



**GENESIS LAND DEVELOPMENT CORP.**

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and six months ended June 30, 2020 and 2019  
(Unaudited)

**SECOND QUARTER**

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

	Notes	June 30, 2020	December 31, 2019
<b>Assets</b>			
Real estate held for development and sale	3	196,791	222,269
Amounts receivable		10,530	6,131
Vendor-take-back mortgage receivable	3	23,940	20,558
Investments in land development entities		5,608	5,608
Other operating assets		10,262	15,251
Right-of-use assets		806	192
Deferred tax assets		8,513	8,867
Income tax recoverable		2,891	1,144
Cash and cash equivalents		23,989	16,248
<b>Total assets</b>		<b>283,330</b>	<b>296,268</b>
<b>Liabilities</b>			
Loans and credit facilities	4	45,954	51,546
Customer deposits		3,287	4,592
Accounts payable and accrued liabilities		8,058	7,900
Lease liabilities		880	233
Provision for future development costs		21,958	19,102
<b>Total liabilities</b>		<b>80,137</b>	<b>83,373</b>
Commitments and contingencies	7		
Subsequent events	12		
<b>Equity</b>			
Share capital		52,754	52,867
Contributed surplus	6c	747	603
Retained earnings		136,707	140,487
<b>Shareholders' equity</b>		<b>190,208</b>	<b>193,957</b>
Non-controlling interest		12,985	18,938
<b>Total equity</b>		<b>203,193</b>	<b>212,895</b>
<b>Total liabilities and equity</b>		<b>283,330</b>	<b>296,268</b>

See accompanying notes to the condensed consolidated interim financial statements.

**GENESIS LAND DEVELOPMENT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Unaudited)

**For the three and six months ended June 30, 2020 and 2019**

(In thousands of Canadian dollars except per share amounts)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
<b>Revenues</b>					
Sales revenue		30,261	16,501	53,905	29,188
Other revenue		464	32	472	42
	10	30,725	16,533	54,377	29,230
Direct cost of sales		(22,003)	(11,210)	(40,831)	(19,809)
Write-down of real estate held for development and sale	3	-	(800)	(10,815)	(800)
		(22,003)	(12,010)	(51,646)	(20,609)
<b>Gross margin</b>		8,722	4,523	2,731	8,621
General and administrative		(2,513)	(2,224)	(5,133)	(5,050)
Selling and marketing		(1,088)	(1,029)	(2,214)	(2,047)
		(3,601)	(3,253)	(7,347)	(7,097)
Earnings (loss) from operations		5,121	1,270	(4,616)	1,524
Finance income		433	375	791	725
Finance expense		(686)	(296)	(1,377)	(551)
Earnings (loss) before income taxes		4,868	1,349	(5,202)	1,698
Income tax (expense) recovery		(1,225)	(1,610)	1,393	(1,781)
Net earnings (loss) being comprehensive earnings (loss)		3,643	(261)	(3,809)	(83)
Attributable to non-controlling interest		(1)	96	(70)	200
<b>Attributable to equity shareholders</b>		3,644	(357)	(3,739)	(283)
Net earnings (loss) per share - basic and diluted		0.09	(0.01)	(0.09)	(0.01)

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 and six months ended June 30, 2020 and 2019**

(In thousands of Canadian dollars except number of shares)

		Equity attributable to Corporation's shareholders						
		Common shares - Issued				Total Shareholders' Equity	Non-Controlling Interest	Total Equity
	Notes	Number of Shares	Amount	Contributed Surplus	Retained Earnings			
<b>At December 31, 2018</b>		42,183,621	52,898	259	138,813	191,970	17,799	209,769
Share-based payments	6c	-	-	139	-	139	-	139
Normal course issuer bid	5c	(3,300)	(4)	-	(4)	(8)	-	(8)
Net (loss) earnings being comprehensive (loss) earnings and other		-	-	-	(283)	(283)	225	(58)
<b>At June 30, 2019</b>		<b>42,180,321</b>	<b>52,894</b>	<b>398</b>	<b>138,526</b>	<b>191,818</b>	<b>18,024</b>	<b>209,842</b>
<b>At December 31, 2019</b>		42,159,927	52,867	603	140,487	193,957	18,938	212,895
Share-based payments	6c	-	-	144	-	144	-	144
Normal course issuer bid	5c	(89,040)	(113)	-	(41)	(154)	-	(154)
Distribution	11	-	-	-	-	-	(5,842)	(5,842)
Net (loss) being comprehensive (loss) and other		-	-	-	(3,739)	(3,739)	(111)	(3,850)
<b>At June 30, 2020</b>		<b>42,070,887</b>	<b>52,754</b>	<b>747</b>	<b>136,707</b>	<b>190,208</b>	<b>12,985</b>	<b>203,193</b>

See accompanying notes to the condensed consolidated interim financial statements.

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
<b>Operating activities</b>					
Receipts from residential lot sales		1,519	3,799	3,699	7,703
Receipts from development land sales		1,425	-	6,443	-
Receipts from residential home sales		22,127	15,692	36,526	26,775
Other cash receipts		29	202	187	331
Paid for residential home construction		(8,891)	(4,864)	(15,609)	(8,480)
Paid to suppliers and employees		(2,496)	(3,083)	(6,646)	(6,735)
Paid for land development		(5,051)	(4,944)	(7,777)	(8,755)
Paid for lots / land acquisitions		(1,720)	-	(1,720)	-
Interest received		102	43	129	64
Income tax refunds		-	216	-	741
<b>Cash flows from operating activities</b>		<b>7,044</b>	<b>7,061</b>	<b>15,232</b>	<b>11,644</b>
<b>Investing activities</b>					
Acquisition of equipment		(204)	(96)	(235)	(142)
Change in restricted cash		(259)	(1,850)	(141)	(1,850)
Investments in land development entities		-	-	-	-
<b>Cash flows used in investing activities</b>		<b>(463)</b>	<b>(1,946)</b>	<b>(376)</b>	<b>(1,992)</b>
<b>Financing activities</b>					
Advances from loans and credit facilities	4	3,385	4,736	11,305	5,676
Repayments of loans and credit facilities		(6,972)	(5,903)	(9,546)	(11,890)
Payment on vendor-take-back mortgage payable	4b	-	-	(8,000)	(8,000)
Interest and fees paid on loans and credit facilities		(358)	(143)	(720)	(328)
Repurchase and cancellation of shares under NCIB	5c	(40)	(8)	(154)	(8)
<b>Cash flows used in financing activities</b>		<b>(3,985)</b>	<b>(1,318)</b>	<b>(7,115)</b>	<b>(14,550)</b>
<b>Change in cash and cash equivalents</b>		<b>2,596</b>	<b>3,797</b>	<b>7,741</b>	<b>(4,898)</b>
Cash and cash equivalents, beginning of period		21,393	15,347	16,248	24,042
<b>Cash and cash equivalents, end of period</b>		<b>23,989</b>	<b>19,144</b>	<b>23,989</b>	<b>19,144</b>

See accompanying notes to the condensed consolidated interim financial statements.

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

(Unaudited)

**For the three and six months ended June 30, 2020 and 2019**

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

**1. DESCRIPTION OF BUSINESS**

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

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

The Corporation is listed for trading on the Toronto Stock Exchange under the symbol "GDC". Genesis' head office and registered office are located at 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 July 30, 2020.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

(Unaudited)

**For the three and six months ended June 30, 2020 and 2019**

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

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

	Lots, Multi-family & Commercial Parcels	Land Held for Development	Home Building	Total	Limited Partnerships	Intra-segment Elimination	Consolidated Total
<b>Gross book value</b>							
As at December 31, 2019	70,776	134,631	21,365	226,772	13,605	(4,194)	236,183
Development activities	3,706	1,901	15,871	21,478	145	-	21,623
Transfer	2,330	(2,330)	-	-	-	-	-
Sold	(16,629)	(2,228)	(19,629)	(38,486)	-	-	(38,486)
As at June 30, 2020	60,183	131,974	17,607	209,764	13,750	(4,194)	219,320
<b>Provision for write-downs</b>							
As at December 31, 2019	1,639	8,825	-	10,464	3,450	-	13,914
Sold	-	(1,982)	(218)	(2,200)	-	-	(2,200)
Transfer	(1,639)	1,639	-	-	-	-	-
Write-down of real estate held for development and sale	-	10,000	815	10,815	-	-	10,815
As at June 30, 2020	-	18,482	597	19,079	3,450	-	22,529
<b>Net book value</b>							
As at December 31, 2019	69,137	125,806	21,365	216,308	10,155	(4,194)	222,269
As at June 30, 2020	60,183	113,492	17,010	190,685	10,300	(4,194)	196,791

During the three and six months ended June 30, 2020, no interest (2019 - \$42 and \$150) was capitalized as a component of development activities.

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

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

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

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

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

(Unaudited)

**For the three and six months ended June 30, 2020 and 2019**

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**4. LOANS AND CREDIT FACILITIES**

	June 30, 2020	December 31, 2019
<b>Secured by agreements receivable and real estate held for development and sale</b>		
(a) Demand land project servicing loans from major Canadian chartered banks, payable on collection of agreements receivable, bearing interest at prime +0.75% per annum, secured by real estate held for development and sale with a carrying value of \$48,969. These loans are due between December 30, 2020 and July 4, 2021.	1,606	4,145
<b>Secured by real estate held for development and sale</b>		
(b) Vendor-take-back mortgage payable ("VTB") at 0% per annum measured at amortized cost and whose fair value is based on discounted future cash flows, using an 8% discount rate. The final installment of \$8,000 was paid in January 2020.	-	8,000
(c) The VTB bearing interest at 5% per annum was entered into on September 13, 2019 in partial payment for the purchase of approximately 130 acres of future residential development land in north Calgary. The VTB is secured by these lands which have a carrying value of \$24,259. 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.	14,946	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 \$15,455 due on March 31, 2021.	6,010	-
<b>Secured by housing projects under development</b>		
(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.	3,070	2,261
(g) Demand project specific townhouse construction loans from a major Canadian chartered bank, both renewed in March 2020, payable on collection of sale and closing proceeds, bearing interest at prime +0.90% per annum, secured by the project with a carrying value of \$4,730. One loan is due on February 28, 2021 and the other is due on March 28, 2021.	1,859	4,370
	<b>46,115</b>	<b>51,880</b>
Deferred fees on loans and credit facilities	<b>(161)</b>	<b>(334)</b>
	<b>45,954</b>	<b>51,546</b>

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

The weighted average interest rate of loan agreements with financial institutions was 5.06% (December 31, 2019 – 5.76%) based on June 30, 2020 balances.

During the three and six months ended June 30, 2020, the Corporation received advances of \$3,385 and \$11,305 (2019 - \$4,736 and \$5,676) relating to various loan facilities. These are secured by agreements receivable, real estate held for development and sale, housing projects under development and a \$20,500 VTB mortgage receivable. These loan facilities bear interest ranging from prime +0.75% to 6.50% per annum, with due dates ranging from December 15, 2020 to July 4, 2021.



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

(Unaudited)

**For the three and six months ended June 30, 2020 and 2019**

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

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

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

July 1, 2020 to June 30, 2021	36,803
July 1, 2021 to June 30, 2022	9,312
	46,115

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

**5. SHARE CAPITAL**

a) **Authorized**

Unlimited number of common shares without par value.

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

b) **Weighted average number of shares**

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Basic	42,098,624	42,181,409	42,118,001	42,182,509
Effect of dilutive securities - stock options	-	-	-	-
Diluted	42,098,624	42,181,409	42,118,001	42,182,509

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

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

(Unaudited)

**For the three and six months ended June 30, 2020 and 2019**

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

**5. SHARE CAPITAL (continued)**

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

The Corporation renewed its NCIB on October 8, 2019. 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 and six months ended June 30, 2020 and 2019 under the NCIB.

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Number of shares repurchased and cancelled	32,758	3,300	89,040	3,300
Reduction in share capital	42	4	113	4
Change in retained earnings	(2)	4	41	4
Reduction in shareholders' equity	40	8	154	8
Average purchase price per share	1.21	2.54	1.74	2.54

**6. SHARE-BASED COMPENSATION**

**a) Stock Option Plan**

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

Details of stock options are as follows:

	Six months ended June 30,			
	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	2,535,000	\$3.31	2,025,000	\$3.36
Options forfeited	-	-	(270,000)	\$3.12
Options issued	-	-	780,000	\$3.11
Outstanding - end of period	2,535,000	\$3.31	2,535,000	\$3.31
Exercisable - end of period	633,750	\$3.31	-	-

Range of Exercise Prices (\$)	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
	Number at June 30, 2020	Weighted Average Exercise Price	Number at June 30, 2020	Weighted Average Exercise Price	
3.11 - 3.48	2,535,000	\$3.31	633,750	\$3.31	5.35

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

(Unaudited)

**For the three and six months ended June 30, 2020 and 2019**

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

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

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

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

No options were issued during the three and six months ended June 30, 2020 (2019 – Nil and 780,000).

**b) Deferred Share Unit Plan (“DSU”)**

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

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

The outstanding liability related to cash settled DSU as at June 30, 2020 was \$82 (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 June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Stock options	72	(217)	144	139
Deferred share units - cash settled grants	19	21	(2)	46
Total share-based compensation expense	91	(196)	142	185

**GENESIS LAND DEVELOPMENT CORP.**  
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(Unaudited)

**For the three and six months ended June 30, 2020 and 2019**

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**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 June 30, 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 June 30, 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:

July 1, 2020 to June 30, 2021	4,705
July 1, 2021 to June 30, 2022	3,469
	<hr/>
	8,174

**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 June 30, 2020, the Corporation has recorded provisions totaling \$1,600 for these claims.

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

(Unaudited)

**For the three and six months ended June 30, 2020 and 2019**

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

**9. FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

	Fair Value Hierarchy	Measurement Basis	Carrying Value		Fair Value	
			As at June 30, 2020	As at Dec. 31, 2019	As at June 30, 2020	As at Dec. 31, 2019
<b>Financial Assets</b>						
Cash	Level 1	FVTPL	23,989	16,248	23,989	16,248
Investments in land development entities	Level 3	FVTPL	5,608	5,608	5,608	5,608
Restricted cash	Level 1	FVTPL	5,232	12,077	5,232	12,077

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

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

(Unaudited)

**For the three and six months ended June 30, 2020 and 2019**

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

**9. FINANCIAL INSTRUMENTS (continued)**

**a) Risks associated with financial instruments**

*(i) Credit risk*

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

Recovery of bad debt expense is included in the Corporation's general and administrative expenses. In order to mitigate credit risk, the Corporation does not transfer title to sold residential lots until full payment is received. Individual balances due from customers as at June 30, 2020, which comprise greater than 10% of total amounts receivable, totaled \$8,528 from two customers (December 31, 2019 - \$5,515 from two customers).

Aging of amounts receivable was as follows:

	<b>June 30, 2020</b>	December 31, 2019
Not past due	<b>10,530</b>	6,131
Past due	-	-
	<b>10,530</b>	6,131

*(ii) Liquidity risk*

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

	<b>&lt;1 Year</b>	<b>&gt;1 Year</b>	<b>Total</b>
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	8,058	-	8,058
Loans and credit facilities excl. deferred fees	36,803	9,312	46,115
	44,861	9,312	54,173
<b>Commitments</b>			
Lease obligations	438	2,365	2,803
Naming rights (note 7a)	500	-	500
Levies and municipal fees (note 7c)	4,705	3,469	8,174
	5,643	5,834	11,477
	<b>50,504</b>	<b>15,146</b>	<b>65,650</b>

At June 30, 2020, the Corporation had obligations due within the next 12 months of \$50,504 (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 six months ended June 30, 2020 (note 4e and note 4g).

*(iii) Market risk*

The Corporation is exposed to interest rate risk to the extent that certain agreements receivable and certain loans and credit facilities are at a floating rate of interest. A 1% change in interest rates would result in a change in interest incurred of approximately \$125 annually on floating rate loans.

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**9. FINANCIAL INSTRUMENTS (continued)**

**b) Capital management**

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

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

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

	<b>June 30, 2020</b>	December 31, 2019
Loans and credit facilities	<b>45,954</b>	51,546
Shareholders' equity	<b>190,208</b>	193,957
	<b>236,162</b>	245,503

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**10. SEGMENTED INFORMATION**

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

Three months ended June 30, 2020	Land Development Segment			Total	Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination				
Revenues	14,700	39	-	14,739	23,901	(8,090)	<b>30,550</b>
Revenues – development lands	175	-	-	175	-	-	<b>175</b>
Direct cost of sales	(9,357)	-	-	(9,357)	(20,736)	8,090	<b>(22,003)</b>
Gross margin	5,518	39	-	5,557	3,165	-	<b>8,722</b>
G&A, selling & marketing and net finance expense or income	(1,546)	(40)	-	(1,586)	(2,268)	-	<b>(3,854)</b>
Earnings (loss) before income taxes and non-controlling interest	3,972	(1)	-	3,971	897	-	<b>4,868</b>

Three months ended June 30, 2019	Land Development Segment			Total	Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination				
Revenues	6,545	9	-	6,554	15,486	(5,507)	16,533
Direct cost of sales	(3,325)	-	-	(3,325)	(13,392)	5,507	(11,210)
Write-down of real estate held for development and sale	(800)	-	-	(800)	-	-	(800)
Gross margin	2,420	9	-	2,429	2,094	-	4,523
G&A, selling & marketing and net finance expense or income	(1,262)	87	-	(1,175)	(1,999)	-	(3,174)
Earnings (loss) before income taxes and non-controlling interest	1,158	96	-	1,254	95	-	1,349



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**10. SEGMENTED INFORMATION (continued)**

Six months ended June 30, 2020	Land Development Segment			Home Building Segment	Intersegment Elimination	Total	
	Genesis	LP	Intrasegment Elimination				
Revenues	20,450	41	-	20,491	37,989	(13,265)	<b>45,215</b>
Revenues – development lands	9,162	-	-	9,162	-	-	<b>9,162</b>
Direct cost of sales	(21,159)	-	-	(21,159)	(32,937)	13,265	<b>(40,831)</b>
Write-down of real estate held for development and sale	(10,000)	-	-	(10,000)	(815)	-	<b>(10,815)</b>
Gross margin	(1,547)	41	-	(1,506)	4,237	-	<b>2,731</b>
G&A, selling & marketing and net finance expense or income	(3,365)	(111)	-	(3,476)	(4,457)	-	<b>(7,933)</b>
(Loss) earnings before income taxes and non-controlling interest	(4,912)	(70)	-	(4,982)	(220)	-	<b>(5,202)</b>
Segmented assets as at June 30, 2020	247,919	15,049	(5,977)	256,991	24,834	1,505	<b>283,330</b>
Segmented liabilities as at June 30, 2020 <sup>(1), (2)</sup>	70,051	2,191	(1,883)	70,359	8,273	1,505	<b>80,137</b>
Segmented net assets as at June 30, 2020 <sup>(1), (2)</sup>	177,868	12,858	(4,094)	186,632	16,561	-	<b>203,193</b>

Six months ended June 30, 2019	Land Development Segment			Home Building Segment	Intersegment Elimination	Total	
	Genesis	LP	Intrasegment Elimination				
Revenues	11,919	11	-	11,930	26,572	(9,272)	29,230
Direct cost of sales	(5,941)	-	-	(5,941)	(23,140)	9,272	(19,809)
Write-down of real estate held for development and sale	(800)	-	-	(800)	-	-	(800)
Gross margin	5,178	11	-	5,189	3,432	-	8,621
G&A, selling & marketing and net finance expense or income	(2,784)	189	-	(2,595)	(4,328)	-	(6,923)
Earnings (loss) before income taxes and non-controlling interest	2,394	200	-	2,594	(896)	-	1,698
Segmented assets as at December 31, 2019	254,898	20,574	(5,804)	269,668	28,940	(2,340)	296,268
Segmented liabilities as at December 31, 2019 <sup>(1), (2)</sup>	73,463	1,805	(1,752)	73,516	12,197	(2,340)	83,373
Segmented net assets as at December 31, 2019 <sup>(1), (2)</sup>	181,435	18,769	(4,052)	196,152	16,743	-	212,895

<sup>(1)</sup> Segmented liabilities under the Genesis land development segment include \$3,894 due to the home building segment (December 31, 2019 – \$392 due from the land development segment to the home building segment).

<sup>(2)</sup> Segmented liabilities under the LP segment is comprised of accounts payable and accrued liabilities and includes \$1,883 (December 31, 2019 – \$1,752) due to Genesis.

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**11. CONSOLIDATED ENTITIES**

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

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

LPLP 2007 is a limited partnership controlled by the Corporation. In 2019 the Corporation completed a transaction with LPLP 2007, whereby the Corporation acquired the third-party, secured vendor-take-back mortgage receivable held by LPLP 2007. Consideration paid to LPLP 2007 included a cash payment of \$10,360 to LPLP 2007 by the Corporation, which was placed in trust pending pro rata distribution to its unit holders. Early in 2020 limited partners were given the option to receive their pro rata distribution of the amount held in trust, provided the limited partner signed a letter of transmittal in which the limited partner released LPLP 2007, Genesis and related entities from any liabilities in respect of the statement of claim described above. During the six months ended June 30, 2020, unitholders holding 24,652,529 (56%) limited partnership units submitted such transmittal letters, and \$5,842 of the available trust funds have been distributed. The offer to the limited partners is currently available until September 18, 2020. Any remaining funds will be used by LPLP 2007 to fund its operations, including its share of any costs incurred in respect of the proposed class action.

**12. SUBSEQUENT EVENTS**

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