GENESIS LAND DEVELOPMENT CORP.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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MANAGEMENT'S REPORT

To the Shareholders of **Genesis Land Development Corp.:**

The consolidated financial statements and all information in the Management's Discussion and Analysis ("MD&A") are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with International Financial Reporting Standards ("IFRS") appropriate in the circumstances. The financial information in the MD&A has been reviewed by management to ensure consistency with the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of consolidated financial statements.

The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets regularly with the auditors and management to review the activities of each. The Audit Committee is composed of three independent directors, and reports to the Board of Directors.

MNP LLP, an independent firm of Chartered Professional Accountants, was engaged to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and IFRS to provide an independent auditors' opinion.

/s/ Iain Stewart
President and Chief Executive Officer

/s/ Wayne King
Chief Financial Officer

March 14, 2019

Independent Auditor's Report

To the Shareholders of Genesis Land Development Corp.

Opinion

We have audited the consolidated financial statements of Genesis Land Development Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2018 and December 31, 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

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

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

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

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

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

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

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

MNP LLP

Calgary, Alberta
March 14, 2019

Chartered Professional Accountants

MNP LLP

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

	Notes	December 31, 2018	December 31, 2017
Assets			
Real estate held for development and sale	5	**202,499**	200,757
Amounts receivable	6	**14,960**	30,820
Vendor-take-back mortgage receivable	7	**20,558**	20,558
Other operating assets	8	**4,416**	18,083
Deferred tax assets	9	**9,398**	7,622
Income tax recoverable		**2,283**	-
Cash and cash equivalents		**24,042**	23,585
Total assets		**278,156**	301,425
Liabilities			
Loans and credit facilities	10	**31,696**	30,135
Dividend payable	11d	**-**	10,813
Customer deposits		**3,111**	4,629
Accounts payable and accrued liabilities		**12,679**	8,938
Income tax payable		**-**	2,785
Provision for future development costs		**20,901**	24,584
Total liabilities		**68,387**	81,884
Commitments and contingencies	16		
Subsequent events	10b, 10c, 12a, 12b, 16a, 22		
Equity			
Share capital	11	**52,898**	54,260
Contributed surplus	12a	**259**	-
Retained earnings		**138,813**	147,137
Shareholders' equity		**191,970**	201,397
Non-controlling interest	21	**17,799**	18,144
Total equity		**209,769**	219,541
Total liabilities and equity		**278,156**	301,425

See accompanying notes to the consolidated financial statements

ON BEHALF OF THE BOARD:

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

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

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2018 and 2017
(In thousands of Canadian dollars except per share amounts)

	Notes	Year ended December 31, 2018	2017
Revenues			
Sales revenue		**81,367**	150,746
Other revenue		**70**	187
		81,437	150,933
Direct cost of sales		**(59,204)**	(96,609)
Write-down of real estate held for development and sale	5	**(1,820)**	(1,095)
		(61,024)	(97,704)
Gross margin		**20,413**	53,229
General and administrative	13	**(10,406)**	(10,970)
Selling and marketing	14	**(4,452)**	(4,921)
		(14,858)	(15,891)
Earnings from operations		**5,555**	37,338
Finance income		**1,512**	125
Finance expense	15	**(1,531)**	(2,450)
Earnings before income taxes		**5,536**	35,013
Income tax expense	9	**(1,757)**	(5,815)
Net earnings being comprehensive earnings		**3,779**	29,198
Attributable to non-controlling interest	21	**(345)**	12,200
Attributable to equity shareholders		**4,124**	16,998
Net earnings per share - basic and diluted	11	**0.10**	0.39

See accompanying notes to the consolidated financial statements

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2018 and 2017
(In thousands of Canadian dollars except number of shares)

	Equity attributable to Corporation's shareholders						
	Common shares - Issued						
	Number of Shares	Amount	Contributed Surplus	Retained Earnings	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
At December 31, 2016	43,745,806	54,888	-	150,863	205,751	5,914	211,665
Normal course issuer bid ("NCIB") (Note 11c) and misc.	(493,085)	(628)	-	(828)	(1,456)	30	(1,426)
Dividends declared (Note 11d)	-	-	-	(19,896)	(19,896)	-	(19,896)
Net earnings being comprehensive earnings	-	-	-	16,998	16,998	12,200	29,198
At December 31, 2017	43,252,721	54,260	-	147,137	201,397	18,144	219,541
At December 31, 2017	43,252,721	54,260	-	147,137	201,397	18,144	219,541
Share-based payments (Note 12a)	-	-	259	-	259	-	259
NCIB (Note 11c)	(1,069,100)	(1,362)	-	(2,139)	(3,501)	-	(3,501)
Dividends declared (Note 11d)	-	-	-	(10,309)	(10,309)	-	(10,309)
Net earnings being comprehensive earnings	-	-	-	4,124	4,124	(345)	3,779
At December 31, 2018	**42,183,621**	**52,898**	**259**	**138,813**	**191,970**	**17,799**	**209,769**

See accompanying notes to the consolidated financial statements

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(In thousands of Canadian dollars)

	Notes	Year ended December 31, 2018	2017
Operating activities			
Receipts from residential lot and development land sales		**41,397**	52,755
Receipts from residential home sales		**54,353**	67,367
Other receipts (payments)		**232**	(7)
Paid for land development		**(19,387)**	(17,993)
Paid for land acquisition		**(5,124)**	-
Paid for residential home construction		**(35,385)**	(36,384)
Paid to suppliers and employees		**(14,252)**	(14,900)
Interest received		**1,512**	125
Income taxes paid		**(8,599)**	(4,055)
Cash flows from operating activities		**14,747**	46,908
Investing activities			
Acquisition of equipment		**(274)**	(223)
Proceeds on disposal of property and equipment		**5**	-
Cash flows (used in) investing activities		**(269)**	(223)
Financing activities			
Advances from loans and credit facilities		**33,975**	32,471
Repayments of loans and credit facilities		**(25,436)**	(40,004)
Payment on vendor-take-back mortgage payable	10b	**(8,000)**	(8,000)
Interest and fees paid on loans and credit facilities		**(750)**	(533)
Repurchase and cancellation of shares under NCIB	11c	**(3,501)**	(1,456)
Dividends paid	11d	**(10,309)**	(19,896)
Cash flows (used in) financing activities		**(14,021)**	(37,418)
Change in cash and cash equivalents		**457**	9,267
Cash and cash equivalents, beginning of period		**23,585**	14,318
Cash and cash equivalents, end of period		**24,042**	23,585

See accompanying notes to the consolidated financial statements

(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 7315 - 8th Street N.E., Calgary, Alberta T2E 8A2.

The consolidated financial statements of Genesis were approved for issuance by the Board of Directors on March 14, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Corporation are set out below. These policies have been consistently applied to each of the years presented, unless otherwise indicated.

a) Statement of compliance

The consolidated financial statements of the Corporation are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of presentation

The consolidated financial statements have been prepared under the historical cost convention except for the financial assets classified as fair value through profit or loss that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency, and all values are rounded to the nearest thousand, except per share values and where otherwise indicated.

c) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, as well as the consolidated revenues, expenses, assets, liabilities and cash flows of limited partnership entities that the Corporation controls. When the Corporation has less than 50% equity ownership in these limited partnership entities, the Corporation may still have control over these entities' activities, projects, financial and operating policies due to contractual arrangements. Accordingly, the accounts of the limited partnerships have been consolidated in the Corporation's financial statements.

Controlled entities are fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continues to be consolidated until the date when such control ceases. Control exists when the Corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity. All intra-group transactions, balances, dividends and unrealized gains and losses resulting from intra-group transactions are eliminated on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets not owned by the Corporation and are presented separately from shareholders' equity in the consolidated statements of comprehensive income and within equity in the consolidated balance sheets. Losses within a controlled entity are attributed to the non-controlling interest even if that results in a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) **Revenue recognition**

(i) Residential lot sales

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

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

Indicators of transfer of control to a purchaser include a present right to payment at the closing date of the contract, the purchaser having full access to the lot and the purchaser's ability to obtain a building permit from the relevant authority, all indicating that significant risk and rewards of ownership have been transferred to the purchaser who has signed a contract and has made a minimum 15% non-refundable deposit.

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

(ii) Development land sales

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

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

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

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

(iii) Residential home sales

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

Performance obligations are considered satisfied when title to the completed home is conveyed to the purchaser, at which time all proceeds are received or collection is reasonably assured.

Deposits received from customers upon signing of contracts for purchases of completed homes for which revenue recognition criteria have not been met are recorded as customer deposits.

(iv) Finance income

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

(v) Other revenue

Rental income is recognized on a straight-line basis over the term of the rental agreement. Rental income is incidental to ownership of real estate and does not result in classification of real estate as investment property. All real estate is classified as inventory. Deposits forfeited are recognized as income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Real estate held for development and sale

Land under development, land held for future development and housing projects under construction are inventory and are measured at the lower of cost and estimated net realizable value ("NRV"). NRV is the estimated selling price in the ordinary course of the business at the balance sheet date, less costs to complete and estimated selling costs.

Cost includes land acquisition costs, other direct costs of development and construction, borrowing costs, property taxes and legal costs. These costs are allocated to each phase of the project in proportion to saleable acreage.

f) Borrowing costs

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

g) Property and equipment

Property and equipment is stated at cost, net of any accumulated depreciation and accumulated impairment losses. Depreciation is provided on all operating property and equipment based on the straight-line method over the estimated useful lives of the property and equipment. The useful lives of the properties are as follows:

- Vehicles and other equipment — 5 years
- Office equipment and furniture — 7 years
- Computer equipment — 3 years
- Computer software — 3 years
- Showhome furniture — 3 years
- Leasehold improvements — Lesser of 5 years or remaining term of the lease

h) Income taxes

Income taxes comprise the following:

(i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, using tax rates and laws that are enacted or substantively enacted as at the balance sheet date.

(ii) Deferred tax

Deferred tax is provided at the balance sheet date using the liability method on all temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available, against which deductible temporary differences, carried forward tax credits or tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

The Corporation's consolidated financial statements include some entities that are limited partnerships (note 21) and are not subject to income taxes. The income or loss for Canadian tax purposes is attributable to the taxable income of the limited partners in accordance with the provisions of the Income Tax Act (Canada). The calculation of income tax expense reflects the exclusion of taxable income allocated to limited partners that form part of the non-controlling interest.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Cash and cash equivalents

Cash and cash equivalents consist of cash held with banks and short-term deposits of original maturity of three months or less.

j) Leases

Operating lease payments are recognized as an operating expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

k) Financial assets

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

Financial assets measured at amortized cost are assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial instruments classified as amortized cost are subsequently measured at amortized cost using the effective interest rate method, less impairment. The amortization and losses arising from impairment are recognized in the consolidated statements of comprehensive income.

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

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

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or the Corporation transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained is recognized as a separate asset or liability.

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

The Corporation recognizes bad debt expense or recovery relating to amounts receivable on sold lots, net of the value of the related sold lots, on the termination of the relevant agreement, which are taken back into the Corporation's lot inventory. Bad debt expense or recovery is included in the Corporation's general and administrative expenses.

l) Financial liabilities

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

• Cash	FVTPL
• Cash equivalents	Amortized cost
• Deposits	Amortized cost
• Restricted Cash	FVTPL
• Amounts receivable	Amortized cost
• Vendor-take-back mortgage receivable	Amortized cost
• Accounts payable and accrued liabilities	Amortized cost
• Loans and credit facilities	Amortized cost

m) **Earnings per share**

The amount of basic earnings per share is calculated by dividing the comprehensive earnings attributable to equity holders by the weighted average number of shares outstanding during the period. The diluted earnings per share amount is calculated giving effect to the potential dilution that would occur if stock options were exercised. The treasury stock method is used to determine the dilutive effect of stock options.

n) **Provision for future development costs**

The Corporation sells land, lots and homes for which it is responsible to pay for future development costs. For land development, the provision for future development costs represents the estimated remaining construction costs related to previously sold land, including all direct and indirect costs expected to be incurred during the remainder of the servicing period, net of expected recoveries. The provision is reviewed periodically and, when the estimate is known to be different from the actual costs incurred or expected to be incurred, an adjustment is made to the provision for future development costs and a corresponding adjustment is made to land under development and/or cost of sales. For home building, the provision for future development costs represents the costs likely to be incurred on remaining seasonal work and estimated warranty charges over the one year warranty period.

o) **Significant accounting judgments and estimates**

The preparation of consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. On an ongoing basis, management evaluates its judgments and estimates in relation to revenues, expenses, assets and liabilities. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The following are the most significant accounting judgments and estimates made by the Corporation in applying accounting policies:

Judgments

(i) Revenue Recognition

Revenue recognition for development lands requires judgment to determine when performance obligations are satisfied and transfer of control has passed to the purchaser. The Corporation reviews each contract and evaluates all the factors to determine the appropriate date to recognize revenue.

(ii) Consolidation

The Corporation applies judgment in determining control over certain limited partnerships based on a review of all contractual agreements to determine if the Corporation has control over the activities, projects, financial and operating policies of the limited partnerships.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Income Taxes

The Corporation applies judgment in determining the total provision for current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain due to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of the business, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to the provision for current and deferred taxes.

(iv) Net realizable value("NRV")

NRV for land and housing projects held for development and sale is estimated with reference to market prices and conditions existing at the balance sheet date. This is determined by the Corporation having considered suitable external advice including independent real estate appraisers and recent market transactions of similar and adjacent lands and housing projects in the same geographic area.

(v) Legal contingencies

The Corporation applies judgment as it relates to the outcome of legal proceedings to determine whether a provision and disclosure in the consolidated financial statements is required. Among the factors considered in making such judgments are the nature of litigation, claim or assessment, the legal process and potential level of damages, the progress of the case, the opinions or views of legal advisers and any decision of the Corporation's management as to how it will respond to the litigation, claim or assessment.

Estimates

(i) Provision for future development costs

Changes in estimated future development costs, which are generally provided by third party service providers, directly impact the amount recorded for the future development liability, cost of sales, gross margin and, in some cases, the value of real estate under development and held for sale. This liability is subject to uncertainty due to the long time frames involved, specifically in land development.

(ii) Impairment of real estate held for development and sale

The Corporation estimates the NRV of real estate held for development and sale at least annually for impairment or whenever events or changes in circumstances indicate the carrying value may exceed NRV. The estimate is based on valuations conducted by independent real estate appraisers and other third party advisors, and is also based on housing projects in the same geographic area.

(iii) Valuation of amounts receivable and vendor-take-back mortgage receivable

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

(iv) Share-based compensation

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

p) **Share-based compensation**

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Stock options

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

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

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

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

(ii) Deferred share unit plan

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

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

3. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS EFFECTIVE JANUARY 1, 2018

The Corporation adopted new IFRSs and interpretations as of January 1, 2018, as noted below:

i) IFRS 15, "Revenue from contracts with customers"

As required, the Corporation adopted IFRS 15 as of January 1, 2018. IFRS 15 replaces existing standards and interpretations on revenue recognition. The standard outlines a single comprehensive model for revenue recognition arising from contracts with customers.

IFRS 15 requires that revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

This is achieved by applying the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Impact of the application of IFRS 15

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

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

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

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

3. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS EFFECTIVE JANUARY 1, 2018 (continued)

ii) IFRS 9, "Financial instruments"

As required, the Corporation adopted IFRS 9 as of January 1, 2018. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through profit and loss ("FVTPL"), and fair value through other comprehensive income ("FVTOCI"), the Corporation's current financial assets are measured at amortized cost or FVTPL.

Under IFRS 9, the loss allowance for trade receivables must be calculated using the expected lifetime credit loss model and recorded at the time of initial recognition. Title to lots, land and homes sold is typically transferred on receipt of full payment from the purchaser. In situations where extended payment terms are provided to a purchaser, the Corporation secures adequate security for the remaining unpaid portion before title to the lot, land or home is transferred to the purchaser. As such, there is no material impact of the loss allowance for trade receivables due to the above.

Impact of the application of IFRS 9

The Corporation completed an assessment of the impact of IFRS 9 on its financial statements and determined that there was no material effect on the carrying value of its financial instruments related to this new requirement and no reclassification was required in the transition to IFRS 9.

The following tables show the pre-transition IAS 39 and the post-transition IFRS 9 classification and measurement categories, and reconciles the IAS 39 and IFRS 9 carrying amounts as at January 1, 2018, as a result of adopting IFRS 9.

Financial Assets

As at Jan. 1, 2018	IAS 39 Measurement Basis	IFRS 9 Measurement Basis	IAS 39 Carrying Amount	IFRS 9 Carrying Amount	Reclassification / Remeasurement	Impact on measurement
Cash	FVTPL	FVTPL	23,585	23,585	-	No change
Cash equivalents	FVTPL	Amortized cost	-	-	-	No change as amortized cost approximates fair value for this instrument
Deposits	FVTPL	Amortized cost	2,674	2,674	-	No change as amortized cost approximates fair value for this instrument
Restricted cash	FVTPL	FVTPL	3,773	3,773	-	No change
Amounts receivable	Amortized cost	Amortized cost	30,820	30,820	-	No change
Vendor-take-back mortgage receivable	Amortized cost	Amortized cost	20,558	20,558	-	No change

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

3. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS EFFECTIVE JANUARY 1, 2018 (continued)

Financial Liabilities

As at Jan. 1, 2018	IAS 39 Measurement Basis	IFRS 9 Measurement Basis	IAS 39 Carrying Amount	IFRS 9 Carrying Amount	Reclassification / Remeasurement	Impact on measurement
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	8,938	8,938	-	No change
Loans and credit facilities, excluding deferred loans and credit facilities fees	Amortized cost	Amortized cost	30,268	30,268	-	No change

4. NEW ACCOUNTING PRONOUNCEMENTS

IFRS 16, "Leases"

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

The Corporation completed the assessment of the impact of IFRS 16 on its financial statements and has opted to use the modified retrospective approach in its adoption of IFRS 16. The modified retrospective method does not require restatement of prior period financial information as it may recognize the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

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

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

5. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	Lots, Multi-family & Commercial Parcels	Land Held for Development	Home Building	Total	Limited Partnerships	Intra-segment Elimination	Consolidated Total
Gross book value							
As at December 31, 2017	38,530	143,884	20,156	202,570	15,253	(4,194)	213,629
Development activities	2,104	13,559	33,833	49,496	178	-	49,674
Transfer	17,479	(17,479)	-	-	-	-	-
Reclass from amounts receivable	3,710	-	-	3,710	-	-	3,710
Acquisition	5,200	-	-	5,200	-	-	5,200
Sold	(24,628)	(1,657)	(28,737)	(55,022)	-	-	(55,022)
As at December 31, 2018	42,395	138,307	25,252	205,954	15,431	(4,194)	217,191
Provision for write-downs							
As at December 31, 2017	-	8,744	-	8,744	4,128	-	12,872
Transfer	1,446	(1,446)	-	-	-	-	-
Write-down of real estate held for development and sale	-	920	-	920	900	-	1,820
As at December 31, 2018	1,446	8,218	-	9,664	5,028	-	14,692
Net book value							
As at December 31, 2017	38,530	135,140	20,156	193,826	11,125	(4,194)	200,757
As at December 31, 2018	40,949	130,089	25,252	196,290	10,403	(4,194)	202,499

During the year ended December 31, 2018, interest of $256 (2017 - $383) was capitalized as a component of development activities.

During the year ended December 31, 2018, the Corporation recorded a write-down of $1,820 (2017 - $1,095) due to: (1) $920 of costs capitalized during the period (mainly property taxes and interest) relating to a parcel of land held for development that is carried at net realizable value; and (2) $900 due to a reduction in the estimated development potential of a parcel of land belonging to a limited partnership.

During the year ended December 31, 2018 Genesis entered into an agreement with the receiver of a third-party builder in a Genesis community, which was approved by the Alberta Court of Queen's Bench. In accordance with this agreement, (1) the agreements to sell 23 lots to the builder, with amounts receivable of $3,710, were cancelled and the lots were returned to Genesis, (2) Genesis re-purchased from the builder 31 lots for $5,200 for which it had received full payment, and (3) Genesis acquired that builder's work in progress on these lots. Genesis acquired all such assets free and clear of any liabilities, including any builders' liens obligations. The transaction closed in May 2018.

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

6. AMOUNTS RECEIVABLE

	2018	2017
Agreements receivable	**10,584**	28,500
Other receivables	**4,376**	2,320
	14,960	30,820

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. In order to mitigate credit risk, the Corporation does not transfer title to sold residential lots until full payment is received. Certain agreements receivable and mortgages receivable, if any, are interest bearing.

7. VENDOR-TAKE-BACK MORTGAGE RECEIVABLE TO A LIMITED PARTNERSHIP

	2018	2017
Vendor-take-back mortgage to limited partnership(1)	**20,558**	20,558

(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. The limited partnership received $20,500 in cash and a $20,500 three year vendor-take-back first mortgage bearing interest at 6.5% per annum. Interest on the vendor-take-back mortgage receivable is payable annually, in arrears. The first interest instalment of $1,333 was received in December 2018 (2017 - nil).

8. OTHER OPERATING ASSETS

	2018	2017
Deposits – construction projects	**2,648**	2,674
Deposit – dividend payable (note 11d)	**-**	10,813
Prepayments	**309**	286
Restricted cash	**1,029**	3,773
Property and equipment	**430**	537
	4,416	18,083

Deposits include amounts paid to development authorities as security to guarantee the completion of construction projects under development. The deposits are refundable upon completion of the related projects and earn interest at rates approximating those earned on guaranteed investment certificates. The Corporation has also provided letters of credit as security to guarantee the completion of certain construction projects (see note 16 for additional information). Restricted cash is held in trust accounts.

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

9. INCOME TAXES

a) Income tax was recognized in the consolidated statements of comprehensive income as follows:

	2018	2017
Current income tax	**3,531**	6,882
Deferred income tax	**(1,774)**	(1,067)
Income tax expense	**1,757**	5,815

b) Income tax expense differed from that which would be expected from applying the combined statutory Canadian federal and provincial income tax rates of 27.00% (2017 - 27.00%) to earnings before income taxes. The difference resulted from the following:

	2018	2017
Earnings before income taxes	**5,536**	35,013
Statutory tax rate	**27.00%**	27.00%
Expected income tax expense	**1,495**	9,454
Benefit of (utilization of previous) loss not recognized	**-**	(63)
Share-based compensation transaction	**70**	-
Other	**99**	(282)
Non-controlling interest	**93**	(3,294)
Tax expense for the year	**1,757**	5,815

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

	2018	2017
Deferred tax assets	**10,774**	11,097
Deferred tax liabilities	**(1,376)**	(3,475)
Net deferred tax assets	**9,398**	7,622

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

	2018	2017
Real estate held for development and sale	**7,076**	7,732
Reserves from land sales	**(1,376)**	(3,475)
Unamortized financing costs	**3,111**	2,798
Other temporary differences	**587**	567
Net deferred tax assets	**9,398**	7,622

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

10. LOANS AND CREDIT FACILITIES

	2018	2017
Secured by agreements receivable and real estate held for development and sale		
(a) Demand land project servicing loans from major Canadian chartered banks, payable on collection of agreements receivable, bearing interest at prime +0.75% per annum, secured by real estate held for development and sale with a carrying value of $53,980, due between December 30, 2020 and July 4, 2021.	**7,914**	6,164
Secured by real estate held for development and sale		
(b) Vendor-take-back mortgage payable ("VTB") at 0% per annum is measured at amortized cost and whose fair value is based on discounted future cash flows, using an 8% discount rate. The $40,000 VTB was entered into on January 6, 2015 in partial payment for the purchase of southeast Calgary lands and is secured by these lands which have a carrying value of $44,806. The VTB is to be paid in five annual installments of $8,000 each, commencing January 6, 2016 and ending January 6, 2020. The fourth installment of $8,000 was paid in January 2019.	**16,000**	24,000
Unamortized portion of the discount on the VTB.	**(613)**	(1,792)
(c) Demand operating line of credit up to $10,000 from a major Canadian chartered bank, bearing interest at prime +1.00% per annum, secured by real estate held for development and sale with a carrying value of $14,150 due on March 31, 2019. Subsequent to December 31, 2018, the facility was renewed till March 31, 2020.	**-**	-
Secured by housing projects under development		
(d) Demand operating line of credit from a major Canadian chartered bank up to $6,500, bearing interest at prime +0.75% per annum, secured by a general security agreement over assets of the home building division.	**1,509**	-
(e) Demand project specific townhouse construction loans from a major Canadian chartered bank, payable on collection of sale and closing proceeds, bearing interest at prime +0.90% per annum, secured by the project with a carrying value of $8,797, due between March 28, 2020 and August 31, 2020.	**7,177**	1,896
	31,987	30,268
Deferred fees on loans and credit facilities	**(291)**	(133)
	31,696	30,135

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 4.76% (December 31, 2017 - 3.99%) based on December 31, 2018 balances.

During the year ended December 31, 2018, the Corporation received advances of $33,975 (2017 - $32,471) relating to various existing loan facilities secured by agreements receivable, real estate held for development and sale and housing projects under development, bearing interest ranging from prime +0.75% to prime +1.00% per annum, with due dates ranging from March 31, 2019 to July 4, 2021.

The VTB at 0% per annum is measured at amortized cost and its fair value is based on discounted future cash flows using an 8% discount rate, resulting in interest expense of $1,179 (2017 - $1,702) for the year ended December 31, 2018.

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

10. 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 financing fees):

January 1, 2019 to December 31, 2019	9,498
January 1, 2020 to December 31, 2020	17,485
January 1, 2021 to December 31, 2021	5,004
	31,987

The Corporation and its subsidiaries have various covenants in place with their lenders with respect to credit facilities including credit usage restrictions; cancellation, prepayment, confidentiality and cross default clauses; sales coverage requirements; conditions precedent for funding; and other general understandings such as, but not limited to, maintaining contracted lot prices, restrictions on encumbrances, liens and charges, material changes to project plans, and material changes in the Corporation's ownership structure. As at December 31, 2018 and 2017, the Corporation and its subsidiaries were in compliance with all loan covenants.

11. SHARE CAPITAL

a) Authorized

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

b) Weighted average number of shares

The following table sets forth the weighted average number of common shares outstanding for the year ended December 31, 2018 and 2017:

	Year ended December 31,	
	2018	**2017**
Basic	**43,076,831**	43,384,450
Effect of dilutive securities - stock options	**135,000**	-
Diluted	**43,211,831**	43,384,450

All 2,025,000 options outstanding at the year ended December 31, 2018 (2017 - nil) were included in calculating diluted earnings per share as their weighted average exercise price was lower than the average market price of the Corporation's shares during the period.

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

11. SHARE CAPITAL (continued)

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

On October 5, 2018, the Corporation announced the renewal of its NCIB. The renewed NCIB commenced on October 10, 2018 and will terminate on the earlier of: (i) October 9, 2019; and (ii) the date on which the maximum number of common shares are purchased pursuant to the bid. The Corporation may purchase for cancellation up to 2,147,636 common shares under the renewed NCIB. As at December 31, 2018, the Corporation purchased a total of 769,100 common shares at an average price of $3.12 per share under this renewed NCIB.

The prior NCIB, which expired on September 11, 2018, allowed the Corporation to purchase for cancellation up to 2,163,022 common shares. The Corporation purchased a total of 300,000 common shares at an average price of $3.67 per share under this NCIB.

The following table sets forth the number of common shares repurchased and cancelled during the year ended December 31, 2018 and 2017 under the NCIB.

	Year ended December 31,	
	2018	**2017**
Number of shares repurchased and cancelled	**1,069,100**	493,085
Reduction in share capital	**1,362**	628
Reduction in retained earnings	**2,139**	828
Reduction in shareholders' equity	**3,501**	1,456
Average purchase price per share	**3.27**	2.95

d) **Dividends**

Cash dividends of $10,309 ($0.24 per share) were declared and paid in 2018 (2017- $9,083 and $0.21 per share). During December 2017, an additional cash dividend of $10,813 ($0.25 per share) was declared and deposit paid to the transfer agent for distribution to shareholders on January 5, 2018.

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

12. SHARE-BASED COMPENSATION

On September 20, 2018, the Corporation's Board of Directors adopted a new long-term incentive plan comprised of a stock option plan and a DSU plan. The adoption of the long-term incentive plan and the vesting and exercise of any initial stock option grants made under this plan are conditional upon and subject to the approval by the Toronto Stock Exchange and Genesis' shareholders, which is intended to be sought at the Corporation's next annual general meeting in May 2019.

a) Stock Option Plan

Share-based payments may be settled in cash or equity at the sole discretion of the Corporation and are accounted for as equity-settled plans. Stock options have a 7-year term and vest 25% on each anniversary date of the grant. In the year ended December 31, 2018 share-based compensation of $259 (2017 - nil) was recorded and included as a part of general and administrative expense.

Details of stock options are as follows:

	Year ended December 31,			
	2018		2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	-	-	-	-
Options issued	**2,025,000**	**$3.36**	-	-
Outstanding - end of period	**2,025,000**	**$3.36**	-	-
Exercisable - end of period	**-**	**-**	-	-

	Outstanding		Exercisable		
Range of Exercise Prices ($)	Number at December 31, 2018	Weighted Average Exercise Price	Number at December 31, 2018	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
3.12 - 3.48	2,025,000	$3.36	-	-	6.80

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

	2018	2017
Risk-free interest rate	**2.25 - 2.30%**	-
Estimated term/period prior to exercise (years)	**5.50**	-
Volatility in the price of the Corporation's common shares	**25.6 – 28.1**	-
Forfeiture rate	**0.00%**	-
Dividend yield rate	**0.00%**	-

Subsequent to December 31, 2018, the Corporation granted 780,000 stock options at an exercise price of $3.11.

b) Deferred Share Unit Plan for Directors and Designated Employees

No DSUs were granted during the year ended December 31, 2018 (2017 - nil).

Subsequent to December 31, 2018, the Corporation granted 70,941 DSUs at $3.11 each.

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

13. GENERAL AND ADMINISTRATIVE

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

	2018	2017
Compensation and benefits	**7,463**	7,671
Share-based compensation	**259**	-
Corporate administration	**1,628**	2,380
Professional services	**1,056**	919
	10,406	10,970

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

	2018	2017
Salaries, wages and benefits	**1,801**	1,788
Share-based compensation	**259**	-
	2,060	1,788

14. SELLING AND MARKETING

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

	2018	2017
Advertising and marketing	**3,068**	2,279
Sales commissions	**1,384**	2,642
	4,452	4,921

15. FINANCE EXPENSE

The finance expense of the Corporation consisted of the following:

	2018	2017
Interest incurred	**437**	770
Finance expense relating to VTB (note 10)	**1,179**	1,702
Financing fees amortized	**171**	361
Interest and financing fees capitalized (note 5)	**(256)**	(383)
	1,531	2,450

16. COMMITMENTS AND CONTINGENCIES

a) In 2012, the Corporation entered into a memorandum of understanding with the Northeast Community Society to contribute $5,000 over 10 years for 15-year naming rights to "Genesis Centre for Community Wellness", a recreation complex in northeast Calgary ($500 each year, terminating in 2021). The first seven installments totaling $3,500 were paid as at December 31, 2018. The eighth payment of $500 was paid in January 2019.

b) The Corporation has issued letters of credit pursuant to servicing agreements with municipalities to indemnify them in the event that the Corporation does not perform its contractual obligations. As at December 31, 2018, the letters of credit amounted to $6,358 (2017 - $5,491).

c) The Corporation has office and other operating leases with the following annual payments: not later than one year - $481; later than one year but not later than five years - $446; and later than five years - nil.

d) On September 22, 2017, Limited Partnership Land Pool ("LPLP 2007"), Genesis as manager, the general partner, two limited partners, two affiliated limited partnerships and various third parties were named as co-defendants in a statement of claim initiated in the Province of Alberta by a limited partner of LP RRSP Limited Partnership #1, a limited partner of LP RRSP Limited Partnership #2 and a limited partner of LPLP 2007. The statement of claim seeks to be certified as a class action and is seeking pecuniary and non-pecuniary damages of $60,000, including general and special damages. The Corporation's view is that this claim is without merit and is actively contesting both the certification proceeding and the claim itself. Any potential liability to the Corporation and/or the Partnership is currently indeterminate.

17. PROVISION FOR LITIGATION

Two former employees filed a statement of claim against the Corporation and a director on May 27, 2016 alleging wrongful termination of their employment and seeking damages, legal costs and other relief arising out of the termination of their employment contracts with the Corporation. The aggregate amount of the claim is approximately $1,600 and the Corporation recorded this amount as a provision as at December 31, 2017. In 2017, the former employees brought a motion before a Master in Chambers of the Court of Queen's Bench of Alberta for summary judgment asking for awards of liquidated damages, being the amount of their severance entitlements set out in their employment contracts. On April 24, 2017, the Master granted the former employees' application for summary judgment. The Corporation filed a Notice of Appeal on April 28, 2017, which was heard in August 2018 and judgement was reserved. On February 25, 2019, the Court granted the Corporation's appeal, directing that the claims of the former employees go to trial.

As of March 14, 2019, the two former employees are in the process of amending their claim to add claims in the amount of $1,100 plus costs and interest in connection with a disputed purported exercise of stock options. The Corporation has not made any provision for this claim as at December 31, 2018.

The Corporation's view is that these claims are without merit and is actively contesting them.

18. FINANCIAL INSTRUMENTS

a) Risks associated with financial instruments

(i) Credit risk

As at December 31, 2018, the Corporation carried nil (2017 - nil) as credit losses.

The Corporation recognizes bad debt expense (or recovery) relating to amounts receivable on sold lots, net of the value of the related sold lots, on the termination of the relevant agreement, which are taken back into the Corporation's lot inventory.

Recovery of bad debt expense is included in the Corporation's general and administrative expenses. In order to mitigate credit risk, the Corporation does not transfer title to sold residential lots until full payment is received. Individual balances due from customers as at December 31, 2018, which comprise greater than 10% of total amounts receivable, totaled $10,082 from three customers (2017 - $25,752 from five customers).

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

18. FINANCIAL INSTRUMENTS (continued)

Aging of amounts receivable was as follows:

	2018	2017
Not past due	**14,960**	29,056
Past due	**-**	1,764
	14,960	30,820

The past due amount of $1,764 in 2017 was from a single third-party builder in receivership. This was resolved in May 2018. Refer to note 5 for additional information.

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities and other commitments as at December 31, 2018:

	<1 Year	**>1 Year**	**Total**
Financial liabilities			
Accounts payable and accrued liabilities	12,679	-	12,679
Loans and credit facilities excl. deferred fees (note 10)	9,498	22,489	31,987
	22,177	22,489	44,666
Commitments			
Lease obligations (note 16)	481	446	927
Naming rights (note 16)	500	1,000	1,500
	981	1,446	2,427
	23,158	**23,935**	**47,093**

At December 31, 2018, the Corporation had obligations due within the next 12 months of $23,158 (2017 - $32,832). Based on the Corporation's operating history, its relationship with its lenders and committed sales contracts, management believes that the Corporation has the ability to continue to renew or repay its financial obligations as they come due.

(iii) Market risk

The Corporation is exposed to interest rate risk to the extent that certain agreements receivable and certain loans and credit facilities are at a floating rate of interest. A 1% change in interest rates would result in a change in interest incurred of approximately $166 annually on floating rate loans.

b) Fair value of financial instruments

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

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

18. FINANCIAL INSTRUMENTS (continued)

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.

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 December 31, 2018 and December 31, 2017 are presented in the following table:

		Carrying Value		**Fair Value**	
	Measurement Basis	**As at Dec. 31, 2018**	**As at Dec. 31, 2017**	**As at Dec. 31, 2018**	**As at Dec. 31, 2017**
Financial Assets					
Cash	FVTPL	24,042	23,585	24,042	23,585
Cash equivalents	Amortized cost	-	-	-	-
Deposits	Amortized cost	2,648	2,674	2,648	2,674
Restricted cash	FVTPL	1,029	3,773	1,029	3,773
Amounts receivable	Amortized cost	14,960	30,820	14,733	30,192
Vendor-take-back mortgage receivable	Amortized cost	20,558	20,558	20,254	20,558
Financial Liabilities					
Accounts payable and accrued liabilities	Amortized cost	12,679	8,938	12,679	8,938
Loans and credit facilities, excluding deferred loans and credit facilities fees	Amortized cost	31,987	30,268	31,987	30,268

During the year ended December 31, 2018 and 2017, no transfers were made between the levels in the fair value hierarchy.

Cash and cash equivalents, deposits and restricted cash are classified under Level 1 of the hierarchy.

The fair values of the Corporation's amounts receivable, vendor-take-back mortgage receivable, accounts payable and accrued liabilities and loans and credit facilities are classified as Level 2 of the hierarchy.

c) Capital management

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

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

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

	2018	2017
Loans and credit facilities (note 10)	**31,696**	30,135
Shareholders' equity	**191,970**	201,397
	223,666	231,532

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

19. SEGMENTED INFORMATION

The income producing business units of the Corporation reported the following activities for the year ended December 31, 2018 and 2017:

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

	Land Development Segment				Home Building Segment	Intersegment Elimination	Total
Year ended December 31, 2017	**Genesis**	**LP**	**Intrasegment Elimination**	**Total**			
Revenues[1]	49,152	54	-	49,206	67,707	(21,214)	95,699
Revenues – development lands	9,000	46,234	-	55,234	-	-	55,234
Direct cost of sales	(35,089)	(26,284)	-	(61,373)	(56,450)	21,214	(96,609)
Write-down of real estate held for development and sale	(1,075)	(20)	-	(1,095)	-	-	(1,095)
Gross margin	21,988	19,984	-	41,972	11,257	-	53,229
G&A, selling & marketing and net finance expense or income	(6,650)	(2,724)	-	(9,374)	(8,842)	-	(18,216)
Earnings before income taxes and non-controlling interest	15,338	17,260	-	32,598	2,415	-	35,013
Segmented assets as at December 31, 2017	264,021	31,743	(17,804)	277,960	26,531	(3,066)	301,425
Segmented liabilities as at December 31, 2017[1], [2]	76,638	13,625	(13,610)	76,653	8,297	(3,066)	81,884
Segmented net assets as at December 31, 2017[1], [2]	187,383	18,118	(4,194)	201,307	18,234	-	219,541

[1] Segmented liabilities under the Genesis home building segment include $2,112 due to the land development segment (December 31, 2017 - $878).

[2] Segmented liabilities under the LP segment is comprised of accounts payable and accrued liabilities and includes $13,332 (December 31, 2017 - $13,610) due to Genesis.

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

20. RELATED PARTY TRANSACTIONS

	Year ended December 31,	
	2018	**2017**
Fees for services provided by a corporation controlled by an officer and director	**251**	334
	251	334

	Dec. 31, 2018	Dec. 31, 2017
Amounts in accounts payable and/or accrued liabilities	**-**	**22**

21. CONSOLIDATED ENTITIES

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

Limited Partnership Land Pool (2007) has a loan amounting to $11,754 (2017 - $12,272) due to the Corporation, which is secured by a charge on a $20,500 vendor-take-back mortgage receivable (note 7).

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

21. CONSOLIDATED ENTITIES (continued)

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

	% equity interest as at	
Name	**December 31, 2018**	**December 31, 2017**
Land Development		
Genpol Inc.	100%	100%
Genpol LP	100%	100%
1504431 Alberta Ltd.	0.0002%	0.0002%
Genesis Sage Meadows Partnership	99.9998%	99.9998%
Genesis Land Development (Southeast) Corp.	100%	100%
Polar Hedge Enhanced Income Trust	100%	100%
Home Building		
Genesis Builders Group Inc.	100%	100%
The Breeze Inc.	100%	100%
Joint Venture		
Kinwood Communities Inc.	50%	50%
Limited Partnerships		
LP 4/5 Group		
Genesis Limited Partnership #4	0.001%	0.001%
Genesis Limited Partnership #5, GLP5 GP Inc., GLP5 NE Calgary Development Inc.	0%	0%
Genesis Northeast Calgary Ltd.	100%	100%
LP 8/9 Group		
Genesis Limited Partnership #8	53.63%	53.63%
Genesis Limited Partnership #9, GP GLP9 Inc., GLP9 Subco Inc.	0%	0%
GP GLP8 Inc.	100%	100%
LPLP 2007 Group		
Limited Partnership Land Pool (2007)	0.023%	0.023%
GP LPLP 2007 Inc.	100%	100%
GP RRSP 2007 Inc., LPLP 2007 Subco Inc.	0%	0%
LPLP 2007 Subco #2 Inc., LP RRSP Limited Partnership #1	0%	0%
LP RRSP Limited Partnership #2	0%	0%

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

21. CONSOLIDATED ENTITIES (continued)

The following tables summarize the information relating to the Corporation's subsidiaries that have material non-controlling interests and may include inter-group balances that are eliminated on consolidation and become a component of the net non-controlling interest:

BALANCE SHEETS

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

	December 31, 2017			
	LP 4/5	LP 8/9	LPLP 2007	Total
Assets				
Real estate held for development and sale	8,546	2,579	-	**11,125**
Amounts receivable	1	-	20,616	**20,617**
Cash and cash equivalents	-	1	-	**1**
Total assets	8,547	2,580	20,616	**31,743**
Liabilities				
Accounts payable and accrued liabilities	-	-	15	**15**
Due to related parties	827	511	12,272	**13,610**
Total liabilities	827	511	12,287	**13,625**
Net assets (liabilities)	7,720	2,069	8,329	**18,118**
Non-controlling interest (%)	100%	100%	100%	

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

21. CONSOLIDATED ENTITIES (continued)

SUMMARIZED STATEMENTS OF COMPREHENSIVE INCOME

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

	Year ended December 31, 2017			
	LP 4/5	LP 8/9	LPLP 2007	Total
Revenues	26	-	46,262	**46,288**
Net (loss) earnings	(39)	(11)	17,310	**17,260**
Non-controlling interest (%)	100%	100%	100%	

SUMMARIZED STATEMENT OF CASH FLOWS

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

	Year ended December 31, 2017			
	LP 4/5	LP 8/9	LPLP 2007	Total
Cash flows from operating activities	-	-	24,356	**24,356**
Cash flows (used in) financing activities	-	-	(24,395)	**(24,395)**
Net decrease in cash and cash equivalents	-	-	(39)	**(39)**

22. SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the following occurred:

The Corporation granted 780,000 stock options and 70,941 DSUs. Refer to note 12a and 12b for additional information.

The Court granted the Corporation's appeal directing that the claims of the former employees go to trial. As of March 14, 2019, the two former employees are in the process of amending their claim to add claims in the amount of $1,100 plus costs and interest in connection with a disputed purported exercise of stock options. Refer to note 17 for additional information.