



GENESIS LAND DEVELOPMENT CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2020 and 2019
(Unaudited)

FIRST QUARTER

A handwritten signature in black ink is located above a blue ink stamp. The stamp consists of a stylized, circular design with a horizontal line through the center.

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

	Notes	March 31, 2020	December 31, 2019
Assets			
Real estate held for development and sale	3	204,970	222,269
Amounts receivable		4,197	6,131
Vendor-take-back mortgage receivable	3	24,859	20,558
Investments in land development entities		5,608	5,608
Other operating assets		10,196	15,251
Right-of-use assets		158	192
Deferred tax assets		9,365	8,867
Income tax recoverable		3,263	1,144
Cash and cash equivalents		21,393	16,248
Total assets		284,009	296,268
Liabilities			
Loans and credit facilities	4	49,219	51,546
Customer deposits		3,611	4,592
Accounts payable and accrued liabilities		8,762	7,900
Lease liabilities		203	233
Provision for future development costs		21,091	19,102
Total liabilities		82,886	83,373
Commitments and contingencies	7		
Subsequent events	4c, 12		
Equity			
Share capital		52,796	52,867
Contributed surplus	6c	675	603
Retained earnings		133,061	140,487
Shareholders' equity		186,532	193,957
Non-controlling interest		14,591	18,938
Total equity		201,123	212,895
Total liabilities and equity		284,009	296,268

See accompanying notes to the condensed consolidated interim financial statements.

GENESIS LAND DEVELOPMENT CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)
For the three months ended March 31, 2020 and 2019
(In thousands of Canadian dollars except per share amounts)

		Three months ended March 31,	
	Notes	2020	2019
Revenues			
Sales revenue		23,644	12,687
Other revenue		8	10
	10	23,652	12,697
Direct cost of sales		(18,828)	(8,599)
Write-down of real estate held for development and sale	3	(10,815)	-
		(29,643)	(8,599)
Gross margin		(5,991)	4,098
General and administrative		(2,620)	(2,826)
Selling and marketing		(1,126)	(1,018)
		(3,746)	(3,844)
(Loss) earnings from operations		(9,737)	254
Finance income		358	350
Finance expense		(691)	(255)
(Loss) earnings before income taxes		(10,070)	349
Income tax recovery (expense)		2,618	(171)
Net (loss) earnings being comprehensive (loss) earnings		(7,452)	178
Attributable to non-controlling interest		(69)	104
Attributable to equity shareholders		(7,383)	74
Net (loss) earnings per share - basic and diluted		(0.18)	0.00

See accompanying notes to the condensed consolidated interim financial statements.

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

(Unaudited)

For the three months ended March 31, 2020 and 2019

(In thousands of Canadian dollars except number of shares)

		Equity attributable to Corporation's shareholders						
		Common shares - Issued				Total	Non-	
	Notes	Number of Shares	Amount	Contributed Surplus	Retained Earnings	Shareholders' Equity	Controlling Interest	Total Equity
At December 31, 2018		42,183,621	52,898	259	138,813	191,970	17,799	209,769
Share-based payments	6c	-	-	356	-	356	-	356
Net earnings being comprehensive earnings		-	-	-	74	74	104	178
At March 31, 2019		42,183,621	52,898	615	138,887	192,400	17,903	210,303

At December 31, 2019		42,159,927	52,867	603	140,487	193,957	18,938	212,895
Share-based payments	6c	-	-	72	-	72	-	72
Normal course issuer bid	5c	(56,282)	(71)	-	(43)	(114)	-	(114)
Distribution	11	-	-	-	-	-	(4,237)	(4,237)
Net (loss) being comprehensive (loss) and other		-	-	-	(7,383)	(7,383)	(110)	(7,493)
At March 31, 2020		42,103,645	52,796	675	133,061	186,532	14,591	201,123

See accompanying notes to the condensed consolidated interim financial statements.

GENESIS LAND DEVELOPMENT CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
For the three months ended March 31, 2020 and 2019
(In thousands of Canadian dollars)

		Three months ended March 31,	
	Notes	2020	2019
Operating activities			
Receipts from residential lot sales		2,180	3,904
Receipts from development land sales		5,018	-
Receipts from residential home sales		14,399	11,083
Other cash receipts		158	129
Paid for residential home construction		(6,718)	(3,616)
Paid to suppliers and employees		(4,150)	(3,652)
Paid for land development		(2,726)	(3,811)
Interest received		27	21
Income tax refunds		-	525
Cash flows from operating activities		8,188	4,583
Investing activities			
Acquisition of equipment		(31)	(46)
Change in restricted cash		118	-
Cash flows from (used in) investing activities		87	(46)
Financing activities			
Advances from loans and credit facilities	4	7,920	940
Repayments of loans and credit facilities		(2,574)	(5,987)
Payment on vendor-take-back mortgage payable	4b	(8,000)	(8,000)
Interest and fees paid on loans and credit facilities		(362)	(185)
Repurchase and cancellation of shares under NCIB	5c	(114)	-
Cash flows used in financing activities		(3,130)	(13,232)
Change in cash and cash equivalents		5,145	(8,695)
Cash and cash equivalents, beginning of period		16,248	24,042
Cash and cash equivalents, end of period		21,393	15,347

See accompanying notes to the condensed consolidated interim financial statements.

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

(Unaudited)

For the three months ended March 31, 2020 and 2019

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

1. DESCRIPTION OF BUSINESS

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

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

The Corporation is listed for trading on the Toronto Stock Exchange under the symbol "GDC". Genesis' head office and registered office are located at 7315 - 8th Street N.E., Calgary, Alberta T2E 8A2.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

(Unaudited)

For the three months ended March 31, 2020 and 2019

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

3. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	Lots, Multi-family & Commercial Parcels	Land Held for Development	Home Building	Total	Limited Partnerships	Intra-segment Elimination	Consolidated Total
Gross book value							
As at December 31, 2019	70,776	134,631	21,365	226,772	13,605	(4,194)	236,183
Development activities	1,383	542	7,806	9,731	53	-	9,784
Transfer	2,330	(2,330)	-	-	-	-	-
Sold	(9,431)	-	(6,837)	(16,268)	-	-	(16,268)
As at March 31, 2020	65,058	132,843	22,334	220,235	13,658	(4,194)	229,699
Provision for write-downs							
As at December 31, 2019	1,639	8,825	-	10,464	3,450	-	13,914
Transfer	(1,639)	1,639	-	-	-	-	-
Write-down of real estate held for development and sale	-	10,000	815	10,815	-	-	10,815
As at March 31, 2020	-	20,464	815	21,279	3,450	-	24,729
Net book value							
As at December 31, 2019	69,137	125,806	21,365	216,308	10,155	(4,194)	222,269
As at March 31, 2020	65,058	112,379	21,519	198,956	10,208	(4,194)	204,970

During the three months ended March 31, 2020, no interest (2019 - \$108) was capitalized as a component of development activities.

During the three months ended March 31, 2020, the Corporation recorded a write-down of \$10,000 (2019 - \$Nil) on a parcel of land held for development. The write-down was taken based on third-party assessments to reflect the estimated returns realizable on completion of development and sale of this land. The Corporation also recorded a write-down of \$815 (2019 - \$Nil) relating to a townhouse project. The write-down was taken to reflect the estimated returns realizable on the sale of completed townhouse units and on the completion of construction and sale of units that are partially constructed.

During the three months ended March 31, 2020, the Corporation closed the sale of an 8.17-acre parcel of development land in northwest Calgary for \$8,987. The proceeds of the sale were as follows: a cash payment of \$3,768 and a \$5,219 vendor-take-back mortgage receivable with an interest rate of 5% per annum. The vendor-take-back mortgage is repayable in three installments: two installments of \$1,250 each, due on March 31, 2020 and June 30, 2020 and the last installment of \$2,719 due on December 15, 2021. The first installment of \$1,250 was received on March 31, 2020.

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

(Unaudited)

For the three months ended March 31, 2020 and 2019

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

4. LOANS AND CREDIT FACILITIES

	March 31, 2020	December 31, 2019
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 \$52,881. These loans are due between December 30, 2020 and July 4, 2021.	2,374	4,145
Secured by real estate held for development and sale		
(b) Vendor-take-back mortgage payable ("VTB") at 0% per annum measured at amortized cost and whose fair value is based on discounted future cash flows, using an 8% discount rate. The final installment of \$8,000 was paid in January 2020.	-	8,000
(c) The VTB bearing interest at 5% per annum was entered into on September 13, 2019 in partial payment for the purchase of approximately 130 acres of future residential development land in north Calgary. The VTB is secured by these lands which have a carrying value of \$24,167. The VTB is to be repaid in two installments of approximately \$9,312 each in May 2021 and 2022.	18,624	18,634
(d) A loan facility for \$15,375 bearing interest at 6.50% per annum, due on December 15, 2020 and is secured by a \$20,500 VTB.	14,706	14,470
(e) Demand operating line of credit up to \$10,000 from a major Canadian chartered bank, renewed in March 2020, bearing interest at prime +1.00% per annum, secured by real estate held for development and sale with a carrying value of \$15,115 due on March 31, 2021.	6,000	-
Secured by housing projects under development		
(f) 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.	3,126	2,261
(g) Demand project specific townhouse construction loans from a major Canadian chartered bank, both renewed in March 2020, payable on collection of sale and closing proceeds, bearing interest at prime +0.90% per annum, secured by the project with a carrying value of \$7,377. One loan is due on February 28, 2021 and the other is due on March 28, 2021.	4,633	4,370
	49,463	51,880
Deferred fees on loans and credit facilities	(244)	(334)
	49,219	51,546

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

The weighted average interest rate of loan agreements with financial institutions was 4.84% (December 31, 2019 – 5.76%) based on March 31, 2020 balances.

During the three months ended March 31, 2020, the Corporation received advances of \$7,920 (2019 - \$940) relating to various loan facilities. These are secured by agreements receivable, real estate held for development and sale, housing projects under development and a \$20,500 VTB and bear interest ranging from prime +0.75% to 6.50% per annum, with due dates ranging from May 17, 2020 to July 4, 2021.

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

(Unaudited)

For the three months ended March 31, 2020 and 2019

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

4. LOANS AND CREDIT FACILITIES (continued)

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

April 1, 2020 to March 31, 2021	30,839
April 1, 2021 to March 31, 2022	9,312
April 1, 2022 to March 31, 2023	9,312
	49,463

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

5. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

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

b) Weighted average number of shares

The following table sets forth the weighted average number of common shares outstanding for the three months ended March 31, 2020 and 2019:

	Three months ended March 31,	
	2020	2019
Basic	42,137,377	42,183,621
Effect of dilutive securities - stock options	-	-
Diluted	42,137,377	42,183,621

All 2,535,000 options outstanding at the three months ended March 31, 2020 (2019 – 2,805,000) were excluded in calculating diluted earnings per share as their weighted average exercise price was higher than the average market price of the Corporation's shares during the period and because losses were incurred during the period.

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

For the three months ended March 31, 2020 and 2019

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

5. SHARE CAPITAL (continued)

c) Normal course issuer bid ("NCIB")

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

The following table sets forth the number of common shares repurchased and cancelled during the three months ended March 31, 2020 and 2019 under the NCIB.

	Three months ended March 31,	
	2020	2019
Number of shares repurchased and cancelled	56,282	-
Reduction in share capital	71	-
Reduction in retained earnings	43	-
Reduction in shareholders' equity	114	-
Average purchase price per share	2.04	-

6. SHARE-BASED COMPENSATION

a) Stock Option Plan

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

Details of stock options are as follows:

	Three months ended March 31,			
	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	2,535,000	\$3.31	2,025,000	\$3.36
Options issued	-	-	780,000	\$3.11
Outstanding - end of period	2,535,000	\$3.31	2,805,000	\$3.29
Exercisable - end of period	633,750	\$3.31	-	-

Range of Exercise Prices (\$)	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
	Number at March 31, 2020	Weighted Average Exercise Price	Number at March 31, 2020	Weighted Average Exercise Price	
3.11 - 3.48	2,535,000	\$3.31	633,750	\$3.31	5.60

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

For the three months ended March 31, 2020 and 2019

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

6. SHARE-BASED COMPENSATION (continued)

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

	2020	2019
Risk-free interest rate	-	2.30%
Estimated term/period prior to exercise (years)	-	5.50
Volatility in the price of the Corporation's common shares	-	28.2%
Forfeiture rate	-	0.00%
Dividend yield rate	-	0.00%

No options were issued in Q1 2020 (Q1 2019 – 780,000).

b) Deferred Share Unit Plan ("DSU")

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

	Three months ended March 31,	
	2020	2019
	Cash settled	Cash settled
Outstanding - beginning of period	70,941	-
DSUs granted	98,897	70,941
Outstanding - end of period	169,838	70,941
Vested - end of period	17,734	-

The outstanding liability related to cash settled DSU as at March 31, 2020 was \$63 (December 31, 2019 - \$84) and is recorded in accounts payable and accrued liabilities. DSUs are measured at fair value at each reporting period on a mark-to-market basis.

c) Share-based compensation expense

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

	Three months ended March 31,	
	2020	2019
Stock options	72	356
Deferred share units - cash settled grants	(21)	25
Total share-based compensation expense	51	381

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

(Unaudited)

For the three months ended March 31, 2020 and 2019

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

7. COMMITMENTS AND CONTINGENCIES

- 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 nine installments totaling \$4,500 have been paid as of March 31, 2020.
- 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 March 31, 2020, the letters of credit amounted to \$4,444 (December 31, 2019 - \$4,795).
- c) The Corporation is committed to pay levies and municipal fees relating to signed municipal agreements on commencement of development of certain real estate assets with the following payments:

April 1, 2020 to March 31, 2021	5,412
April 1, 2021 to March 31, 2022	4,794
	10,206

8. PROVISION FOR LITIGATION

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

The Corporation's view is that these claims are without merit and is actively contesting them. As at March 31, 2020, the Corporation has recorded provisions totaling \$1,600 for these claims.

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

(Unaudited)

For the three months ended March 31, 2020 and 2019

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

9. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

	Fair Value Hierarchy	Measurement Basis	Carrying Value		Fair Value	
			As at Mar. 31, 2020	As at Dec. 31, 2019	As at Mar. 31, 2020	As at Dec. 31, 2019
Financial Assets						
Cash	Level 1	FVTPL	21,393	16,248	21,393	16,248
Investments in land development entities	Level 3	FVTPL	5,608	5,608	5,608	5,608
Restricted cash	Level 1	FVTPL	6,424	12,077	6,424	12,077

During the three months ended March 31, 2020 and 2019, no transfers were made between the levels in the fair value hierarchy.

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

(Unaudited)

For the three months ended March 31, 2020 and 2019

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

9. FINANCIAL INSTRUMENTS (continued)

a) Risks associated with financial instruments

(i) Credit risk

The Corporation recognizes bad debt expense (or recovery) relating to amounts receivable on sold lots, net of the value of the related sold lots which are taken back into the Corporation's lot inventory on the termination of the relevant agreement. Termination could occur when the buyer fails to perform or observe terms of covenants of the relevant agreement.

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 March 31, 2020, which comprise greater than 10% of total amounts receivable, totaled \$3,866 from two customers (December 31, 2019 - \$5,515 from two customers).

Aging of amounts receivable was as follows:

	March 31, 2020	December 31, 2019
Past due	-	-
Not past due	4,197	6,131
	4,197	6,131

(ii) Liquidity risk

The contractual maturities of financial liabilities and other commitments as at March 31, 2020 were as follows:

	<1 Year	>1 Year	Total
Financial liabilities			
Accounts payable and accrued liabilities	8,762	-	8,762
Loans and credit facilities excl. deferred fees	30,839	18,624	49,463
	39,601	18,624	58,225
Commitments			
Lease obligations	329	83	412
Naming rights (note 7a)	500	-	500
Levies and municipal fees (note 7c)	5,412	4,794	10,206
	6,241	4,877	11,118
	45,842	23,501	69,343

At March 31, 2020, the Corporation had obligations due within the next 12 months of \$45,842 (December 31, 2019 - \$45,708). Based on the Corporation's operating history, its relationship with its lenders and committed sales contracts, management believes that the Corporation has the ability to continue to renew or repay its financial obligations as they come due. The Corporation renewed three loans during the three months ended March 31, 2020 (note 4e and note 4g).

(iii) Market risk

The Corporation is exposed to interest rate risk to the extent that certain agreements receivable and certain loans and credit facilities are at a floating rate of interest. A 1% change in interest rates would result in a change in interest incurred of approximately \$101 annually on floating rate loans.

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

For the three months ended March 31, 2020 and 2019

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

9. FINANCIAL INSTRUMENTS (continued)

b) Capital management

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

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

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

	March 31, 2020	December 31, 2019
Loans and credit facilities	49,219	51,546
Shareholders' equity	186,532	193,957
	235,751	245,503

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

(Unaudited)

For the three months ended March 31, 2020 and 2019

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

10. SEGMENTED INFORMATION

The income producing business units of the Corporation reported the following activities for the three months ended March 31, 2020 and 2019:

Three months ended March 31, 2020	Land Development Segment				Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination	Total			
Revenues	5,750	2	-	5,752	14,088	(5,175)	14,665
Revenues – development lands	8,987	-	-	8,987	-	-	8,987
Direct cost of sales	(11,802)	-	-	(11,802)	(12,201)	5,175	(18,828)
Write-down of real estate held for development and sale	(10,000)	-	-	(10,000)	(815)	-	(10,815)
Gross margin	(7,065)	2	-	(7,063)	1,072	-	(5,991)
G&A, selling & marketing and net finance expense or income	(1,819)	(71)	-	(1,890)	(2,189)	-	(4,079)
(Loss) earnings before income taxes and non-controlling interest	(8,884)	(69)	-	(8,953)	(1,117)	-	(10,070)
Segmented assets as at March 31, 2020	246,067	16,273	(5,857)	256,483	27,496	30	284,009
Segmented liabilities as at March 31, 2020 ^{(1), (2)}	71,224	1,809	(1,763)	71,270	11,586	30	82,886
Segmented net assets as at March 31, 2020 ^{(1), (2)}	174,843	14,464	(4,094)	185,213	15,910	-	201,123

Three months ended March 31, 2019	Land Development Segment				Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination	Total			
Revenues	5,374	2	-	5,376	11,086	(3,765)	12,697
Direct cost of sales	(2,616)	-	-	(2,616)	(9,748)	3,765	(8,599)
Gross margin	2,758	2	-	2,760	1,338	-	4,098
G&A, selling & marketing and net finance expense or income	(1,522)	102	-	(1,420)	(2,329)	-	(3,749)
Earnings (loss) before income taxes and non-controlling interest	1,236	104	-	1,340	(991)	-	349
Segmented assets as at December 31, 2019	254,898	20,574	(5,804)	269,668	28,940	(2,340)	296,268
Segmented liabilities as at December 31, 2019 ^{(1), (2)}	73,463	1,805	(1,752)	73,516	12,197	(2,340)	83,373
Segmented net assets as at December 31, 2019 ^{(1), (2)}	181,435	18,769	(4,052)	196,152	16,743	-	212,895

⁽¹⁾ Segmented liabilities under the Genesis land development segment include \$2,785 due to the home building segment (December 31, 2019 – \$392 due from the land development segment to the home building segment).

⁽²⁾ Segmented liabilities under the LP segment is comprised of accounts payable and accrued liabilities and includes \$1,763 (December 31, 2019 – \$1,752) due to Genesis.

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

(Unaudited)

For the three months ended March 31, 2020 and 2019

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

11. CONSOLIDATED ENTITIES

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

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

LPLP 2007 is a limited partnership controlled by the Corporation. In 2019 the Corporation completed a transaction with LPLP 2007, whereby the Corporation acquired the third-party, secured vendor-take-back mortgage receivable held by LPLP 2007. Consideration to LPLP 2007 included a cash payment of \$10,360 to LPLP 2007 by the Corporation, which were placed in trust pending pro rata distribution to its unit holders. Early in 2020 limited partners were given the option to receive their pro rata distribution of the amount held in trust, provided the limited partner releases LPLP 2007, Genesis and related entities from any liabilities in respect of the statement of claim described above. During the three months ended March 31, 2020, unitholders holding 19,745,672 (45%) limited partnership units submitted transmittal letters with releases, resulting in a gross amount of \$4,668 (\$4,237 net of intercompany distributions) of the available trust funds being distributed. The offer to the limited partners is open until May 31, 2020. The remaining funds will be used by LPLP to fund its operations, including its share of any costs incurred in respect of the proposed class action.

12. SUBSEQUENT EVENTS

In April 2020, the Corporation signed a sublease for its new head office location. The current office lease expires in September 2020. The newly signed sublease expires in February 2027 and total payments over the term of the lease, covering base rent and parking, are \$867.

The Calgary Metropolitan Area economy is experiencing materially lower economic activity due to the COVID-19 pandemic and historically low oil prices, resulting in a significant reduction in economic activity and increase in unemployment levels. The duration and impact of the COVID-19 pandemic and the recent significant decreases in the price of oil are unknown at this time. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation in future periods.