)
Change in restricted cash		(20)	-	(161)	-
Investments in land development entities		-	-	-	(1,850)
<b>Cash flows used in investing activities</b>		<b>(468)</b>	<b>(52)</b>	<b>(844)</b>	<b>(2,044)</b>
<b>Financing activities</b>					
Advances from loans and credit facilities	4	2,950	3,775	14,255	9,451
Repayments of loans and credit facilities		(4,851)	(3,695)	(14,397)	(15,585)
Payment on vendor-take-back mortgage payable	4b	-	-	(8,000)	(8,000)
Interest and fees paid on loans and credit facilities		(341)	(128)	(1,061)	(456)
Distributions to unit holders of limited partnerships	3	(317)	-	(317)	-
Repurchase and cancellation of shares under NCIB	5c	(136)	-	(290)	(8)
<b>Cash flows used in financing activities</b>		<b>(2,695)</b>	<b>(48)</b>	<b>(9,810)</b>	<b>(14,598)</b>
<b>Change in cash and cash equivalents</b>		<b>6,730</b>	<b>(10,176)</b>	<b>14,471</b>	<b>(15,074)</b>
Cash and cash equivalents, beginning of period		23,989	19,144	16,248	24,042
<b>Cash and cash equivalents, end of period</b>		<b>30,719</b>	<b>8,968</b>	<b>30,719</b>	<b>8,968</b>

See accompanying notes to the condensed consolidated interim financial statements.

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three and nine months ended September 30, 2020 and 2019**

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

**1. DESCRIPTION OF BUSINESS**

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

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

The Corporation is listed for trading on the Toronto Stock Exchange under the symbol "GDC". Genesis' head office and registered office are located at 6240, 333 - 96 Ave. NE, Calgary, AB T3K 0S3.

The condensed consolidated interim financial statements of Genesis were approved for issuance by the Board of Directors on November 5, 2020.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies, basis of measurement and use of judgements and estimates of the Corporation are the same as those applied in the Corporation's annual audited consolidated financial statements for the year ended December 31, 2019. These policies have been consistently applied to each of the periods presented, unless otherwise indicated.

The unaudited condensed consolidated interim financial statements ("Statements") of the Corporation are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These Statements are unaudited and have been prepared in accordance with IAS 34 "Interim Financial Reporting".

These Statements do not include all of the information required for annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2019.

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three and nine months ended September 30, 2020 and 2019**

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

**3. REAL ESTATE HELD FOR DEVELOPMENT AND SALE**

	Lots, Multi-family & Commercial Parcels	Land Held for Development	Home Building	Total	Limited Partnerships	Intra-segment Elimination	Consolidated Total
<b>Gross book value</b>							
As at December 31, 2019	70,776	134,631	21,365	226,772	13,605	(4,194)	236,183
Development activities	6,037	4,570	22,260	32,867	191	-	33,058
Transfer	2,330	(2,330)	-	-	-	-	-
Sold	(23,270)	(2,228)	(30,136)	(55,634)	(1,899)	-	(57,533)
As at September 30, 2020	55,873	134,643	13,489	204,005	11,897	(4,194)	211,708
<b>Provision for write-downs</b>							
As at December 31, 2019	1,639	8,825	-	10,464	3,450	-	13,914
Sold	-	(1,982)	(267)	(2,249)	(1,561)	-	(3,810)
Transfer	(1,639)	1,639	-	-	-	-	-
Write-down of real estate held for development and sale	-	10,000	815	10,815	-	-	10,815
As at September 30, 2020	-	18,482	548	19,030	1,889	-	20,919
<b>Net book value</b>							
As at December 31, 2019	69,137	125,806	21,365	216,308	10,155	(4,194)	222,269
As at September 30, 2020	55,873	116,161	12,941	184,975	10,008	(4,194)	190,789

During the three and nine months ended September 30, 2020, no interest (2019 - \$8 and \$158) was capitalized as a component of development activities.

During the three months ended March 31, 2020, the Corporation recorded:

- a) A write-down of \$10,000 (Q1 2019 - \$Nil, Q2 2019 - \$800, Q3 2019 - \$Nil) on a parcel of land held for development. The write-down was taken based on third-party assessments to reflect the estimated returns realizable on completion of development and sale of this land.
- b) A write-down of \$815 (Q1 2019 - \$Nil, Q2 2019 - \$Nil, Q3 2019 - \$Nil) relating to a townhouse project. The write-down was taken to reflect the estimated returns realizable on the sale of completed townhouse units and on the completion of construction and sale of units that are partially constructed.
- c) Closed the sale of an 8.17-acre parcel of development land in northwest Calgary for \$8,987. The proceeds of the sale were as follows: a cash payment of \$3,768 and a \$5,219 vendor-take-back mortgage receivable with an interest rate of 5% per annum. The vendor-take-back mortgage is repayable in three installments. Two installments of \$1,250 each, were paid on March 31, 2020 and June 30, 2020 and the last installment of \$2,719 is due on December 15, 2021.

During the three months ended June 30, 2020, the Corporation:

- a) Closed the sale of a 32.5-acre parcel of non-core development land located in British Columbia for \$175.

During the three months ended September 30, 2020, the Corporation:

- a) Closed the sale of a 320-acre parcel of development land, located in British Columbia, belonging to a limited partnership for \$320. The limited partnership made a distribution of \$317 to its unit holders from the proceeds of this sale.

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three and nine months ended September 30, 2020 and 2019**

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

**4. LOANS AND CREDIT FACILITIES**

	September 30, 2020	December 31, 2019
<b>Secured by agreements receivable and real estate held for development and sale</b>		
(a) Demand land project servicing loans from major Canadian chartered banks, payable on collection of agreements receivable, bearing interest at prime +0.75% per annum, secured by real estate held for development and sale with a carrying value of \$45,248. These loans are due between December 30, 2020 and July 4, 2021.	1,151	4,145
<b>Secured by real estate held for development and sale</b>		
(b) Vendor-take-back mortgage payable ("VTB") at 0% per annum measured at amortized cost and whose fair value is based on discounted future cash flows, using an 8% discount rate. The final installment of \$8,000 was paid in January 2020.	-	8,000
(c) The VTB bearing interest at 5% per annum was entered into on September 13, 2019 in partial payment for the purchase of approximately 130 acres of future residential development land in north Calgary. The VTB is secured by these lands which have a carrying value of \$24,331. The VTB is to be repaid in two installments of approximately \$9,312 each in May 2021 and 2022.	18,624	18,634
(d) A loan facility for \$15,375 bearing interest at 6.50% per annum, due on December 15, 2020 and is secured by a \$20,500 VTB.	15,192	14,470
(e) Demand operating line of credit up to \$10,000 from a major Canadian chartered bank, renewed in March 2020, bearing interest at prime +1.00% per annum, secured by real estate held for development and sale with a carrying value of \$16,167 due on March 31, 2021.	6,010	-
<b>Secured by housing projects under development</b>		
(f) Demand operating line of credit up to \$6,500 from a major Canadian chartered bank, bearing interest at prime +0.75% per annum, secured by a general security agreement over assets of the home building division.	2,145	2,261
(g) Demand project specific townhouse construction loans from a major Canadian chartered bank, both renewed in March 2020, payable on collection of sale and closing proceeds, bearing interest at prime +0.90% per annum, secured by the project with a carrying value of \$4,968. One loan is due on February 28, 2021 and the other is due on March 28, 2021.	1,338	4,370
	<b>44,460</b>	51,880
Deferred fees on loans and credit facilities	(77)	(334)
	<b>44,383</b>	51,546

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

The weighted average interest rate of loan agreements with financial institutions was 5.21% (December 31, 2019 - 5.76%) based on September 30, 2020 balances.

During the three and nine months ended September 30, 2020, the Corporation received advances of \$2,950 and \$14,255 (2019 - \$3,775 and \$9,451) relating to various loan facilities. These are secured by agreements receivable, real estate held for development and sale, housing projects under development and a \$20,500 VTB mortgage receivable. These loan facilities bear interest ranging from prime +0.75% to 6.50% per annum, with due dates ranging from December 15, 2020 to July 4, 2021.

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three and nine months ended September 30, 2020 and 2019**

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

**4. LOANS AND CREDIT FACILITIES (continued)**

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

October 1, 2020 to September 30, 2021	35,148
October 1, 2021 to September 30, 2022	9,312
	44,460

As at September 30, 2020 and at December 31, 2019, the Corporation and its subsidiaries were in compliance with all loan covenants.

**5. SHARE CAPITAL**

a) **Authorized**

Unlimited number of common shares without par value.

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

b) **Weighted average number of shares**

The following table sets forth the weighted average number of common shares outstanding for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Basic	42,043,271	42,180,321	42,092,909	42,181,772
Effect of dilutive securities - stock options	-	-	-	-
Diluted	42,043,271	42,180,321	42,092,909	42,181,772

All 2,535,000 options outstanding as at September 30, 2020 (2019 - 2,535,000) were excluded in calculating diluted earnings per share for the three and nine months ended September 30, 2020 as their weighted average exercise price was higher than the average market price of the Corporation's shares during the periods.

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three and nine months ended September 30, 2020 and 2019**

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

**5. SHARE CAPITAL (continued)**

**c) Normal course issuer bid ("NCIB")**

The Corporation renewed its NCIB on October 7, 2020. The renewed NCIB commenced on October 13, 2020 and will terminate on the earlier of: (i) October 12, 2021; 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 2,098,885 common shares under the renewed NCIB.

The prior NCIB, which expired on October 9, 2020, allowed the Corporation to purchase for cancellation up to 2,109,016 common shares. The Corporation purchased a total of 227,034 common shares at an average price of \$1.61 per share under this NCIB.

The following table sets forth the number of common shares repurchased and cancelled during the three and nine months ended September 30, 2020 and 2019 under the NCIB.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Number of shares repurchased and cancelled	100,570	-	189,610	3,300
Reduction in share capital	128	-	241	4
Change in retained earnings	8	-	49	4
Reduction in shareholders' equity	136	-	290	8
Average purchase price per share	1.35	-	1.53	2.54

**6. SHARE-BASED COMPENSATION**

**a) Stock Option Plan**

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

Details of stock options are as follows:

	Nine months ended September 30,			
	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	2,535,000	\$3.31	2,025,000	\$3.36
Options forfeited	-	-	(270,000)	\$3.12
Options issued	-	-	780,000	\$3.11
Outstanding - end of period	2,535,000	\$3.31	2,535,000	\$3.31
Exercisable - end of period	971,250	\$3.37	337,500	\$3.48

Range of Exercise Prices (\$)	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
	Number at September 30, 2020	Weighted Average Exercise Price	Number at September 30, 2020	Weighted Average Exercise Price	
3.11 - 3.48	2,535,000	\$3.31	971,250	\$3.37	5.06

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three and nine months ended September 30, 2020 and 2019**

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

**6. SHARE-BASED COMPENSATION (continued)**

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

	Nine months ended September 30,	
	2020	2019
Risk-free interest rate	-	1.50 - 1.59%
Estimated term/period prior to exercise (years)	-	5.50
Volatility in the price of the Corporation's common shares	-	28.8 - 29.1%
Forfeiture rate	-	0.00%
Dividend yield rate	-	0.00%

No options were issued during the three and nine months ended September 30, 2020 (2019 - Nil and 780,000).

**b) Deferred Share Unit Plan ("DSU")**

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

	Nine months ended September 30,	
	2020	2019
	Cash settled	Cash settled
Outstanding - beginning of period	70,941	-
DSUs granted	98,897	70,941
Outstanding - end of period	169,838	70,941
Vested - end of period	17,734	-

The outstanding liability related to cash settled DSU as at September 30, 2020 was \$128 (December 31, 2019 - \$84) and is recorded in accounts payable and accrued liabilities. DSUs are measured at fair value at each reporting period on a mark-to-market basis.

**c) Share-based compensation expense**

Share-based compensation was recorded and included as a part of general and administrative expense and is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Stock options	67	102	211	241
Deferred share units - cash settled grants	46	20	44	66
Total share-based compensation expense	113	122	255	307

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three and nine months ended September 30, 2020 and 2019**

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

**7. COMMITMENTS AND CONTINGENCIES**

Other than the commitments and contingencies discussed below and in the notes to the annual audited consolidated financial statements for the years ended December 31, 2019 and 2018, there were no other material commitments or contingencies as at September 30, 2020.

- a) The Corporation has issued letters of credit pursuant to servicing agreements with municipalities to indemnify them in the event that the Corporation does not perform its contractual obligations. As at September 30, 2020, the letters of credit amounted to \$4,444 (December 31, 2019 - \$4,795).
- b) The Corporation is committed to pay levies and municipal fees relating to signed municipal agreements on commencement of development of certain real estate assets with the following payments:

October 1, 2020 to September 30, 2021	6,415
October 1, 2021 to September 30, 2022	1,433
October 1, 2022 to September 30, 2023	1,910
	<hr/>
	9,758

**8. PROVISION FOR LITIGATION**

Two former employees made claims against the Corporation and a director alleging wrongful termination of their employment and a breach of a duty of care by the director. The original claim was made in 2016. The claimants are seeking damages (including relating to their stock options), interest, legal costs and other relief aggregating to approximately \$2,700. Since 2016, various applications and appeals have been made to the judicial system by both parties. Following consideration by the judicial system of all of those applications and appeals, the courts have directed that all matters proceed to trial. No trial dates have yet been set.

The Corporation's view is that these claims are without merit and is actively contesting them. As at September 30, 2020, the Corporation has recorded provisions totaling \$1,600 for these claims.

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three and nine months ended September 30, 2020 and 2019**

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

**9. FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

The Corporation's current financial assets are measured at amortized cost or fair value through profit and loss ("FVTPL"). The estimated fair value of financial assets and liabilities as at September 30, 2020 and December 31, 2019 are presented in the following table:

	Fair Value Hierarchy	Measurement Basis	Carrying Value		Fair Value	
			As at Sept. 30, 2020	As at Dec. 31, 2019	As at Sept. 30, 2020	As at Dec. 31, 2019
<b>Financial Assets</b>						
Cash	Level 1	FVTPL	30,719	16,248	30,719	16,248
Investments in land development entities	Level 3	FVTPL	5,608	5,608	5,608	5,608
Restricted cash	Level 1	FVTPL	7,536	12,077	7,536	12,077

During the three and nine months ended September 30, 2020 and 2019, no transfers were made between the levels in the fair value hierarchy.

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three and nine months ended September 30, 2020 and 2019**

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

**9. FINANCIAL INSTRUMENTS (continued)**

**a) Risks associated with financial instruments**

*(i) Credit risk*

The Corporation recognizes bad debt expense (or recovery) relating to amounts receivable on sold lots, net of the value of the related sold lots which are taken back into the Corporation's lot inventory on the termination of the relevant agreement. Termination could occur when the buyer fails to perform or observe terms of covenants of the relevant agreement. Agreements receivable for lot sales have various terms of repayment with purchasers generally having between 6 and 24 months to pay the balance owing for the purchased lots.

Recovery of bad debt expense is included in the Corporation's general and administrative expenses. In order to mitigate credit risk, the Corporation does not transfer title to sold residential lots until full payment is received. Individual balances due from customers as at September 30, 2020, which comprise greater than 10% of total amounts receivable, totaled \$11,446 from two customers (December 31, 2019 - \$5,515 from two customers).

Aging of amounts receivable was as follows:

	<b>September 30, 2020</b>	December 31, 2019
Not past due	<b>12,677</b>	6,131
Past due	-	-
	<b>12,677</b>	6,131

*(ii) Liquidity risk*

The contractual maturities of financial liabilities and other commitments as at September 30, 2020 were as follows:

	<b>&lt;1 Year</b>	<b>&gt;1 Year</b>	<b>Total</b>
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	10,242	-	10,242
Loans and credit facilities excl. deferred fees on loans and credit facilities	35,148	9,312	44,460
	<b>45,390</b>	<b>9,312</b>	<b>54,702</b>
<b>Commitments</b>			
Lease obligations	331	2,282	2,613
Naming rights	500	-	500
Levies and municipal fees (note 7b)	6,415	3,343	9,758
	<b>7,246</b>	<b>5,625</b>	<b>12,871</b>
	<b>52,636</b>	<b>14,937</b>	<b>67,573</b>

At September 30, 2020, the Corporation had obligations due within the next 12 months of \$52,636 (December 31, 2019 - \$45,708). Based on the Corporation's operating history, its relationship with its lenders and committed sales contracts, management believes that the Corporation has the ability to continue to renew or repay its financial obligations as they come due. The Corporation renewed three loans during the nine months ended September 30, 2020 (note 4e and note 4g).

*(iii) Market risk*

The Corporation is exposed to interest rate risk to the extent that certain agreements receivable and certain loans and credit facilities are at a floating rate of interest. A 1% change in interest rates would result in a change in interest incurred of approximately \$106 annually on floating rate loans.

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three and nine months ended September 30, 2020 and 2019**

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

**9. FINANCIAL INSTRUMENTS (continued)**

**b) Capital management**

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

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

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

	<b>September 30, 2020</b>	December 31, 2019
Loans and credit facilities	<b>44,383</b>	51,546
Shareholders' equity	<b>193,952</b>	193,957
	<b>238,335</b>	245,503

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three and nine months ended September 30, 2020 and 2019**

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

**10. SEGMENTED INFORMATION**

The income producing business units of the Corporation reported the following activities for three and nine months ended September 30, 2020 and 2019:

Three months ended September 30, 2020	Land Development Segment			Total	Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination				
Revenues	13,925	1	-	13,926	24,838	(9,345)	<b>29,419</b>
Revenues - development lands	-	320	-	320	-	-	<b>320</b>
Direct cost of sales	(8,426)	(338)	-	(8,764)	(22,025)	9,345	<b>(21,444)</b>
Gross margin	5,499	(17)	-	5,482	2,813	-	<b>8,295</b>
G&A, selling & marketing and net finance expense or income	(1,666)	(66)	-	(1,732)	(1,983)	-	<b>(3,715)</b>
Earnings (loss) before income taxes and non-controlling interest	3,833	(83)	-	3,750	830	-	<b>4,580</b>

Three months ended September 30, 2019	Land Development Segment			Total	Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination				
Revenues	4,910	1	-	4,911	12,623	(4,748)	12,786
Direct cost of sales	(2,429)	-	-	(2,429)	(10,857)	4,748	(8,538)
Gross margin	2,481	1	-	2,482	1,766	-	4,248
G&A, selling & marketing and net finance expense or income	(1,624)	101	-	(1,523)	(2,130)	-	(3,653)
Earnings (loss) before income taxes and non-controlling interest	857	102	-	959	(364)	-	595

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)

**For the three and nine months ended September 30, 2020 and 2019**

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

**10. SEGMENTED INFORMATION (continued)**

Nine months ended September 30, 2020	Land Development Segment			Home Building Segment	Intersegment Elimination	Total	
	Genesis	LP	Intrasegment Elimination				
Revenues	34,375	42	-	34,417	62,827	(22,610)	<b>74,634</b>
Revenues - development lands	9,162	320	-	9,482	-	-	<b>9,482</b>
Direct cost of sales	(29,585)	(338)	-	(29,923)	(54,962)	22,610	<b>(62,275)</b>
Write-down of real estate held for development and sale	(10,000)	-	-	(10,000)	(815)	-	<b>(10,815)</b>
Gross margin	3,952	24	-	3,976	7,050	-	<b>11,026</b>
G&A, selling & marketing and net finance expense or income	(5,031)	(177)	-	(5,208)	(6,440)	-	<b>(11,648)</b>
(Loss) earnings before income taxes and non-controlling interest	(1,079)	(153)	-	(1,232)	610	-	<b>(622)</b>
Segmented assets as at September 30, 2020	252,589	14,512	(6,069)	261,032	21,791	4,232	<b>287,055</b>
Segmented liabilities as at September 30, 2020 <sup>(1), (2)</sup>	71,740	2,296	(1,975)	72,061	4,469	4,232	<b>80,762</b>
Segmented net assets as at September 30, 2020 <sup>(1), (2)</sup>	180,849	12,216	(4,094)	188,971	17,322	-	<b>206,293</b>

Nine months ended September 30, 2019	Land Development Segment			Home Building Segment	Intersegment Elimination	Total	
	Genesis	LP	Intrasegment Elimination				
Revenues	16,829	12	-	16,841	39,195	(14,020)	42,016
Direct cost of sales	(8,370)	-	-	(8,370)	(33,997)	14,020	(28,347)
Write-down of real estate held for development and sale	(800)	-	-	(800)	-	-	(800)
Gross margin	7,659	12	-	7,671	5,198	-	12,869
G&A, selling & marketing and net finance expense or income	(4,408)	290	-	(4,118)	(6,458)	-	(10,576)
Earnings (loss) before income taxes and non-controlling interest	3,251	302	-	3,553	(1,260)	-	2,293
Segmented assets as at December 31, 2019	254,898	20,574	(5,804)	269,668	28,940	(2,340)	296,268
Segmented liabilities as at December 31, 2019 <sup>(1), (2)</sup>	73,463	1,805	(1,752)	73,516	12,197	(2,340)	83,373
Segmented net assets as at December 31, 2019 <sup>(1), (2)</sup>	181,435	18,769	(4,052)	196,152	16,743	-	212,895

<sup>(1)</sup> Segmented liabilities under the Genesis land development segment include \$6,398 due to the home building segment (December 31, 2019 - \$392 due from the land development segment to the home building segment).

<sup>(2)</sup> Segmented liabilities under the LP segment is comprised of accounts payable and accrued liabilities and includes \$1,975 (December 31, 2019 - \$1,752) due to Genesis.

**GENESIS LAND DEVELOPMENT CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

**For the three and nine months ended September 30, 2020 and 2019**

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

**11. CONSOLIDATED ENTITIES**

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

The Corporation is a co-defendant in a statement of claim initiated by a limited partner of Limited Partnership Land Pool ("LPLP 2007") and its affiliated RRSP limited partnerships. The statement of claim seeks to be certified as a class action and is seeking damages of \$60,000. Any potential liability to the Corporation and/or the Partnership is indeterminate, and no provision has been made.

LPLP 2007 is a limited partnership controlled by the Corporation. In 2019 the Corporation completed a transaction with LPLP 2007, whereby the Corporation acquired the third-party, secured vendor-take-back mortgage receivable held by LPLP 2007. Consideration paid to LPLP 2007 included a cash payment of \$10,360 to LPLP 2007 by the Corporation, which was placed in trust pending pro rata distribution to its unit holders. Early in 2020 limited partners were given the option to receive their pro rata distribution of the amount held in trust, provided the limited partner signed a letter of transmittal in which the limited partner released LPLP 2007, Genesis and related entities from any liabilities in respect of the statement of claim described above. During the nine months ended September 30, 2020, unitholders holding 25,619,829 (58.4%) limited partnership units submitted such transmittal letters, and \$6,085 of the available trust funds have been distributed. The offer to the limited partners expired on September 18, 2020. All remaining funds which are held in trust will be used by LPLP 2007 to fund its operations, including its share of any costs incurred in respect of the proposed class action.

**12. SUBSEQUENT EVENTS**

The Calgary Metropolitan Area economy is experiencing materially lower economic activity due to the COVID-19 pandemic and volatile oil prices, resulting in a significant reduction in economic activity and investment and increased unemployment levels. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation in future periods.

The Corporation closed the sale of a 4.9-acre multi-family parcel of land in Calgary for \$6,546.

The Corporation entered into a sale agreement to sell a 0.8-acre parcel of land in Calgary for a cash consideration of \$600. The transaction is expected to close in the fourth quarter of 2020. The agreements prescribe various conditions which have not yet been met or waived and therefore there can be no assurances this transaction will close.

The Corporation entered into a sale agreement to sell a 1.1-acre parcel of land in Calgary for a cash consideration of \$950. The transaction is expected to close in the third quarter of 2021. The agreements prescribe various conditions which have not yet been met or waived and therefore there can be no assurances this transaction will close.