



**GENESIS LAND DEVELOPMENT CORP.**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the three and six months ended June 30, 2019

The Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of operations of Genesis Land Development Corp. ("**Genesis**", "**the Corporation**", "**we**", "**us**", or "**our**") should be read in conjunction with unaudited condensed consolidated interim financial statements and the notes thereto for the three and six months ended June 30, 2019 and 2018, prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The unaudited condensed consolidated interim financial statements and comparative information have been reviewed by the Corporation's audit committee, consisting of three independent directors, and approved by the board of directors of the Corporation. Additional information, including the Corporation's Annual Information Form ("**AIF**") and the Corporation's MD&A for the year ended December 31, 2018 are available on SEDAR at [www.sedar.com](http://www.sedar.com).

**All amounts are in thousands of Canadian dollars, except per share amounts or unless otherwise noted. This MD&A is dated as of August 7, 2019.**

## **STRATEGY AND 2019 BUSINESS PLAN**

### **Strategy**

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

As a land developer, Genesis acquires, plans, rezones, subdivides, services and sells residential lots and commercial and industrial lands to third-party developers and builders, and also sells lots and completed homes through its home building division. The land portfolio is planned, developed, serviced and sold at opportune times with the objective of maximizing the risk adjusted net present value of the land and to maximize net cash flow.

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

As part of the strategic plan for 2019, the Corporation identified that there was the potential to acquire additional residential development lands in the CMA, with the objectives of replacing the lots and parcels sold by the Corporation and taking advantage of the opportunities in the market. The Corporation is actively exploring potential CMA land acquisitions.

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

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

### **Market Overview**

After several challenging years and a difficult start to 2019, the Calgary economy and the related housing market appears to have stabilized. Recent market forecasts predict a modest 0.6% GDP growth in Alberta in 2019, followed by 2.4% GDP growth in 2020. A new provincial government was sworn in on April 30, 2019 with a promise that “Alberta is open for business” and there have been announcements related to future increases in pipeline and rail export capacity for Alberta’s key products, oil and natural gas, including the announced approval of the Trans-Mountain pipeline expansion to tide waters.

The housing market in Calgary saw some improvement in the second quarter of 2019 with the average benchmark home price increasing to \$426 (a 1% increase from the March 2019 price and above the December 31, 2018 benchmark of \$425), but still 4% below the June 30, 2018 benchmark. For the first half of 2019, the Calgary Real Estate Board reported 8,347 total sales in Calgary down 2.4% from the 8,551 sold in the first half of 2018. However, inventory levels for home listings in Calgary are at 4.2 months as of June 2019, a significant improvement from the December 2018 inventory levels of over 6 months.

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

Overall, Genesis generated positive cash flows from operating activities of \$5,211 in the second quarter of 2019 bringing cash flows from operating activities for the first six months of 2019 to \$9,794. The Corporation ended the second quarter of 2019 with a backlog of 49 new home orders, up from 37 new home orders a year earlier.

## **Business Plan**

The following highlights progress on the business plan for 2019:

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

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

In March 2019, Genesis signed a conditional letter agreement for the proposed purchase of approximately 160 acres of development land in the CMA. Due diligence on this potential acquisition is continuing, and there can be no assurances that this transaction will be completed.

In July 2019, Genesis invested \$1.85 million to acquire a 5% interest in a limited partnership that will commence development in 2020 of 224 acres of land in northeast Calgary, located close to its Saddlestone community. Genesis has the right to purchase 25% of the single-family lots for its home building division, which is expected to be able to leverage its Saddlestone design, construction and marketing infrastructure. The first phase of the development consisting of 180 single-family lots is expected to be ready in late 2021. Genesis has the right to purchase 45 lots in this phase. The total development is planned to produce 1,400 single-family lots over 8-10 years of which Genesis has the right to purchase a total of 350 lots.

### **2) Obtaining Additional Zoning and Servicing Entitlements**

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

- Sage Hill Crossing Outline Plans: Sage Hill Crossing is a mixed-use development in Calgary's northeast quadrant with 49 acres remaining to be developed. Calgary City Council approved an Area Structure Plan ("ASP") amendment for Sage Hill Crossing in September 2017. Genesis submitted its Outline Plan and land use application in December 2017 and has subsequently filed amendments to its original ASP to split the plan into two segments and to make certain modifications to improve their marketability. It is anticipated that Calgary City Council will approve the modified plans by the end of 2019.
- Southeast Lands ASP: Genesis owns 349 acres of undeveloped land in Calgary's southeast quadrant. An ASP for a new residential community on these lands was approved by Planning and Urban Design Committee of the City of Calgary on July 3, 2019 and it received first reading by Calgary City Council on July 29, 2019. The ASP will be circulated to the Calgary Region Metropolitan Board for comments and is expected to be sent back to City Council for second and third readings later in 2019.
- OMNI ASP: Genesis controls 610 acres of undeveloped land in Rocky View County bordering the northeast quadrant of the City of Calgary, which are included in an ASP known as the "OMNI ASP". Genesis has received ASP approval for a 185-acre commercial and retail project on a portion of these lands and is preparing a conceptual scheme for submission to the County later in 2019 for this project. The remainder of the Genesis controlled lands in this development are included in a special study area, with land use still to be determined.

### **3) Planning for the Development and Sale of Land**

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

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

#### **4) Servicing Additional Phases**

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

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

#### **5) Adding Select Third-party Builders in Genesis Communities**

To diversify offerings and increase velocity within its residential communities, Genesis will consider if additional third-party builders should be included in future phases in Genesis' communities. Genesis currently has four third-party builders building in its communities.

#### **6) Increasing velocity of homes sold by GBG**

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

- reduced pricing on select models and completed spec homes;
- reduced construction of new spec homes;
- designed new lower priced housing models; and
- renegotiated construction pricing on the next phase of its Newport townhouse project achieving cost reductions of 6% enabling Genesis to offer improved pricing.

The results of these actions have been:

- improving and maintaining sales levels with 46 new home orders in the second quarter of 2019, up slightly from 44 new home orders in the second quarter of 2018. For the first half of 2019 new home orders increased to 74 from 63 in the comparable period in 2018;
- reducing pricing on select models and completed spec homes had only a slight impact on realized gross margin % which was 13.5% in Q2 2019 compared to 14.2% in Q2 2018. For YTD 2019, gross margin % was 12.9% compared to 14.6%;
- home inventory balances have declined from \$27,072 at September 30, 2018 to \$21,301 at June 30, 2019; and
- a significant increase in our order "book" to 49 new home orders at June 30, 2019, up from 37 at June 30, 2018.

## **Outlook**

Genesis continues to implement its strategy focused on developing its assets in a prudent manner and actively marketing lots, parcels and homes while controlling costs with the goal of maximizing cash flow and maintaining its solid financial position. Additionally, Genesis continues to seek opportunities to acquire new lands for residential development within the CMA. As mentioned above, Genesis made an investment of \$1,850 in a 224-acre property development near its NE Calgary Saddlestone development through the purchase of 5% of a limited partnership, including the right to purchase up to 25% of the single-family lots developed.

With the substantial completion in 2019 of the development programs for the four new phases started in 2018, and with no additional phases undertaken in 2019, Genesis expects to have sufficient lot inventory to meet market needs. Genesis will continue to actively pursue servicing and zoning approvals to maximize the value of its land holdings. The strong land base, integrated approach, solid financial position and experienced team positions Genesis to take advantage of opportunities that may arise in this environment.

## OPERATING HIGHLIGHTS

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

(\$000s, except for per share items or unless otherwise noted)	Three months ended June 30, <sup>(1)</sup>		Six months ended June 30, <sup>(2)</sup>	
	2019	2018	2019	2018
<b>Key Financial Data</b>				
Total revenues	16,533	18,955	29,230	33,324
Direct cost of sales	(12,010)	(14,302)	(20,609)	(24,245)
Gross margin	4,523	4,653	8,621	9,079
Gross margin (%)	27.4%	24.5%	29.5%	27.2%
Net (loss) earnings attributable to equity shareholders	(357)	540	(283)	1,227
Net (loss) earnings per share - basic and diluted	(0.01)	0.01	(0.01)	0.03
Cash flows from (used in) operating activities	5,211	(1,336)	9,794	(139)
Cash flows from (used in) operating activities per share - basic and diluted	0.12	(0.03)	0.23	0.00
<b>Key Operating Data</b>				
<b>Land Development</b>				
Total residential lots sold (units)	37	64	70	101
Residential lot revenues	6,554	12,141	11,930	17,592
Gross margin on residential lots sold	3,229	4,028	5,989	6,459
Gross margin (%) on residential lots sold	49.3%	33.2%	50.2%	36.7%
Average revenue per lot sold	177	190	170	174
<b>Home Building</b>				
Homes sold (units)	33	24	59	57
Revenues <sup>(3)</sup>	15,486	10,859	26,572	24,264
Gross margin on homes sold	2,094	1,545	3,432	3,540
Gross margin (%) on homes sold	13.5%	14.2%	12.9%	14.6%
Average revenue per home sold	469	452	450	426
New home orders at period end (units)			49	37
<b>Key Balance Sheet Data</b>			<b>As at Jun. 30, 2019</b>	<b>As at Dec. 31, 2018<sup>(4)</sup></b>
Cash and cash equivalents			19,144	24,042
Total assets			262,493	278,156
Loans and credit facilities			17,865	31,696
Total liabilities			52,651	68,387
Shareholders' equity			191,818	191,970
Total equity			209,842	209,769
Loans and credit facilities (debt) to total assets			7%	11%

<sup>(1)</sup> Three months ended June 30, 2019 and 2018 ("Q2 2019" and "Q2 2018")

<sup>(2)</sup> Six months ended June 30, 2019 and 2018 ("YTD 2019" and "YTD 2018")

<sup>(3)</sup> Includes revenues of \$5,507 for 33 lots in Q2 2019 and \$9,272 for 59 lots in YTD 2019 purchased by the Home Building division from the Land Development division (\$4,045 and 24 in Q2 2018; \$8,532 and 57 in YTD 2018) and sold with the home. These amounts are eliminated on consolidation

<sup>(4)</sup> Year ended December 31, 2018 ("YE 2018")

Overall revenues for Q2 2019 were \$16,533, down \$2,422 (13%) from \$18,955 in Q2 2018. Home sales revenue was higher by \$4,627 (43%) with 33 units sold (\$15,486) in Q2 2019 compared to 24 (\$10,859) in Q2 2018 while residential lots sales to third party builders decreased to 4 lots (\$1,047) in Q2 2019 from 40 lots (\$8,096) in Q2 2018, a decrease of \$7,049 or 87%. Due to the lower sales, direct cost of sales was also lower by \$2,292 from \$14,302 in Q2 2018 to \$12,010 in Q2 2019. Overall gross margins of \$4,523 (27.4%) for Q2 2019 were comparable to gross margins of \$4,653 in Q2 2018 (24.5%).

Overall revenues for YTD 2019 were \$29,230, down \$4,094 (12%) from \$33,324 in YTD 2018. Home sales revenue was higher by \$2,308 (10%) with 59 units sold (\$26,572) in YTD 2019 compared to 57 (\$24,264) in YTD 2018 while residential lots sales to third party builders decreased to 11 lots (\$2,658) in YTD 2019 from 44 lots (\$9,060) in YTD 2018, a decrease of \$6,402 or 71%. Due to the lower sales, direct cost of sales was also lower by \$3,636 from \$24,245 in YTD 2018 to \$20,609 in YTD 2019. Overall gross margins were \$8,621 (29.5%) for YTD 2019 compared to gross margins of \$9,079 in YTD 2018 (27.2%).

On June 28, 2019, legislation was enacted to decrease the Alberta corporate income tax rate from 12% to 8% with a 1% reduction effective July 1, 2019 and further 1% reductions on each of January 1, 2020, 2021 and 2022. As a result, deferred income tax assets were reduced by \$1,387 which was recognized as an increase in deferred income tax expense in Q2 2019. Increased income tax expense resulted in Genesis' net loss attributable to equity shareholders in Q2 2019 and in YTD 2019. Net loss attributable to equity shareholders in Q2 2019 was (\$357) (\$0.01 loss per share - basic and diluted) compared to net earnings attributable to equity shareholders of \$540 (\$0.01 earnings per share - basic and diluted) in Q2 2018. Net loss attributable to equity shareholders in YTD 2019 was (\$283) (\$0.01 loss per share - basic and diluted) compared to net earnings attributable to equity shareholders of \$1,227 (\$0.00 earnings per share - basic and diluted) in YTD 2018.

Genesis generated positive cash flows from operating activities of \$5,211 (\$0.12 per share - basic and diluted) in Q2 2019, compared to cash flows used in operating activities of (\$1,336) ((\$0.03) per share - basic and diluted) in Q2 2018. Genesis generated cash flows from operating activities of \$9,794 (\$0.23 per share - basic and diluted) in YTD 2019, compared to cash flows used in operating activities of (\$139) (\$0.00 per share - basic and diluted) in YTD 2018.

Genesis had \$19,144 in cash and cash equivalents at June 30, 2019 compared to \$24,042 as at December 31, 2018 with the reduction due primarily to Genesis making an \$8,000 payment on a vendor-take-back mortgage payable in the first quarter of 2019 and the reduction of other debts, offset by positive overall cash flows. Total loans and credit facilities outstanding at June 30, 2019 were \$17,865, 7% of the total book value of assets, compared to \$31,696 or 11% of the total book value of assets at December 31, 2018.

### ***Factors Affecting Results of Operations***

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

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

## Land Development

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% change	2019	2018	% change
<b>Key Financial Data</b>						
Residential lot revenues <sup>(1)</sup>	6,554	12,141	(46.0%)	11,930	17,592	(32.2%)
Direct cost of sales	(3,325)	(8,113)	(59.0%)	(5,941)	(11,133)	(46.6%)
Gross margin	3,229	4,028	(19.8%)	5,989	6,459	(7.3%)
Gross margin (%) <sup>(2)</sup>	49.3%	33.2%	48.5%	50.2%	36.7%	36.7%
Write-down of land held for development	(800)	(920)	(13.0%)	(800)	(920)	(13.0%)
Other expenses <sup>(3)</sup>	(1,175)	(1,465)	(19.8%)	(2,595)	(2,717)	(4.5%)
Earnings before taxes	1,254	1,643	(23.7%)	2,594	2,822	(8.1%)
<b>Key Operating Data</b>						
Residential lots sold to third-parties	4	40	(90.0%)	11	44	(75.0%)
Residential lots sold through GBG - home building	33	24	37.5%	59	57	3.5%
Total residential lots sold	37	64	(42.2%)	70	101	(30.7%)
Average revenue per lot sold	177	190	(6.8%)	170	174	(2.3%)

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

<sup>(2)</sup> Gross margin amount divided by residential lot revenues

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

### Revenues and unit volumes

The development and servicing of land and the sale of residential lots and other land parcels occurs over a substantial period of time which creates volatility in the revenues, earnings and cash flows from operating activities.

In Q2 2019, 4 lots were sold to third-party builders, down from 40 lots sold to third-party builders in Q2 2018. In YTD 2019, 11 lots were sold to third-party builders, down 75% from 44 lots sold to third-party builders in YTD 2018. In Q2 2019, GBG also sold 33 homes on Genesis lots, up 38% from 24 homes it sold on Genesis lots in Q2 2018. In YTD 2019, GBG also sold 59 homes on Genesis lots, up 4% from 57 homes it sold on Genesis lots in YTD 2018. Total residential lot sales revenues in Q2 2019 were \$6,554 (37 lots), down 46% from \$12,141 (64 lots) in Q2 2018. Total residential lot sales revenues for the YTD 2019 were \$11,930 (70 lots), a 32% decrease over the \$17,592 (101 lots) sold in YTD 2018.

There were no development land sales in Q2 and YTD 2019 and 2018. Development land sales occur periodically and comprise sales of commercial, multi-family and other lands.

### Gross margin

Residential lot sales in Q2 2019 had a gross margin of 49%, compared to 33% in Q2 2018. In YTD 2019, gross margin realized was 50% compared to 37% in YTD 2018. Gross margins vary by community and lot type, the nature of the development work required to be undertaken before the land and lots are ready for sale, and the original cost of the land and servicing.

### Other expenses

Other expenses include general and administrative, selling and marketing and net finance expense. Other expenses were \$122 (5%) lower in YTD 2019 compared to YTD 2018, mainly due to lower net finance expenses and lower general and administrative expenses, partially offset by higher selling and marketing expenses and share-based compensation expenses (\$111).

In Q2 2019, other expenses were 20% lower at \$1,175 when compared to Q2 2018 (\$1,465), mainly due to lower net finance expenses and general and administrative expenses partially offset by higher selling and marketing expenses. Net finance expense was lower in both Q2 2019 and YTD 2019 due to the reduction in the outstanding balance of a vendor-take-back mortgage payable ("VTB") on Genesis' Calgary southeast lands following the \$8,000 payment in January 2019.



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

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

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% change	2019	2018	% change
<b>Key Financial Data</b>						
Revenues <sup>(1)</sup>	15,486	10,859	42.6%	26,572	24,264	9.5%
Direct cost of sales	(13,392)	(9,314)	43.8%	(23,140)	(20,724)	11.7%
Gross margin	2,094	1,545	35.5%	3,432	3,540	(3.1%)
Gross margin (%)	13.5%	14.2%	(5.0%)	12.9%	14.6%	(11.5%)
Other expenses <sup>(2)</sup>	(1,999)	(2,203)	(9.3%)	(4,328)	(4,350)	(0.5%)
Earnings (Loss) before taxes	95	(658)	N/R <sup>(3)</sup>	(896)	(810)	10.6%
<b>Key Operating Data</b>						
Homes sold (units)	33	24	37.5%	59	57	3.5%
Average revenue per home sold	469	452	3.8%	450	426	5.6%
New home orders at period end (units)				49	37	32.4%

<sup>(1)</sup> Revenues include residential home sales and other revenue

<sup>(2)</sup> Other expenses includes general and administrative, selling and marketing and net finance expense

<sup>(3)</sup> Not reflective due to percentage change

### Revenues and unit volumes

Revenues for single-family homes and townhomes were \$15,486 (33 units) in Q2 2019, 43% higher than the revenues of \$10,859 (24 units) in Q2 2018. 74 homes were contracted for sale in YTD 2019 as compared to 63 in YTD 2018, resulting in a “book” of 49 new home orders at the end of Q2 2019 as compared to 37 new home orders at the end of Q2 2018.

Homes sold in YTD 2019 had an average price of \$450 per home, up 6% compared to \$426 in YTD 2018. Homes sold in Q2 2019 had an average price of \$469 per home, up 4% compared to \$452 in Q2 2018. Fluctuations in the average revenue per home sold were mainly due to differences in product mix. In YTD 2019, 51 single-family homes and 8 townhouses were sold compared to 48 single-family homes and 9 townhouses in YTD 2018. In Q2 2019, 30 single-family homes and 3 townhouses were sold compared to 24 single-family homes and no townhomes in Q2 2018.

All homes sold in Q2 2019 and in Q2 2018 were built on residential lots or parcels supplied by Genesis, with revenues of \$5,507 and \$4,045, respectively. All homes sold in YTD 2019 and in YTD 2018 were built on residential lots or parcels supplied by Genesis, with revenues of \$9,272 and \$8,532, respectively.

GBG builds single-family homes either after receiving a firm sale contract (a “pre-construction home”) or on a quick possession (“spec”) basis and builds townhomes generally on a quick possession basis. The delivery time of a pre-construction home can be determined in advance, with a home typically being delivered within 8 to 10 months of a customer signing a purchase agreement. Construction of quick possession homes is started before GBG receives a firm sale contract to have sufficient inventory for buyers seeking possession within a short period of time (often 30-90 days), due to the multi-unit nature of town homes and to obtain construction efficiencies. This requires GBG to build homes on a spec basis and to hold them in inventory until sold. The timing of the sale of spec homes is unpredictable, with spec home buyers usually being time sensitive, wanting to take possession in a short time frame. Genesis monitors its home building work-in-progress closely to anticipate and react to market conditions in a timely manner. As at Q2 2019, GBG had \$21,301 of work in progress, of which approximately \$10,332 was related to spec homes (YE 2018 - \$25,252 and \$16,459).

Of the 59 homes sold in YTD 2019, 64% or 38 homes were quick possession sales (i.e. contracted and delivered within 90 days) compared to that of the 57 homes sold in YTD 2018, 67% or 38 homes were quick possession sales. Of the 33 homes sold in Q2 2019, 61% or 20 homes were quick possession sales, compared to the 24 homes sold in Q2 2018 92% or 22 homes were quick possession sales.

### Gross margin

Genesis realized a gross margin on home sales of 13.5% in Q2 2019 as compared to 14.2% in Q2 2018 and a gross margin on home sales of 12.9% in YTD 2019 as compared to 14.6% in YTD 2018. The year over year decline was a result of more competitive market conditions requiring sales price reductions and the change in community and product mix.

### Other expenses

Other expenses include general and administrative, selling and marketing and net finance expense. Other GBG expenses were comparable in YTD 2019 and in YTD 2018 with higher share-based compensation expenses, marketing expenses and net finance expense being offset by lower general and administrative expenses.

Other GBG expenses in Q2 2019 were 9% or \$204 lower than in Q2 2018 due to lower general and administrative and selling and marketing expenses, partially offset by higher net finance expense.

### Real Estate Held for Development and Sale

	June 30,	December 31,	
	2019	2018	% change
Real estate held for development and sale	215,616	217,191	(0.7%)
Provision for write-downs	(15,492)	(14,692)	5.4%
	200,124	202,499	(1.2%)

Real estate held for development and sale decreased by \$2,375 as at Q2 2019 compared to YE 2018. Refer to note 4 in the condensed consolidated interim financial statements for the three and six months ended June 30, 2019 and 2018 which details the gross book value and net book value of real estate held for development and sale.

The following table presents Genesis' real estate held for development and sale as at June 30, 2019:

Real Estate Held for Development and Sale	Net Book Value		
	Lots, multi-family & commercial parcels	Land held for development <sup>(1)</sup>	Total
<b>Community</b>			
Airdrie - Bayside, Bayview, Canals	23,171	26,199	49,370
Calgary NW - Sage Meadows	16,341	-	16,341
Calgary NW - Sage Hill Crossing	9,495	29,658	39,153
Calgary NE - Saddlestone	15,912	-	15,912
Calgary SE - Southeast lands	-	44,927	44,927
Rocky View County - North Conrich <sup>(2)</sup>	-	4,843	4,843
<b>Sub-total</b>	64,919	105,627	170,546
Other assets <sup>(3)</sup> - non-core	18	1,978	1,996
<b>Total land development</b>	64,937	107,605	172,542
<b>Home building work-in-progress</b>			21,301
<b>Total land development and home building</b>			193,843
Limited Partnerships <sup>(2), (4)</sup>			6,281
<b>Total real estate held for development and sale</b>			200,124

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

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

<sup>(3)</sup> Other assets are non-core and available for sale

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

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

Serviced Lots, Multi-family and Commercial Parcels, by Community	Net Book Value	Single-family lots	Townhouse units	Townhouse/multi-family parcels	Commercial parcels
Airdrie - Bayside, Bayview, Canals	23,171	183	75	1	-
Calgary NW - Sage Meadows	16,341	49	-	3	-
Calgary NW - Sage Hill Crossing	9,495	-	-	1	1
Calgary NE - Saddlestone	15,912	196	41	2	-
	<b>64,919</b>	<b>428</b>	<b>116</b>	<b>7</b>	<b>1</b>
Other assets - non-core	18	14	-	-	-
<b>Total</b>	<b>64,937</b>	<b>442</b>	<b>116</b>	<b>7</b>	<b>1</b>

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

Land Held For Development, by Community	Net Book Value	Land (acres) <sup>(1)</sup>	Estimated Equivalent if/when Developed		
			Single-family (lots)	Multi-family (acres)	Commercial (acres)
Airdrie - Bayside, Bayview	26,199	208	1,214	9	2
Calgary NW - Sage Hill Crossing	29,658	49	282	9	4
Calgary SE - Southeast lands	44,927	349	1,190	16	-
Rocky View County - North Conrich <sup>(2)</sup>	4,843	312	-	-	-
	<b>105,627</b>	918	2,686	34	6
Other assets - non-core	1,978	333	-	-	-
<b>Total</b>	<b>107,605</b>	<b>1,251</b>	<b>2,686</b>	<b>34</b>	<b>6</b>

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

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

## Amounts Receivable

	June 30,	December 31,	
	2019	2018	% change
Amounts receivable	6,557	14,960	(56.2%)

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

The decrease of \$8,403 in amounts receivable was mainly due to the timing of residential lot sales and closings. As at Q2 2019, Genesis had \$5,720 in amounts receivable related to the sale of 33 lots to third-party builders, compared to \$10,569 in amounts receivable as at YE 2018 related to the sale of 64 lots to third-party builders and a non-core development land parcel (\$15).

Individual balances due from third-party builders at Q2 2019 that were 10% or more of total amounts receivable were \$5,400 from three third-party builders (YE 2018 - \$10,082 from three third-party builders).

## Vendor-take-back Mortgage Receivable

	June 30,		December 31,
	2019	2018	% change
Vendor-take-back mortgage receivable <sup>(1)</sup>	21,219	20,558	3.2%

<sup>(1)</sup> Includes accrued interest

A limited partnership controlled by the Corporation closed the sale of a 319-acre parcel of land on December 15, 2017 for gross proceeds of \$41,000, payable \$20,500 in cash and \$20,500 in a three-year vendor-take-back first mortgage bearing interest at 6.5% per annum payable annually in arrears which is due on or before December 15, 2020. The increase in the VTB receivable is due to the accrual of the interest income.

## Cash Flows from Operating Activities

Cash flow from the operating activities of Genesis varies from quarter to quarter due to the nature of land sales and the timing of the receipt of sale proceeds. Genesis typically receives 15% of the purchase price in cash as a non-refundable deposit from a third-party builder at the time it recognizes all of the sales revenue. The balance of the purchase price is generally received in cash at the time of closing of the sale by the third-party builder to a home buyer, which can be many months later, resulting in a timing difference between sales revenue recognition and the actual receipt of cash. The sale of a lot by GBG to an end buyer is recognized on receipt of the full sale proceeds and the transfer of title to the lot. Cash outflow on land servicing and home building activity can vary from quarter to quarter. These expenditures are seasonal, can be impacted by weather and may be dependent on expected demand and this is considered when planning and incurring expenditures for both home building and land development activities. Cash flows from operating activities are also impacted by the timing and amounts of tax installment payments.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Cash flows from (used in) operating activities	5,211	(1,336)	9,794	(139)
Cash flows from (used in) operating activities per share – basic and diluted	0.12	(0.03)	0.23	0.00

The increase in cash flows from operating activities between Q2 2019 and Q2 2018 is explained by the following:

	Three months ended June 30,		Change
	2019	2018	
Cash inflows from sale of residential homes by GBG	15,692	11,103	4,589
Cash inflows from sale of residential lots	3,799	11,121	(7,322)
Cash outflows for land servicing	(4,944)	(3,530)	(1,414)
Cash outflows for home building activity	(4,864)	(9,136)	4,272
Cash outflows for land acquisitions	-	(5,124)	5,124
Cash outflows (i.e. deposit) in land development project	(1,850)	-	(1,850)
Cash outflows paid to suppliers, employees and other	(3,040)	(3,325)	285
Other cash receipts / (payments)	202	(715)	917
Income tax refunds / (payments)	216	(1,730)	1,946
Total	5,211	(1,336)	6,547

Higher cash inflows from the sale of residential homes was due to a higher number of homes sold in Q2 2019 (33 homes) compared to Q2 2018 (24 homes). Cash flows from the sale of residential homes is also impacted by the product mix and the reduction of sales prices to reflect weaker market conditions.

Cash inflows from the sale and closing of residential lots varies quarter to quarter due to timing of the receipt of sale proceeds. Cash inflows from the sale and closing of residential lots to third-parties for Q2 2019 was \$3,799 (4 sold and 21 closed) compared to \$11,121 in Q2 2018 (40 sold and 46 closed).

Cash outflows for land servicing can vary from quarter to quarter as these expenditures are seasonal, impacted by weather and are generally incurred based on expected demand. Genesis began the servicing of four new phases in 2018 and continued development activities in these phases in 2019.

Cash outflows for home building activity vary due to the product mix and managing the pace of construction and work-in-progress to meet anticipated demand. With lower anticipated demand, GBG has reduced its construction spend accordingly.

Cash outflows paid to other suppliers and employees for Q2 2019 and Q2 2018 remained comparable.

Cash outflows (i.e. deposit) in land development project related to a \$1,850 investment in a property development (through a limited partnership structure) directly across from Genesis' Saddlestone community. As part of the terms, Genesis has the right to purchase 25% of the single-family lots developed. The first phase of the development consisting of 180 single-family lots is expected to be ready in 2021 and Genesis has the right to purchase 45 of these lots. The transaction closed on July 31, 2019.

Other cash receipts mainly consist of receipts or outflows of cash-secured letters of credit which are required as development activities progress. The requirement to obtain letters of credit varies as development activities are commenced and completed.

Cash inflows from tax is due to 2018 federal tax refund received in Q2 2019 offset by required 2019 installment payments.

## LIABILITIES AND SHAREHOLDERS' EQUITY

The following table presents Genesis' liabilities and equity at the end of Q2 2019 and YE 2018:

	June 30,		December 31,	
	2019	% of Total	2018	% of Total
Loans and credit facilities	17,865	7%	31,696	11%
Customer deposits	3,395	1%	3,111	1%
Accounts payable and accrued liabilities	11,275	4%	12,679	5%
Lease liabilities	293	0%	-	-
Provision for future development costs	19,767	8%	20,901	8%
Income taxes payable	56	0%	-	-
<b>Total liabilities</b>	<b>52,651</b>	<b>20%</b>	<b>68,387</b>	<b>25%</b>
Non-controlling interest	18,024	7%	17,799	6%
Shareholders' equity	191,818	73%	191,970	69%
<b>Total liabilities and equity</b>	<b>262,493</b>	<b>100%</b>	<b>278,156</b>	<b>100%</b>

Total liabilities to equity is as follows:

	June 30, 2019	December 31, 2018
Total liabilities	52,651	68,387
Total equity	209,842	209,769
Total liabilities to equity <sup>(1)</sup>	25%	33%

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

## Loans and Credit Facilities

The following is a summary of outstanding loan and credit facility balances as at Q2 2019 and as at the end of the previous four quarters:

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Land development servicing loans	4,344	4,454	7,914	2,312	-
Demand operating line for single-family homes	679	1,328	1,509	2,129	-
Project specific townhouse construction loans	5,362	5,770	7,177	7,402	6,519
Vendor-take-back mortgage payable	7,694	7,540	15,387	15,092	14,797
	18,079	19,092	31,987	26,935	21,316
Unamortized deferred financing fees	(214)	(252)	(291)	(330)	(226)
Balance, end of period	17,865	18,840	31,696	26,605	21,090

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

	Six months ended June 30, 2019			Year ended December 31, 2018
	Vendor-take-back mortgage payable	Land development servicing loans	Total	
Balance, beginning of period	15,387	7,914	23,301	28,372
Advances	-	5,296	5,296	22,974
Repayments	(8,000)	(8,866)	(16,866)	(29,224)
Interest expense	307	-	307	1,179
Balance, end of period	7,694	4,344	12,038	23,301

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

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

Genesis and its subsidiaries and consolidated entities were in compliance with all covenants for all periods in these financial statements. Loans and credit facilities are used primarily to finance the costs of developing land, building homes and for land purchases.

Genesis has sufficient liquidity from its cash flows from operating activities, supplemented by credit facilities, to meet the above liabilities as they become due. Project financing facilities are paid down with some or all the sale proceeds of secured lands. Genesis intends to develop new phases primarily funded by financings that are specific to each new phase or phases of land under development and to also obtain construction financing for significant GBG townhouse projects. Genesis does not intend to obtain any additional loans and credit facilities in 2019.

### Land development servicing loans

As at June 30, 2019, Genesis had four land project loan facilities with the capacity to fund up to \$45,723 of future development and servicing costs. Interest on these facilities is charged at prime +0.75% per annum. Draws on these facilities can be made as land development activities progress. As at Q2 2019, \$4,344 was drawn under these facilities (YE 2018 - four loans and \$7,914).

### **Home building loans**

GBG has a demand operating line of \$6,500 bearing interest at prime +0.75% per annum. As at Q2 2019, the amount drawn on this facility was \$679 (YE 2018 - \$1,509).

GBG has a townhouse project loan facility with the ability to fund up to \$9,814 of construction costs. This facility bears interest at prime +0.90% per annum and is due on August 31, 2020. As at Q2 2019, \$2,498 was drawn under this facility (YE 2018 - \$3,943).

GBG has a second townhouse project loan facility with the capacity to fund up to \$4,491 of construction costs. This facility bears interest at prime +0.90% per annum and is due on March 28, 2020. As at Q2 2019, \$2,864 was drawn under this facility (YE 2018 - \$3,234).

### **Demand operating line**

Genesis has a demand operating line of credit of up to \$10,000 for general corporate purposes at an interest rate of prime +1.00% per annum. As at Q2 2019, the outstanding balance of this facility was Nil (YE 2018 - Nil). This facility has not been drawn on in 2019. In 2018, this facility was used for short term cash flow purposes.

### **Vendor-take-back mortgage payable**

Genesis granted the VTB on the purchase of the Calgary southeast lands in January 2015. As at Q2 2019, the VTB had an outstanding balance of \$8,000 with an unamortized discount of \$306 (YE 2018 - \$16,000 and \$613 respectively). The outstanding balance and last installment of \$8,000 is payable in January 2020.

### **Provision for Future Development Costs**

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

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

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

FDC as at the end of Q2 2019 was \$18,821 for the land division (YE 2018 - \$20,033) and \$946 (YE 2018 - \$868) for GBG. For additional details, please see information provided under the heading *Critical Accounting Estimates* in this MD&A.

## LIQUIDITY AND CAPITAL RESOURCES

Genesis decreased its debt from \$31,696 at YE 2018 to \$17,865 at Q2 2019, due to the \$8,000 installment paid in early January 2019 on the VTB relating to Genesis' southeast Calgary lands and a net decrease of \$6,138 in land servicing and home building project loans. For additional details, please see information provided under the heading *Loans and Credit Facilities*.

	June 30,	December 31,	
	2019	2018	% change
VTB payable	7,694	15,387	(50.0%)
Land development servicing and home building loans	10,171	16,309	(37.6%)
<b>Total loans and credit facilities</b>	<b>17,865</b>	<b>31,696</b>	<b>(43.6%)</b>
	June 30,	December 31,	
	2019	2018	% change
Loans and credit facilities as a percentage of total assets	2.9%	5.5%	(47.0%)
VTB payable <sup>(1)</sup>	3.9%	5.9%	(33.9%)
Land development servicing and home building loans <sup>(1)</sup>	6.8%	11.4%	
Loans and credit facilities (debt) to total assets	25%	33%	(23.0%)
<b>Total liabilities to equity<sup>(2)</sup></b>	<b>25%</b>	<b>33%</b>	<b>(23.0%)</b>

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

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

## Finance Expense

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% change	2019	2018	% change
Interest incurred	145	71	104.2%	317	159	99.4%
Finance expense relating to VTB <sup>(1)</sup>	154	294	(47.6%)	307	589	(47.9%)
Financing fees amortized	39	75	(48.0%)	77	91	(15.4%)
Interest and financing fees capitalized	(42)	(77)	(45.5%)	(150)	(152)	(1.3%)
	<b>296</b>	<b>363</b>	<b>(18.5%)</b>	<b>551</b>	<b>687</b>	<b>(19.8%)</b>

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

Finance expense during Q2 2019 was lower than in Q2 2018 due to lower average total loan balances in Q2 2019. The Corporation paid the fourth installment of \$8,000 on the VTB in January 2019. The imputed rate on the VTB, which has a 0% face rate, is 8%.

The weighted average interest rate of loan agreements with various financial institutions was 4.78% (YE 2018 - 4.76%) based on June 30, 2019 balances.

## Income Tax Payable (Recoverable)

The continuity in income tax payable (recoverable) follows:

	June 30, 2019	December 31, 2018
Balance, beginning of period	(2,283)	2,785
Provision for current income tax	1,598	3,531
Net receipts (payments)	741	(8,599)
<b>Balance, end of period</b>	<b>56</b>	<b>(2,283)</b>

Income tax recoverable balance at the beginning of 2019 was due to the required installments in 2018 being greater than the actual payments required.



## Shareholders' Equity

As at August 7, 2019, the Corporation had 42,180,321 common shares issued and outstanding. The common shares of the Corporation are listed for trading on the Toronto Stock Exchange under the symbol "GDC".

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

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

During the six months ended June 30, 2019, the Corporation had purchased and cancelled 3,300 common shares for \$8 at an average cost of \$2.54 per share (representing 0.01% of issued and outstanding shares at the beginning of the year) compared to 300,000 common shares for \$1,101 at an average cost of \$3.67 at the end of Q2 2018 (representing 0.69% of issued and outstanding shares at the beginning of 2018).

The Corporation did not repurchase any common shares between July 1, 2019 and August 7, 2019. As of the date of this MD&A, 1,375,236 common shares may be purchased for cancellation under the currently authorized NCIB.

## Contractual Obligations and Debt Repayment

Contractual obligations (excluding accounts payable, accrued liabilities, income tax payable, customer deposits and provision for future development costs) at the end of Q2 2019 were as follows:

	Loans and Credit Facilities <sup>(1)</sup>	Levies and Municipal Fees	Naming Rights	Lease Obligations	Total
Current	11,236	5,845	500	514	18,095
July 2020 to June 2021	5,357	5,766	500	203	11,826
July 2021 to June 2022	1,486	3,469	-	34	4,989
July 2022 and thereafter	-	-	-	40	40
Total	18,079	15,080	1,000	791	34,950

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

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

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

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

As a normal part of business, Genesis has entered into arrangements and incurred obligations that will impact future operations and liquidity, some of which are reflected as short-term liabilities and commitments in note 9 of the condensed consolidated interim financial statements for the three and six months ended June 30, 2019 and 2018.

## Current Contractual Obligations, Commitments and Provision

	June 30, 2019	December 31, 2018
Loans and credit facilities, excluding deferred financing fees	11,236	9,498
Accounts payable and accrued liabilities	11,275	12,679
Total short-term liabilities	22,511	22,177
Commitments <sup>(1)</sup>	1,014	981
Levies and municipal fees	5,845	7,203
	29,370	30,361

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

At the end of Q2 2019, Genesis had obligations due within the next 12 months of \$29,370, of which \$11,236 related to loans and credit facilities. Repayment is either linked directly to the collection of lot receivables and sales proceeds or due at maturity. Management is confident that Genesis has the ability to continue to renew or to repay its financial obligations as they become due.

### Provision for Litigation

The Corporation is a defendant in a statement of claim against the Corporation alleging wrongful termination of employment. The aggregate amount of the claim is approximately \$1,600 and the Corporation recorded this amount as a provision as at December 31, 2017.

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

## OFF BALANCE SHEET ARRANGEMENTS

### Letters of Credit

Genesis has an ongoing requirement to provide irrevocable letters of credit to municipalities as part of the sub-division plan registration process. These letters of credit indemnify the municipalities by enabling them to draw upon the letters of credit if Genesis does not perform its contractual obligations. At Q2 2019, these letters of credit totalled approximately \$4,892 (YE 2018 - \$6,358).

### Levies and Municipal Fees

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

### Lease Agreements

Genesis has certain lease agreements that are entered in the normal course of operations. In the event the lease for the office building is terminated early, Genesis is liable to pay the landlord for the loss of its income for the unexpired portion of the lease, in addition to damages and other expenses incurred by the landlord, if any. For additional details, please see information provided under the heading *Contractual Obligations and Debt Repayment*.

## SUMMARY OF QUARTERLY RESULTS

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Revenues	16,533	12,697	20,935	27,178	18,955	14,369	65,644	31,128
Net (loss) earnings <sup>(1)</sup>	(357)	74	2,358	539	540	687	8,713	3,372
EPS <sup>(2)</sup>	(0.01)	0.00	0.06	0.01	0.01	0.02	0.20	0.08

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

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

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Residential lots sold to third-parties (units)	4	7	1	10	40	4	37	13
Homes sold (units)	33	26	32	32	24	33	44	49

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Development land revenues	-	-	4,628	10,498	-	-	41,000	5,234

Cash flows from (used in) operating activities	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Amount	5,211	4,583	7,192	7,694	(1,336)	1,197	27,298	8,888
Per share - basic and diluted	0.12	0.11	0.16	0.18	(0.03)	0.03	0.62	0.21

In general, revenues and net earnings are mainly affected by the volume of residential lot and home sales, development land parcel sales, and write-downs or recoveries, if any. Seasonality affects the land development and home building industry in Canada, particularly winter weather conditions. For additional details, please see information provided under the heading *Factors Affecting Results of Operations* which discusses the factors that affect Genesis' results and seasonality further.

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

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

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

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

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

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

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

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

## SUBSEQUENT EVENTS

Subsequent to June 30, 2019 the following occurred:

- In Q2 2019, Genesis made a deposit of \$1,850 to purchase 5% of the units in a limited partnership involved in the development and sale of land in the CMA. The transaction closed on July 31, 2019.

## RELATED PARTY TRANSACTIONS

Transactions occurred with the following related party:

Underwood Capital Partners Inc. ("Underwood") - controlled by an officer and director, Stephen J. Griggs.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Paid to Underwood for the services of Stephen J. Griggs as CEO	-	85	-	170

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

## SUMMARY OF ACCOUNTING CHANGES

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

## CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date for the land development and the home building businesses. On an ongoing basis, management evaluates its judgments and estimates in relation to revenues, expenses, assets and liabilities. Management uses historical experience, third-party appraisals and reports and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. There were no material changes made to the critical accounting estimates for Q2 2019 and Q2 2018. Refer to note 2(o) in the consolidated financial statements for the years ended December 31, 2018 and 2017 for additional information on judgments and estimates.

### Provision for Future Development Costs

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

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

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

### Valuation of amounts receivable

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

## INTERNAL CONTROL OVER FINANCIAL REPORTING

The CEO and CFO have designed Genesis' Disclosure Controls and Procedures ("DC&P") and Internal Control over Financial Reporting ("ICFR") and certified that Genesis' DC&P and ICFR were effective as at June 30, 2019.

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

## RISKS AND UNCERTAINTIES

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

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

## OTHER

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

## ADVISORIES

### Cautionary Note Regarding Forward-Looking Statements

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

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

Forward-looking statements in this MD&A include, but are not limited to, the exercise of Genesis’ right to purchase lots in the new development adjacent to its Saddlestone community, the availability of excess cash on hand and its proposed use, the future payment of dividends and/or common share buybacks, the timing and approval of the Sage Hill Crossing Outline Plan and Land Use applications, the timing and approval of the Southeast Lands ASP, the timing and approval of the Conceptual Scheme for the OMNI ASP, the expected completion dates of various projects that GBG is currently engaged in and anticipated lot yields for projects under development, plans and strategies surrounding the acquisition of additional land, the proposed purchase of additional lands for future development in the CMA, commencement of the servicing phase and the construction phase of various communities and projects, the financing of these phases and expected increased leverage, the expected closing of a multi-family parcel of 4.9 acres currently under contract to sell, anticipated general economic and business conditions, the Alberta real estate cycle, potential changes, if any, to the federal mortgage lending rules, expectations for lot and home prices, construction starts and completions, anticipated expenditures on land development activities, GBG’s sales process and construction margins, timing of the annual general meeting of the shareholders, the approval by the shareholders of Genesis’ long-term incentive plan and its adoption by Genesis thereof, the ability to continue to renew or repay financial obligations and to meet liabilities as they become due and the aggregate number of common shares that may be repurchased by Genesis’ under the renewed NCIB.

Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to: the impact of contractual arrangements and incurred obligations on future operations and liquidity; local real estate conditions; including the development of properties in close proximity to Genesis’ properties; the uncertainties of real estate development and acquisition activity; fluctuations in interest rates; ability to access and raise capital on favourable terms; not realizing on the anticipated benefits from transactions or not realizing on such anticipated benefits within the expected time frame; labour matters, governmental regulations, general economic and financial conditions, stock market volatility and other risks and factors described from time to time in the documents filed by Genesis with the securities regulators in Canada available at [www.sedar.com](http://www.sedar.com), including in this MD&A under the heading “Risks and Uncertainties” and the AIF under the heading “Risk Factors”.

Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, based only on information currently available to us, and, except as required by applicable law, Genesis does not undertake any obligation to publicly update or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise.