



GENESIS LAND DEVELOPMENT CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2021

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 our unaudited condensed consolidated interim financial statements and the notes thereto for the three and nine months ended September 30, 2021 and 2020, 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, 2020 are available on SEDAR at 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 November 3, 2021.

STRATEGY AND 2021 BUSINESS PLAN

Strategy

Genesis Land Development Corp. (“Genesis” or the “Corporation”) is an integrated land developer and residential home builder operating in the Calgary Metropolitan Area (“CMA”), owning and developing a 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 sells lots and completed homes through its home building division. The land portfolio is planned, developed, serviced and sold as single-family lots and townhouse and commercial parcels at opportune times with the objective of maximizing the risk adjusted net present value of the land and to maximize net cash flow.

Through a wholly-owned subsidiary, Genesis Builders Group Inc. (“GBG”), Genesis designs, builds and sells homes on a significant portion of its single-family lots and its townhouse land parcels. GBG also acquires single-family lots from other land developers to build and sell single-family homes in additional CMA communities.

Genesis manages its financial position by prudently and opportunistically allocating its cash resources among the following:

- Maintaining a strong balance sheet as the priority;
- Acquiring and developing land either directly or through land development entities; and
- Paying dividends and/or buying back its common shares.

Market Overview

Fueled by accommodative monetary policy, including low interest rates and strong prices for oil and natural gas, the Alberta economy has improved substantially in 2021. The Royal Bank of Canada has forecast Alberta’s GDP to grow by 5.9% in 2021 as compared to a negative 8.2% in 2020. This economic growth is reflected in CMA housing market momentum in the first nine months of 2021. According to the Calgary Real Estate Board (“CREB”), September 2021 home sales were the highest for the CMA since 2005. Suburban Airdrie, where Genesis has significant operations, is benefiting from the “work from home” trend and as of September 2021, indicators were showing only 1.43 months of home supply on the Airdrie market which compares to 2.40 months at June 2021 and 3.06 months at December 2020. In Calgary, as of September 2021, the benchmark prices for detached homes had increased by 10% to \$539 as compared to \$491 in December 2020.

As a result of the strong market as of September 30, 2021, Genesis had 111 outstanding new home orders, an increase of 95% over the 57 outstanding new home orders at the same point in 2020. Year to date, new home orders have reached 168 as of September 30, 2021, up from 138 new home orders for the similar period in 2020.

Implementation of Genesis’ growth plan is proceeding well with GBG housing operations in five communities as of September 30, 2021, up from two a year earlier including operations in two communities being developed by third party developers. Land servicing spend during the first nine months of 2021 was \$37,507, including three new subdivision phases, up from \$14,705 in the same period in 2020.

Increased housing market activity is not limited to the CMA with most markets in North America seeing similar results, putting pressure on stressed supply chains, resulting in cost increases and restricted availability of some materials such as engineered products and appliances. These challenges are being felt in both our home building group and our land development group. Genesis’ team, including our key contractors, continue to proactively address this issue. The positive recovery signs are welcome, but Genesis remains cautious.

2021 Business Plan

Focus on Liquidity

As of September 30, 2021, Genesis had \$29,703 of cash and cash equivalents on hand (YE 2020 - \$29,743), loans and credit facilities of \$21,350 (YE 2020 - \$21,470), real estate assets of \$210,475 (YE 2020 - \$193,309) and total assets of \$286,131 (YE 2020 - \$266,494). The ratio of loans and credit facilities to total assets was 7% at September 30, 2021 compared to 8% at December 31, 2020.

Progress on 2021 Business Plan

The Corporation continues to closely monitor all expenditures for efficiency and effectiveness. During Q3 2021, Genesis continued to execute on its business plan. The following discussion highlights progress made on key elements of the plan.

1) Obtaining Additional Zoning and Servicing Entitlements

Progress in obtaining additional zoning and servicing entitlements for its land continues, with approval processes becoming subject to greater delay and uncertainty than in past years. As zoning and servicing entitlements are granted by the applicable municipal authorities, there can be no assurance as to if and/or when the following communities will be available for development or sale. The timelines discussed below are management's best estimates at this time.

The following core projects are progressing through approval processes at local municipalities:

- Logan Landing: Genesis owns 354 acres of undeveloped land in Calgary's southeast quadrant referred to as "Logan Landing". An Area Structure Plan ("ASP") for a new residential community on these lands was approved by Calgary City Council ("Council") in November 2019. Outline plan and land use applications have been submitted and Calgary Planning Commission approval is expected in late 2021 or early 2022. Nonetheless, there remains a Growth Management Overlay ("GMO") restricting development of these lands. Council uses GMOs to control the supply of land available for development at any time. Genesis will re-apply for GMO removal at the earliest opportunity, which will be in November 2022.
- Lewiston: Genesis acquired 130 acres of residential development land in north Calgary in 2019. Outline plan and land use applications have been submitted and were approved by the City of Calgary Planning Commission on July 22, 2021. As there is a GMO restricting development of these lands, Genesis will re-apply for its removal at the earliest opportunity, which will be in November 2022.
- Belvedere: Genesis is proceeding with preparing outline and land use plans for the 157 acres it recently acquired in the Belvedere ASP. These lands are not subject to a GMO and Genesis is working to have approval to proceed with servicing the first phase in late 2022.
- OMNI ASP (in North Conrich): Genesis controls 610 acres of undeveloped land in Rocky View County bordering the northeast quadrant of the City of Calgary. Genesis has received ASP approval for a 185-acre commercial and retail project on a portion of these lands. Progress continues on the development of a conceptual scheme for this project, which is expected to be approved in 2021. The remaining 425 acres are included in a special study area, with a concept plan and ASP amendment receiving first reading from the County in September 2021.

2) Development and Sale of Land Parcels

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 periodically sells land parcels, generally for multifamily or commercial use, that have been developed within its communities. Non-core land positions are also sold to third parties from time to time in the ordinary course of Genesis' business. In Q1 2021, a 463.2-acre parcel of land in British Columbia, held by a controlled limited partnership, was sold for \$925. In Q3 2021, Genesis closed sales of three development land parcels in the City of Calgary; the first being a 4.27-acre parcel for cash consideration of \$2,550; the second being a 1.12-acre parcel for cash consideration of \$1,445; the third being a 1.12-acre parcel for cash consideration of \$950.

3) ***Servicing Additional Phases***

Genesis commenced servicing of three new phases in 2021:

- Byaside: Servicing of Bayside phase 12 in Airdrie, will add 84 single family lots. These lots are expected to be available in 2022. Construction of a vehicle bridge to increase the connectivity of the community commenced in 2021. GBG and a third party builder will be the home builders in this phase;
- Bayview: Servicing of Bayview phase 2 in Airdrie, will add 118 single family lots, a 3.6-acre multi-family site and a 9.0-acre school site. The single family lots are expected to be available in 2022. GBG and a third party builder will be the home builders in this phase; and
- Sage Hill: This well-located northwest Calgary community is considered an “infill development”. Servicing of the first phase of 20 acres in this 51-acre development commenced in 2020. The first phase was completed during Q3 2021 providing 99 single family lots, a 3.2-acre multi-family parcel and a 4.1-acre commercial parcel. The second phase of development of 22 acres commenced in Q3 2021 and will provide 93 lots and 3 multi-family parcels totaling 8.5-acres that are expected to be available in 2022.

4) ***Investing in Additional Lands***

During Q1 2021, Genesis entered into a binding agreement to acquire approximately 157 acres of future residential development land (Belvedere) in the City of Calgary. A non-refundable deposit of \$2,186 was paid, with the balance of \$26,964 to be paid on closing, currently scheduled for April 2022. This parcel of land is located within the “Belvedere” ASP on the east side of the City of Calgary. The land is not subject to a GMO and Genesis has initiated the process for obtaining final land use and outline plan approvals from the City of Calgary. Upon completion, the community is expected to yield over 1,200 housing units including single-family, townhouse and multi-family apartment units.

In 2020, GBG contracted to acquire 70 lots in the first phase of Homestead and opened show homes in April 2021. GBG also contracted to acquire 33 lots from a third party land developer in Alpine Park and has commenced building show homes that will open imminently. In Q2 2021, GBG contracted to acquire 105 lots in three new phases of the following Calgary communities, Homestead, Alpine Park and Silverton, from third party land developers. In Q3 2021, GBG contracted to acquire 35 lots in two additional communities, Fireside in Cochrane and Vermilion Hill in Calgary from third party land developers. Building and selling homes in communities developed by other parties is one of the strategies being implemented to drive growth in Genesis’ home building division.

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

To diversify offerings and increase velocity of sales within its residential communities, Genesis holds regular discussions with reputable third party builders interested in acquiring lots in future phases in Genesis’ communities. Genesis currently has three third party builders building in its communities.

6) ***Increasing the Velocity of Homes Sold by Genesis Builders Group***

In YTD 2021, GBG entered into 168 new home sales contracts, an increase of 22% from 138 new home sales contracts in YTD 2020. During Q3 2021, GBG entered into 33 new home sales contracts, a decrease of 40% from 55 new home sales contracts in Q3 2020. As of September 30, 2021, Genesis had 111 outstanding new home orders, an increase of 95% compared to 57 as at September 30, 2020. To increase the velocity and to adapt to the current market conditions, Genesis has:

- increased pricing on select models and completed spec homes;
- managed the timing of construction for any new spec homes with the amount of spec home work-in-progress declining to \$3,325 at September 30, 2021, from \$5,553 at December 31, 2020;
- acquired lots in several communities from third party developers;
- pursued construction cost efficiencies and actively managed supply chain challenges; and
- continued to monitor and control overhead costs.

7) Return of Capital to Shareholders

On December 9, 2020, the Board of Directors declared a cash dividend of \$0.15 per common share for a total of \$6,280 payable to shareholders of record on December 23, 2020, which was paid in January 2021.

Since 2014 when it paid its first dividend, Genesis has returned \$58,138 to shareholders by way of dividends and bought back nearly 3.1 million common shares for \$8,787.

Outlook

The CMA economy has been relatively strong in 2021, primarily due to improved oil and gas prices resulting in lower unemployment levels (9.2% as of September 2021 per the City of Calgary) and a continued strong housing market. The Calgary Real Estate Board forecasts that housing market momentum will continue for the remainder of 2021 fueled by low mortgage interest rates, low levels of housing supply and pent up demand for suburban single-family homes. Despite these positive signs, economic uncertainty and volatility are likely to remain as response to the COVID-19 pandemic continues to impact the Alberta economy. Global and Canadian supply chain issues and inflationary pressures will affect operations and could impact the overall economic recovery. Genesis remains cautious in planning its strategy and operations.

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 September 30, ⁽¹⁾ | | Nine months ended September 30, ⁽²⁾ | |
|--|--|----------|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Key Financial Data | | | | |
| Total revenues | 34,988 | 29,739 | 83,230 | 84,116 |
| Direct cost of sales | (28,088) | (21,444) | (62,592) | (62,275) |
| Gross margin before reversal of write-down / (write-down) ⁽³⁾ | 6,900 | 8,295 | 20,638 | 21,841 |
| Gross margin before reversal of write-down / (write-down) (%) ⁽³⁾ | 19.7% | 27.9% | 24.8% | 26.0% |
| Reversal of write-down / (write-down) of real estate held for development and sale | 1,003 | - | 1,003 | (10,815) |
| Gross margin | 7,903 | 8,295 | 21,641 | 11,026 |
| Net earnings attributable to equity shareholders | 2,615 | 3,813 | 6,625 | 74 |
| Net earnings per share - basic and diluted | 0.06 | 0.09 | 0.16 | 0.00 |
| Cash flows from operating activities | 1,247 | 9,893 | 8,714 | 25,125 |
| Cash flows from operating activities per share - basic and diluted | 0.03 | 0.24 | 0.21 | 0.60 |
| Key Operating Data | | | | |
| Land Development | | | | |
| Total residential lots sold (units) | 85 | 76 | 198 | 195 |
| Residential lot revenues | 13,677 | 13,926 | 32,672 | 34,417 |
| Gross margin on residential lots sold | 3,330 | 5,499 | 11,158 | 13,776 |
| Gross margin on residential lots sold (%) | 24.3% | 39.5% | 34.2% | 40.0% |
| Average revenue per lot sold | 161 | 183 | 165 | 176 |
| Development land revenues | 4,945 | 320 | 5,870 | 9,482 |
| Home Building | | | | |
| Homes sold (units) | 47 | 53 | 140 | 135 |
| Revenues ⁽⁴⁾ | 24,095 | 24,838 | 66,392 | 62,827 |
| Gross margin before write-down ⁽³⁾ | 2,999 | 2,813 | 8,829 | 7,865 |
| Gross margin before write-down (%) ⁽³⁾ | 12.4% | 11.3% | 13.3% | 12.5% |
| Gross margin on homes sold | 2,999 | 2,813 | 8,829 | 7,050 |
| Average revenue per home sold | 513 | 469 | 474 | 464 |
| New home orders (units) | 33 | 55 | 168 | 138 |
| Outstanding new home orders at period end (units) | | | 111 | 57 |
| Key Balance Sheet Data | | | As at Sept. 30, 2021 | As at Dec. 31, 2020 ⁽⁵⁾ |
| Cash and cash equivalents | | | 29,703 | 29,743 |
| Total assets | | | 286,131 | 266,494 |
| Loans and credit facilities | | | 21,350 | 21,470 |
| Total liabilities | | | 80,546 | 66,734 |
| Shareholders' equity | | | 194,470 | 187,676 |
| Total equity | | | 205,585 | 199,760 |
| Loans and credit facilities (debt) to total assets | | | 7% | 8% |

⁽¹⁾ Three months ended September 30, 2021 and 2020 ("Q3 2021" and "Q3 2020")

⁽²⁾ Nine months ended September 30, 2021 and 2020 ("YTD 2021" and "YTD 2020")

⁽³⁾ Non-GAAP financial measure. Refer to heading "Non-GAAP Measures" in this MD&A

⁽⁴⁾ Includes Other revenues and revenues of \$7,729 for 47 lots in Q3 2021 and \$21,704 for 140 lots in YTD 2021 purchased by the Home Building division from the Land Development division (\$9,345 and 53 in Q3 2020; \$22,610 and 135 in YTD 2020) and sold with the home. These amounts are eliminated on consolidation

⁽⁵⁾ Year ended December 31, 2020 ("YE 2020")

Results from operations, including earnings and cash flows, vary considerably between periods for the reasons explained under the heading “*Factors Affecting Results of Operations*” in this MD&A.

Genesis sold 47 homes (34 single-family and 13 townhouses) in Q3 2021 compared to 53 homes (46 single-family and 7 townhouses) in Q3 2020. During Q3 2021, three development land parcels were sold for \$4,945 while in Q3 2020 one development land parcel, held by a controlled limited partnership, was sold for \$320. Genesis sold 38 residential lots to third parties in Q3 2021 compared to 23 residential lots sold to third parties in Q3 2020. The combination of these factors resulted in revenues of \$34,988 in Q3 2021 compared to \$29,739 in Q3 2020.

Genesis sold 140 homes (108 single-family and 32 townhouses) in YTD 2021 compared to 135 homes (115 single-family and 20 townhouses) in YTD 2020. The sales of residential lots to third parties were slightly lower with 58 lots being sold in YTD 2021 compared to 60 lots sold in YTD 2020. In YTD 2021, four development land parcels were sold for \$5,870 while three development land parcels were sold for a total of \$9,482 in YTD 2020. The combination of these factors resulted in revenues of \$83,230 in YTD 2021, compared to \$84,116 in YTD 2020.

New home orders for the nine months ended September 30, 2021 were 168 units compared to 138 units for the same period in 2020. The Corporation ended the third quarter of 2021 with 111 outstanding new home orders, compared to 57 outstanding new home orders a year earlier.

During YTD 2021, the Corporation recorded a reversal of a write-down of \$1,003 (Sage Hill) previously taken on land held for development and sale. During YTD 2020, the Corporation recorded write-downs of \$10,000 on a parcel of land held for development (Sage Hill) and \$815 on a townhouse project (Laurels).

Net earnings attributable to equity shareholders in Q3 2021 was \$2,615 (\$0.06 earnings per share - basic and diluted) compared to net earnings attributable to equity shareholders of \$3,813 (\$0.09 earnings per share - basic and diluted) in Q3 2020. Net earnings attributable to equity shareholders in YTD 2021 was \$6,625 (\$0.16 earnings per share - basic and diluted) compared to net earnings attributable to equity shareholders of \$74 (\$0.00 earnings per share - basic and diluted) in YTD 2020 reflecting the impact of the write-downs taken in Q1 2020.

Genesis generated cash flows from operating activities of \$1,247 (\$0.03 per share - basic and diluted) in Q3 2021, compared to cash flows from operating activities of \$9,893 (\$0.24 per share - basic and diluted) in Q3 2020. Genesis generated cash flows from operating activities of \$8,714 (\$0.21 per share - basic and diluted) in YTD 2021, a decrease of 65% compared to cash flows from operating activities of \$25,125 (\$0.60 per share - basic and diluted) in YTD 2020. The year-over-year decrease is due to higher home building and land servicing activities, partially offset by higher cash inflows from the sale of residential homes and lots. Refer to heading “*Cash Flows from Operating Activities*” in this MD&A for additional information. Results from operations, including earnings and cash flows, vary considerably between periods for the reasons explained below.

Factors Affecting Results of Operations

When reviewing the results, there are a number of factors that have historically affected Genesis' results of operations, including:

- the volatility of oil and gas prices and changes in the Canadian/US dollar exchange rate, both of which impact the Alberta energy industry, and have significant impact on the CMA real estate market and economy;
- changes to the regulatory environment, both direct and indirect, including for example, the land development approval process, mortgage lending rules, immigration policies and economic restrictions imposed by regulatory authorities;
- changes in interest rates, including residential mortgage rates and the rates of interest charged to Genesis on its various credit facilities;
- costs incurred for the development and servicing of land and the sale of residential lots and other land parcels occurs over a substantial period of time and results in cash flows that vary considerably between periods, creating significant volatility in the revenues, earnings and cash flows from operating activities;
- changes in home construction costs due to the availability and timing of trades, material and overall supply chain issues;
- land, lot and home prices and gross margins vary by community and lot/home 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; and
- seasonality which has historically resulted in higher revenues in the summer and fall months when home building sales often peak.

Land Development

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|----------------------------------|---------|--------------------|---------------------------------|----------|--------------------|
| | 2021 | 2020 | % change | 2021 | 2020 | % change |
| Key Financial Data | | | | | | |
| Residential lot revenues ⁽¹⁾ | 13,677 | 13,926 | (1.8%) | 32,672 | 34,417 | (5.1%) |
| Development land revenues | 4,945 | 320 | N/R ⁽³⁾ | 5,870 | 9,482 | (38.1%) |
| Direct cost of sales | (14,721) | (8,764) | 68.0% | (26,733) | (29,923) | (10.7%) |
| Gross margin before reversal of write-down / (write-down) ⁽²⁾ | 3,901 | 5,482 | (28.8%) | 11,809 | 13,976 | (15.5%) |
| Gross margin before reversal of write-down / (write-down) (%) ⁽²⁾ | 20.9% | 38.5% | (45.7%) | 30.6% | 31.8% | (3.8%) |
| Reversal of write-down / (write-down) of land held for development and sale | 1,003 | - | N/R ⁽³⁾ | 1,003 | (10,000) | N/R ⁽³⁾ |
| Gross margin | 4,904 | 5,482 | (10.5%) | 12,812 | 3,976 | N/R ⁽³⁾ |
| Other expenses | (2,181) | (1,732) | 25.9% | (5,680) | (5,208) | 9.1% |
| Earnings (loss) before taxes | 2,723 | 3,750 | (27.4%) | 7,132 | (1,232) | N/R ⁽³⁾ |
| Key Operating Data | | | | | | |
| Residential lots sold to third parties | 38 | 23 | 65.2% | 58 | 60 | (3.3%) |
| Residential lots sold through GBG - home building | 47 | 53 | (11.3%) | 140 | 135 | 3.7% |
| Total residential lots sold | 85 | 76 | 11.8% | 198 | 195 | 1.5% |
| Average revenue per lot sold | 161 | 183 | (12.0%) | 165 | 176 | (6.3%) |

⁽¹⁾ Includes residential lot sales to third parties and to GBG

⁽²⁾ Non-GAAP financial measure. Refer to heading "Non-GAAP Measures" in this MD&A

⁽³⁾ Not relevant due to the size of the change

Gross margin by source of revenue

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|----------------------------------|---------|----------|---------------------------------|----------|----------|
| | 2021 | 2020 | % change | 2021 | 2020 | % change |
| Residential lots | | | | | | |
| Residential lot revenues ⁽¹⁾ | 13,677 | 13,926 | (1.8%) | 32,672 | 34,417 | (5.1%) |
| Direct cost of sales | (10,347) | (8,427) | 22.8% | (21,514) | (20,641) | 4.2% |
| Gross margin | 3,330 | 5,499 | (39.4%) | 11,158 | 13,776 | (19.0%) |
| Gross margin (%) | 24.3% | 39.5% | (38.5%) | 34.2% | 40.0% | (14.5%) |

⁽¹⁾ Includes residential lot sales to third parties and to GBG

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|----------------------------------|--------|--------------------|---------------------------------|----------|--------------------|
| | 2021 | 2020 | % change | 2021 | 2020 | % change |
| Development land | | | | | | |
| Development land revenues | 4,945 | 320 | N/R ⁽²⁾ | 5,870 | 9,482 | (38.1%) |
| Direct cost of sales | (4,374) | (337) | N/R ⁽²⁾ | (5,219) | (9,282) | (43.8%) |
| Gross margin before reversal of write-down / (write-down) ⁽¹⁾ | 571 | (17) | N/R ⁽²⁾ | 651 | 200 | N/R ⁽²⁾ |
| Gross margin before reversal of write-down / (write-down) (%) ⁽¹⁾ | 11.5% | (5.3%) | N/R ⁽²⁾ | 11.1% | 2.1% | N/R ⁽²⁾ |
| Reversal of write-down / (write-down) of land held for development and sale | 1,003 | - | N/R ⁽²⁾ | 1,003 | (10,000) | N/R ⁽²⁾ |
| Gross margin | 1,574 | (17) | N/R ⁽²⁾ | 1,654 | (9,800) | N/R ⁽²⁾ |

⁽¹⁾ Non-GAAP financial measure. Refer to heading "Non-GAAP Measures" in this MD&A

⁽²⁾ Not relevant due to the size of the change

Results from operations, including earnings and cash flows, vary considerably between periods for the reasons explained under the heading "Factors Affecting Results of Operations" in this MD&A.

Revenues and unit volumes

Total residential lot sales revenues in YTD 2021 were \$32,672 (198 lots) down from \$34,417 (195 lots) in YTD 2020. In YTD 2021, 58 lots were sold to third party builders compared to 60 lots sold to third party builders in YTD 2020. In YTD 2021, GBG also sold 140 homes on Genesis lots, up 4% from 135 homes it sold on Genesis lots in YTD 2020. Residential lot sales to third party builders occur periodically, depending on the timing of contractual arrangements with these builders.

In Q3 2021, 38 lots were sold to third party builders compared to 23 lots sold to third party builders in Q3 2020. In Q3 2021, GBG sold 47 homes on Genesis lots, down 11% from 53 homes it sold on Genesis lots in Q3 2020. Total residential lot sales revenues in Q3 2021 were \$13,677 (85 lots) compared to \$13,926 (76 lots) in Q3 2020.

Three parcels of development land were sold in Q3 2021 for \$4,945 while one non-core parcel of development land held by a controlled limited partnership was sold in Q3 2020 for \$320. In YTD 2021, four development land parcels were sold for \$5,870 while three parcels of development land were sold for \$9,482 in YTD 2020. Development land sales occur periodically and comprise sales of commercial, multi-family and other lands that Genesis does not intend to build on through GBG.

Gross margin

Residential lots had a gross margin of 24% in Q3 2021 compared to 40% in Q3 2020. Residential lots had a gross margin of 34% in YTD 2021 compared to 40% in YTD 2020. Gross margins were lower in both Q3 and YTD 2021, compared to the same periods in 2020, as the sales in 2021 included 33 lots in Sage Hill which had no margin due to write-downs previously taken. Residential lot and development land margins can vary significantly as described in the "Factors Affecting Results of Operations" in this MD&A.

Reversal of write-down / (write-down) of land held for development and sale

During Q3 and YTD 2021, the Corporation recorded a reversal of a write-down of \$1,003 (Sage Hill) related to a write-down previously taken on land held for development and sale. The reversal of the write-down was taken to reflect the estimated returns realizable on completion of development and sale of these lands and was a result of lower costs to develop these lands.

During Q3 and YTD 2020 the Corporation recorded write-downs of \$Nil and \$10,000 respectively. The write-down of \$10,000 (Sage Hill) was taken based on the estimated returns realizable on completion of development and sale of on a parcel of land held for development and sale.

Other expenses

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|------------------------------------|----------------------------------|---------|----------|---------------------------------|---------|----------|
| | 2021 | 2020 | % change | 2021 | 2020 | % change |
| Other expenses | | | | | | |
| General and administrative expense | (1,584) | (1,019) | 55.4% | (3,787) | (3,265) | 16.0% |
| Selling and marketing expense | (470) | (476) | (1.3%) | (1,257) | (1,279) | (1.7%) |
| Finance income | 58 | 393 | (85.2%) | 185 | 1,183 | (84.4%) |
| Finance expense | (185) | (630) | (70.6%) | (821) | (1,847) | (55.5%) |
| Total | (2,181) | (1,732) | 25.9% | (5,680) | (5,208) | 9.1% |

The components of other expenses and the change are shown in the table above.

In YTD 2021, other expenses totaled \$5,680, 9% higher than \$5,208 incurred in YTD 2020. In Q3 2021, other expenses totaled \$2,181 or 26% higher than \$1,732 incurred in Q3 2020. These were higher in both Q3 2021 and YTD 2021 due to higher professional and legal fees (primarily related to the potential settlement with a limited partnership, LPLP 2007), and lower finance income (2020 included finance income from a \$20,500 VTB receivable paid in December 2020). This was partially offset by lower finance expense due to lower average loan balances during the comparative periods.

Home Building – Genesis Builders Group Inc. (GBG)

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

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|----------------------------------|----------|----------|---------------------------------|----------|--------------------|
| | 2021 | 2020 | % change | 2021 | 2020 | % change |
| Key Financial Data | | | | | | |
| Revenues ⁽¹⁾ | 24,095 | 24,838 | (3.0%) | 66,392 | 62,827 | 5.7% |
| Direct cost of sales | (21,096) | (22,025) | (4.2%) | (57,563) | (54,962) | 4.7% |
| Gross margin before write-down ⁽²⁾ | 2,999 | 2,813 | 6.6% | 8,829 | 7,865 | 12.3% |
| Gross margin before write-down (%) ⁽²⁾ | 12.4% | 11.3% | 9.7% | 13.3% | 12.5% | 6.4% |
| Write-down of real estate held for development and sale | - | - | - | - | (815) | N/R ⁽³⁾ |
| Gross margin | 2,999 | 2,813 | 6.6% | 8,829 | 7,050 | 25.2% |
| Other expenses | (2,409) | (1,983) | 21.5% | (7,143) | (6,440) | 10.9% |
| Earnings before taxes | 590 | 830 | (28.9%) | 1,686 | 610 | N/R ⁽³⁾ |
| Key Operating Data | | | | | | |
| Homes sold (units) | 47 | 53 | (11.3%) | 140 | 135 | 3.7% |
| Average revenue per home sold | 513 | 469 | 9.4% | 474 | 464 | 2.2% |
| New home orders (units) | 33 | 55 | (40.0%) | 168 | 138 | 21.7% |
| Outstanding new home orders at period end (units) | | | | 111 | 57 | 94.7% |

⁽¹⁾ Revenues include residential home sales and other revenue

⁽²⁾ Non-GAAP financial measure. Refer to heading "Non-GAAP Measures" in this MD&A

⁽³⁾ Not relevant due to size of the change

Results from operations, including earnings and cash flows, vary considerably between periods for the reasons explained under the heading "Factors Affecting Results of Operations" in this MD&A.

Revenues and unit volumes

Revenues for single-family homes and townhouses were \$24,095 (47 units) in Q3 2021, 3% lower than Q3 2020 revenues of \$24,838 (53 units). 33 homes were contracted for sale in Q3 2021, a decrease of 40%, as compared to 55 in Q3 2020.

Revenues for single-family homes and townhouses were \$66,392 (140 units) in YTD 2021, 6% higher than YTD 2020 revenues of \$62,827 (135 units). 168 homes were contracted for sale in YTD 2021, an increase of 22%, as compared to 138 in YTD 2020, resulting in 111 outstanding new home orders at the end of Q3 2021 as compared to 57 outstanding new home orders at the end of Q3 2020.

Homes sold in YTD 2021 had an average price of \$474 per home compared to \$464 in YTD 2020. Homes sold in Q3 2021 had an average price of \$513 per home compared to \$469 in Q3 2020. Fluctuations in the average revenue per home sold are due to differences in product mix and community sales. During the first nine months of 2021 and 2020, GBG's single-family homes product ranged in price from \$292-\$899 depending on the location and the model being offered. Similarly, GBG's townhouse product ranged in price from \$155-\$302 depending on the location and the model being offered. In Q3 2021, 34 single-family homes and 13 townhouses were sold compared to 46 single-family homes and 7 townhouses in Q3 2020. In YTD 2021, 108 single-family homes and 32 townhouses were sold compared to 115 single-family homes and 20 townhouses in YTD 2020.

All homes sold in Q3 2021 and Q3 2020 were built on residential lots or parcels supplied by Genesis, with lot revenues of \$7,729 and \$9,345, respectively. All homes sold in YTD 2021 and in YTD 2020 were built on residential lots or parcels supplied by Genesis, with lot revenues of \$21,704 and \$22,610 respectively.

Genesis has invested in land development entities (a limited partnership and a joint venture) that provide the right to purchase a number of lots in new communities. Genesis views this as one of its strategies to drive growth in GBG, its home building division. In Q2 2021, GBG contracted to acquire 105 lots in three new phases in the communities of Homestead, Alpine Park and Silverton,

from third party land developers. In addition, during Q3 2021, GBG contracted to acquire 35 lots in two new communities, Fireside and Vermilion Hill from third party land developers.

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 townhouses 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 ensure there is sufficient inventory for buyers seeking possession within a short period of time (often 30-90 days). Townhouses are multi-unit complexes for which GBG commences construction prior to selling all the units in any individual building. This provides construction efficiencies and requires GBG to build some townhouses 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 closely monitors its home building work-in-progress to anticipate and react to market conditions in a timely manner. As at Q3 2021, GBG had \$26,749 of work in progress, of which approximately \$3,325 was related to spec homes (YE 2020 - \$16,190 and \$5,553, respectively).

The following table shows the split between quick possession sales (spec homes that are contracted and delivered within 90 days) and pre-construction homes (homes built after receiving a firm sale contract). The timeline for pre-construction homes ranges from around 8 to 10 months and can exceed this depending on the desired possession date.

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|-------------------------------------|----------------------------------|------|----------|---------------------------------|------|----------|
| | 2021 | 2020 | % change | 2021 | 2020 | % change |
| Quick possession sales (units) | 11 | 22 | (50.0%) | 59 | 67 | (11.9%) |
| Pre-construction home sales (units) | 36 | 31 | 16.1% | 81 | 68 | 19.1% |
| Total home sales (units) | 47 | 53 | (11.3%) | 140 | 135 | 3.7% |

Gross margin

Genesis realized gross margin before write-down on home sales of 12.4% in Q3 2021 as compared to 11.3% in Q3 2020. Gross margin before write-down on home sales was 13.3% in YTD 2021 compared to 12.5% in YTD 2020. Fluctuations in gross margin before write-down are due to differences in product, community mix and market conditions and may drive price adjustments. In Q3 2021, 34 single-family homes and 13 townhouses were sold compared to 46 single-family homes and 7 townhouses in Q3 2020. In YTD 2021, 108 single-family homes and 32 townhouses were sold compared to 115 single-family homes and 20 townhouses in YTD 2020.

Write-down on townhouse project

No write-down was required in YTD 2021 (2020 - \$815).

Other expenses

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|------------------------------------|----------------------------------|---------|--------------------|---------------------------------|---------|--------------------|
| | 2021 | 2020 | % change | 2021 | 2020 | % change |
| Other expenses | | | | | | |
| General and administrative expense | (1,628) | (1,254) | 29.8% | (4,617) | (4,141) | 11.5% |
| Selling and marketing expense | (797) | (691) | 15.3% | (2,505) | (2,102) | 19.2% |
| Finance income | 32 | 14 | N/R ⁽¹⁾ | 56 | 15 | N/R ⁽¹⁾ |
| Finance expense | (16) | (52) | (69.2%) | (77) | (212) | (63.7%) |
| Total | (2,409) | (1,983) | 21.5% | (7,143) | (6,440) | 10.9% |

⁽¹⁾ Not relevant due to size of the change

The components of other expenses and the change are shown in the table above.

In YTD 2021, other expenses were \$7,143, 11% higher compared to \$6,440 incurred in YTD 2020. In Q3 2021, other expenses totaled \$2,409, 22% higher than \$1,983 incurred in Q3 2020. Other expenses were higher in both Q3 and YTD 2021 due to higher professional services, compensation expenses and sales and marketing expenses (including sales commissions). These increases, compared to 2020, were due to higher levels of activity in the home building business.

Real Estate Held for Development and Sale

| | September 30, | December 31, | |
|---|---------------|--------------|----------|
| | 2021 | 2020 | % change |
| Real estate held for development and sale | 223,008 | 215,050 | 3.7% |
| Accumulated provision for write-downs | (12,533) | (21,741) | (42.4%) |
| | 210,475 | 193,309 | 8.9% |

Refer to note 3 in the condensed consolidated interim financial statements for the three and nine months ended September 30, 2021 and 2020 which details the components of the changes in the gross book value and net book value of real estate held for development and sale.

Real estate held for development and sale is affected by the sale of residential lots, homes, development land parcels, acquisitions and development and construction activities. Real estate held for development and sale increased by \$17,166 as at Q3 2021 compared to YE 2020 mainly due to: (i) the acquisitions of residential lots from third party developers, being 57 future residential lots in the CMA for \$8,498; (ii) active development and construction activities; and (iii) the reversal of a write-down of \$1,003 related to a write-down previously taken on land held for development and sale.

The following table presents Genesis' real estate held for development and sale at net book value (that is net of provisions for write-downs) as at September 30, 2021:

| Real Estate Held for Development and Sale | Net Book Value | | |
|--|---|--|---------|
| | Lots, multi-family & commercial parcels | Land held for development ⁽¹⁾ | Total |
| Community | | | |
| Airdrie - Bayside, Bayview, Canals | 10,943 | 32,695 | 43,638 |
| Calgary NW - Sage Meadows | 7,109 | - | 7,109 |
| Calgary NW - Sage Hill | 18,340 | 18,688 | 37,028 |
| Calgary NE - Saddlestone | 4,705 | - | 4,705 |
| Calgary N - Lewiston | - | 32,397 | 32,397 |
| Calgary SE - Logan Landing | - | 45,868 | 45,868 |
| Rocky View County - North Conrich ⁽²⁾ | - | 5,623 | 5,623 |
| Sub-total | 41,097 | 135,271 | 176,368 |
| Other lands ⁽³⁾ - non-core | 29 | 2,022 | 2,051 |
| Total land development | 41,126 | 137,293 | 178,419 |
| Home building work-in-progress | | | 26,749 |
| Total land development and home building | | | 205,168 |
| Limited Partnerships ^{(2), (4)} | | | 5,307 |
| Total real estate held for development and sale | | | 210,475 |

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

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

⁽³⁾ Other lands are non-core and available for sale

⁽⁴⁾ 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 shown above, by community as at September 30, 2021:

| 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 | 10,943 | 66 | 45 | 1 | - |
| Calgary NW - Sage Meadows | 7,109 | 6 | - | 1 | - |
| Calgary NW - Sage Hill | 18,340 | 66 | - | 1 | 2 |
| Calgary NE - Saddlestone | 4,705 | 44 | 5 | - | - |
| | 41,097 | 182 | 50 | 3 | 2 |
| Other lots - non-core | 29 | 13 | - | - | - |
| Total | 41,126 | 195 | 50 | 3 | 2 |

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 (shown previously) as at September 30, 2021. Genesis has developed detailed plans for the development of its core lands. Refer to the section in this MD&A entitled "Obtaining Additional Zoning and Servicing Entitlements" for the status of Logan Landing, Lewiston and North Conrich. Given the uncertainties related to the regulatory approval process and market conditions, there can be no assurance as to when or if any or all of these lands can or will be fully developed.

| Land Held for Development, by Community | Net Book Value | Land (acres) ⁽¹⁾ | Estimated Equivalent if/when Developed | | |
|--|----------------|-----------------------------|--|----------------------|--------------------|
| | | | Single-family (lots) | Multi-family (acres) | Commercial (acres) |
| Airdrie - Bayside, Bayview | 32,695 | 186 | 1,112 | 9 | 2 |
| Calgary NW - Sage Hill | 18,688 | 31 | 183 | 11 | - |
| Calgary N - Lewiston | 32,397 | 134 | 892 | 3 | 4 |
| Calgary SE - Logan Landing | 45,868 | 354 | 1,190 | 16 | - |
| Rocky View County - North Conrich ⁽²⁾ | 5,623 | 312 | - | - | - |
| | 135,271 | 1,017 | 3,377 | 39 | 6 |
| Other lands - non-core | 2,022 | 300 | - | - | - |
| Total | 137,293 | 1,317 | 3,377 | 39 | 6 |

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

⁽²⁾ Includes the undivided interest of Genesis in North Conrich including the "Omni" project

Amounts Receivable

| | September 30, | December 31, | |
|--------------------|---------------|--------------|----------|
| | 2021 | 2020 | % change |
| Amounts receivable | 14,818 | 11,006 | 34.6% |

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 increase of \$3,812 in amounts receivable was due to higher lot sales. As at Q3 2021, Genesis had \$14,345 in amounts receivable related to the sale of 91 lots to third party builders compared to \$10,466 (related to 63 lots) in amounts receivable as at YE 2020.

Individual balances due from third party builders at Q3 2021 that were 10% or more of total amounts receivable were \$14,345 from three third party builders (YE 2020 - \$10,235 from two third party builders).

Vendor-take-back Mortgage Receivable

| | September 30, | December 31, | |
|--|---------------|--------------|----------|
| | 2021 | 2020 | % change |
| Vendor-take-back mortgage receivable - granted on sale of a parcel of land | 2,719 | 2,719 | 0.0% |

During Q1 2020, the Corporation closed the sale of an 8.17-acre parcel of development land in northwest Calgary for \$8,987 in consideration for a cash payment of \$3,768 and a \$5,219 vendor-take-back mortgage with an interest rate of 5% per annum. The vendor-take-back mortgage receivable is to be repaid in three installments of which two installments of \$1,250 each were paid on March 31, 2020 and June 30, 2020. The last installment of \$2,719 is due on December 15, 2021.

Cash Flows from Operating Activities

Results from operations, including earnings and cash flows, vary considerably between periods for the reasons explained under the heading “*Factors Affecting Results of Operations*” in this MD&A.

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|-------|------------------------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Cash flows from operating activities | 1,247 | 9,893 | 8,714 | 25,125 |
| Cash flows from operating activities per share - basic and diluted | 0.03 | 0.24 | 0.21 | 0.60 |

The change in cash flows from operating activities between Q3 2021 and Q3 2020 consist of the following:

| | Three months ended September 30, | | |
|--|----------------------------------|---------|-----------|
| | 2021 | 2020 | \$ change |
| Cash inflows from sale of residential homes by GBG | 24,110 | 25,241 | (1,131) |
| Cash inflows from sale of residential lots | 3,572 | 1,085 | 2,487 |
| Cash inflows from sale of development land | 4,945 | 320 | 4,625 |
| Cash outflows for home building activity | (14,646) | (9,106) | (5,540) |
| Cash outflows for land servicing | (13,383) | (4,386) | (8,997) |
| Cash outflows for lots / land acquisitions | (739) | (1,458) | 719 |
| Cash outflows paid to suppliers and employees | (3,372) | (3,163) | (209) |
| Other cash inflows / (outflows) | 136 | (47) | 183 |
| Income tax refunds | 624 | 1,407 | (783) |
| Total | 1,247 | 9,893 | (8,646) |

The changes in cash flows from operating activities between YTD 2021 and YTD 2020 consist of the following:

| | Nine months ended September 30, | | |
|--|---------------------------------|----------|-----------|
| | 2021 | 2020 | \$ change |
| Cash inflows from sale of residential homes by GBG | 68,704 | 61,767 | 6,937 |
| Cash inflows from sale of residential lots | 10,761 | 4,784 | 5,977 |
| Cash inflows from sale of development land | 5,870 | 6,763 | (893) |
| Cash outflows for home building activity | (40,648) | (24,715) | (15,933) |
| Cash outflows for land servicing | (22,591) | (12,163) | (10,428) |
| Cash outflows for lots / land acquisitions | (2,828) | (3,178) | 350 |
| Cash outflows paid to suppliers and employees | (11,619) | (9,809) | (1,810) |
| Other cash inflows | 603 | 269 | 334 |
| Income tax refunds | 462 | 1,407 | (945) |
| Total | 8,714 | 25,125 | (16,411) |

Cash inflows from the sale of residential homes by GBG is related to the volume of homes sold. Genesis sells residential lots to third party builders and typically receives 15% of the purchase price as a non-refundable deposit from the builder, at which 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.

LIABILITIES AND SHAREHOLDERS' EQUITY

The following table presents Genesis' liabilities and equity at the end of Q3 2021 and YE 2020:

| | September 30, | | December 31, | |
|--|----------------|-------------|----------------|-------------|
| | 2021 | % of total | 2020 | % of total |
| Loans and credit facilities | 21,350 | 7% | 21,470 | 8% |
| Dividend payable | - | - | 6,280 | 3% |
| Customer deposits | 7,485 | 3% | 3,889 | 1% |
| Accounts payable and accrued liabilities | 31,138 | 11% | 14,092 | 5% |
| Lease liabilities | 874 | 0% | 790 | 0% |
| Provision for future development costs | 18,482 | 7% | 20,213 | 8% |
| Income taxes payable | 1,217 | 0% | - | - |
| Total liabilities | 80,546 | 28% | 66,734 | 25% |
| Non-controlling interest | 11,115 | 4% | 12,084 | 5% |
| Shareholders' equity | 194,470 | 68% | 187,676 | 70% |
| Total liabilities and equity | 286,131 | 100% | 266,494 | 100% |

The ratio of total liabilities to equity is as follows:

| | September 30, 2021 | December 31, 2020 |
|--|--------------------|-------------------|
| Total liabilities | 80,546 | 66,734 |
| Total equity | 205,585 | 199,760 |
| Total liabilities to equity ⁽¹⁾ | 39% | 33% |

⁽¹⁾ Calculated as total liabilities divided by total equity

Loans and Credit Facilities

| | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 |
|--|---------------|---------|---------|---------|---------|
| Land development servicing loans | 1,311 | - | - | - | 1,151 |
| Corporate revolving line of credit | 9,537 | 8,159 | 2,606 | - | - |
| Demand operating line for single-family homes | 1,831 | 1,181 | 1,983 | 1,662 | 2,145 |
| Project specific townhouse construction loans | - | - | 1,333 | 1,185 | 1,338 |
| Demand operating line of credit | - | - | - | - | 6,010 |
| Loan to purchase VTB receivable | - | - | - | - | 15,192 |
| Vendor-take-back mortgage payable - Lewiston | 9,312 | 9,312 | 18,624 | 18,624 | 18,624 |
| | 21,991 | 18,652 | 24,546 | 21,471 | 44,460 |
| Unamortized deferred fees on loans and credit facilities | (641) | (638) | (700) | (1) | (77) |
| Balance, end of period | 21,350 | 18,014 | 23,846 | 21,470 | 44,383 |

The continuity of Genesis' VTB mortgage payable, corporate revolving line of credit and land development servicing loans, excluding deferred fees on loans and credit facilities, is as follows:

| | Nine months ended September 30, 2021 | | | Year ended December 31, 2020 |
|------------------------------|--------------------------------------|------------------------------------|----------------------------------|------------------------------|
| | VTB payable - Lewiston | Corporate revolving line of credit | Land development servicing loans | Total |
| Balance, beginning of period | 18,624 | - | - | 18,624 |
| Advances | - | 27,241 | 1,311 | 28,552 |
| Repayments | (9,312) | (17,704) | - | (27,016) |
| Balance, end of period | 9,312 | 9,537 | 1,311 | 20,160 |

Loans and credit facilities are used primarily to finance the costs of developing land, building homes and for land purchases.

Genesis has various covenants in place with its lenders with respect to its loan and credit facilities. Such covenants include credit usage restrictions; cancellation, prepayment, confidentiality and cross default clauses; sales coverage requirements; conditions precedent for funding; and other terms 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 single-family 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 consolidated entities were in compliance with all lender covenants for all periods in this MD&A.

Land development servicing loans

As at September 30, 2021, Genesis has a land project loan facility with \$Nil drawn (YE 2020 - \$Nil). Up to \$20,100 is available to finance future development and servicing costs from this facility as land development activities progress. This facility bears interest at prime +0.50% per annum and matures within 30 months of initial drawdown. The Corporation renewed and amended this credit facility in Q3 2021. No drawdown was made on this loan as of September 30, 2021.

During Q3 2021, the Corporation also put in place a \$6,500 land project loan facility bearing interest at prime +0.50% per annum. This loan matures on March 16, 2024. As at September 30, 2021, the amount drawn on this facility was \$1,311.

Corporate revolving line of credit

During Q1 2021, the Corporation put in place a \$50,000 three-year fixed term secured corporate revolving line of credit with a major Canadian financial institution at an interest rate per annum equal to the higher of prime +1.90% or 4.35%. This is secured by specific dedicated lands and a general corporate charge on all assets of the Corporation and is due on February 1, 2024. As at September 30, 2021, the amount drawn on this facility was \$9,537.

Demand operating line for single-family homes

GBG has a demand operating line of \$6,500 bearing interest at prime +0.75% per annum. As at September 30, 2021, the amount drawn on this facility was \$1,831 (YE 2020 - \$1,662).

Project specific townhouse construction loans

As at September 30, 2021, GBG has a townhouse project loan facility with \$Nil drawn (YE 2020 - \$614). Up to \$4,757 is available from this facility to finance future construction costs on this townhouse project. This facility bears interest at prime +0.90% per annum. Subsequent to September 30, 2021, this facility has been renewed and is due on August 28, 2022.

During Q2 2021, the Corporation closed a townhouse project loan facility with \$Nil drawn at the time it was closed. As at YE 2020, the amount drawn on this facility was \$571.

Vendor-take-back mortgage payable

Genesis entered into an \$18,624 vendor-take-back mortgage on the purchase of its north Calgary lands (Lewiston) in September 2019. The vendor-take-back mortgage is secured by the land, has an interest rate of 5% per annum and is repayable in two equal installments of \$9,312 in May 2021 and 2022. The first installment of \$9,312 was paid in May 2021.

Provision for Future Development Costs

When Genesis sells lots, land parcels and homes, it 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 Q3 2021 was \$15,661 for the land division (YE 2020 - \$18,737) and \$2,821 for GBG (YE 2020 - \$1,476). For additional details, please see information provided under the heading "*Critical Accounting Estimates*" in this MD&A.

LIQUIDITY AND CAPITAL RESOURCES

Genesis had cash and cash equivalents of \$29,703 and loans and credit facilities of \$21,350 at the end of Q3 2021 compared to \$29,743 and \$21,470 respectively, at YE 2020 resulting in net cash (refer to heading “Non-GAAP Measures” in this MD&A) of \$8,353 at the end of Q3 2021 compared to net cash (refer to heading “Non-GAAP Measures” in this MD&A) of \$8,273 at YE 2020. The components of loans and credit facilities are detailed below. For additional details, please see information provided under the heading “Loans and Credit Facilities” in this MD&A.

| | September 30, | December 31, | % change |
|--|---------------|--------------|--------------------|
| | 2021 | 2020 | |
| Cash and cash equivalents | 29,703 | 29,743 | (0.1%) |
| Land development servicing and home building loans | 3,077 | 2,846 | 8.1% |
| Corporate revolving line of credit | 8,961 | - | N/R ⁽³⁾ |
| VTB payable | 9,312 | 18,624 | (50.0%) |
| Total loans and credit facilities | 21,350 | 21,470 | (0.6%) |
| Net cash ^{(1) (2)} | 8,353 | 8,273 | 1.0% |

⁽¹⁾ Calculated as the difference between cash and cash equivalents and total loans and credit facilities

⁽²⁾ Non-GAAP financial measure. Refer to heading “Non-GAAP Measures” in this MD&A

⁽³⁾ Not relevant due to size of the change

| | September 30, | December 31, | % change |
|---|---------------|--------------|--------------------|
| | 2021 | 2020 | |
| Loans and credit facilities as a percentage of total assets ⁽¹⁾ | | | |
| Land development servicing and home building loans | 1.1% | 1.1% | 0.0% |
| Corporate revolving line of credit | 3.1% | - | N/R ⁽³⁾ |
| VTB payable | 3.3% | 7.0% | (52.9%) |
| Loans and credit facilities (debt) to total assets | 7.5% | 8.1% | (7.4%) |
| Total liabilities to equity ⁽²⁾ | 39.2% | 33.4% | 17.4% |

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

⁽²⁾ Calculated as total liabilities divided by total equity

⁽³⁾ Not relevant due to size of the change

| | September 30, | December 31, | % change |
|--|---------------|--------------|----------|
| | 2021 | 2020 | |
| Net cash ⁽¹⁾ as a percentage of total assets | | | |
| Cash and cash equivalents | 29,703 | 29,743 | (0.1%) |
| Loans and credit facilities | 21,350 | 21,470 | (0.6%) |
| Net cash ^{(1) (2)} | 8,353 | 8,273 | 1.0% |
| Net cash to total assets ⁽³⁾ | 2.9% | 3.1% | (6.5%) |

⁽¹⁾ Non-GAAP financial measure. Refer to heading “Non-GAAP Measures” in this MD&A

⁽²⁾ Calculated as the difference between cash and cash equivalents and total loans and credit facilities

⁽³⁾ Calculated as net cash divided by total assets

Based on the Corporation’s operating history, relationships with lenders and committed sales contracts, management believes that Genesis has the ability to continue to renew or repay its financial obligations as they become due. The Corporation expects to generate sufficient liquidity from its cash flows from operating activities, undrawn credit facilities and cash on hand to meet its financial obligations (including the above liabilities) and commitments as they become due.

Finance Expense

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|----------------------------------|------|--------------------|---------------------------------|-------|--------------------|
| | 2021 | 2020 | % change | 2021 | 2020 | % change |
| Interest incurred | 119 | 363 | (67.2%) | 279 | 1,103 | (74.7%) |
| Interest relating to VTB ⁽¹⁾ | 117 | 234 | (50.0%) | 541 | 697 | (22.4%) |
| Financing fees amortized | 62 | 84 | (26.2%) | 175 | 258 | (32.2%) |
| Interest and financing fees capitalized | (97) | - | N/R ⁽²⁾ | (97) | - | N/R ⁽²⁾ |
| | 201 | 681 | (70.5%) | 898 | 2,058 | (56.4%) |

⁽¹⁾ VTB related to Lewiston lands

⁽²⁾ Not relevant due to size of the change

Finance expense was lower in Q3 2021 compared to Q3 2020 due to significantly lower average loan balances. In Q3 2020, Genesis had a loan bearing interest at 6.50% per annum with an outstanding balance of \$15,192 and a \$18,624 VTB related to the purchase of a parcel of land in north Calgary (Lewiston). The loan with an outstanding balance of \$15,192 was fully repaid at the end of 2020 and an installment of \$9,312 was made towards the \$18,624 VTB in May 2021, resulting in lower finance expense during Q3 2021.

The weighted average interest rate of loan agreements with various financial institutions was 4.04% (YE 2020 - 3.26%) based on September 30, 2021 balances.

Income Taxes (Payable) Recoverable

The continuity in income taxes (payable) recoverable is follows:

| | September 30, 2021 | December 31, 2020 |
|----------------------------------|--------------------|-------------------|
| Balance, beginning of period | 559 | 1,144 |
| Provision for current income tax | (1,314) | 826 |
| Net receipts | (462) | (1,411) |
| Balance, end of period | (1,217) | 559 |

As at September 30, 2021, income taxes payable of \$1,217 is a result of tax on the current year's income, partially offset by installment payments made during the year. All refunds relating to the prior year have been received and are included in net receipts.

Shareholders' Equity

As at November 3, 2021, the Corporation had 41,863,335 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's normal course issuer bid ("NCIB") expired on October 12, 2021. The Corporation purchased and cancelled common shares under its NCIBs as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|---------|------------------------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Number of shares purchased and cancelled | - | 100,570 | - | 189,610 |
| Total cost | - | 136 | - | 290 |
| Average price per share purchased | - | 1.35 | - | 1.53 |
| Shares cancelled as a % of common shares outstanding at beginning of period | - | 0.24% | - | 0.45% |

Contractual Obligations and Debt Repayment

Contractual obligations (excluding accounts payable, accrued liabilities, income taxes payable, customer deposits and provision for future development costs) at the end of Q3 2021 were as follows:

| | Loans and Credit Facilities ⁽¹⁾ | Levies and Municipal Fees | Land and Lot Purchase Contracts | Lease Obligations ⁽²⁾ | Total |
|--------------------------------|--|---------------------------------|---------------------------------------|-------------------------------------|---------------|
| Current | 11,143 | 4,942 | 30,468 | 422 | 46,975 |
| October 2022 to September 2023 | - | 5,255 | 11,517 | 443 | 17,215 |
| October 2023 to September 2024 | 10,848 | 1,697 | 7,724 | 429 | 20,698 |
| October 2024 and thereafter | - | - | - | 1,009 | 1,009 |
| Total | 21,991 | 11,894 | 49,709 | 2,303 | 85,897 |

⁽¹⁾ Excludes deferred fees on loans and credit facilities

⁽²⁾ Includes variable operating costs

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 or surety bonds, impact the development of the associated real estate assets and impact Genesis' status as a developer with the municipality. Genesis is current with regard to all levies and fees due to municipal authorities.

Land and lot purchase contracts relate to the purchase of real estate, including residential lots and development land, as part of Genesis' operations. These contracts may require payment of an initial deposit with the balance of the contract price being paid at agreed future dates.

Genesis has certain lease agreements that are entered in the normal course of operations. Genesis signed a sublease for a new head office location, within Calgary, in April 2020 and moved in September 2020. The sublease expires in February 2027 and the total payments over the remaining term of the lease, covering base rent and parking is \$814. In the event the office lease 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. Genesis also has other minor operating leases.

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). All ten installments totaling \$5,000 were paid as at September 30, 2021. Over a period of 10 years, commencing in 2008 and ending in 2017, Genesis contributed \$200 each year for a total of \$2,000 for 40-year naming rights to "Genesis Place", a recreation complex in the City of Airdrie.

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.

Current Contractual Obligations and Commitments

| | September 30, 2021 | December 31, 2020 |
|---|--------------------|-------------------|
| Loans and credit facilities, excluding deferred fees on loans and credit facilities | 11,143 | 12,159 |
| Accounts payable and accrued liabilities | 23,895 | 14,092 |
| Dividend payable | - | 6,280 |
| Total short-term liabilities | 35,038 | 32,531 |
| Levies and municipal fees | 4,942 | 6,415 |
| Land and lot purchase contracts | 30,468 | 652 |
| Commitments ^{(1), (2)} | 422 | 831 |
| | 70,870 | 40,429 |

⁽¹⁾ Commitments at September 30, 2021 comprises lease obligations

⁽²⁾ Commitments at December 31, 2020 comprises naming rights and lease obligations

As at the end of Q3 2021, Genesis had obligations due within the next 12 months of \$70,870 of which \$11,143 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 expects that Genesis will have sufficient liquidity from its cash flows from operating activities, supplemented by undrawn credit facilities and cash on hand, to meet its financial obligations (including the above liabilities) as they become due. The cash dividend declared on December 9, 2020 in the aggregate amount of \$6,280 was paid in January 2021.

OFF BALANCE SHEET ARRANGEMENTS

Letters of Credit and Surety Bonds

Genesis has an ongoing requirement to provide irrevocable letters of credit and surety bonds to municipalities as part of the subdivision plan registration process. These letters of credit and surety bonds indemnify the municipalities by enabling them to draw upon them if Genesis does not perform its contractual obligations. At Q3 2021, these amounted to approximately \$9,275 (YE 2020 - \$3,666).

Levies and Municipal Fees

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

Land and Lot Purchase Contracts

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

SUMMARY OF QUARTERLY RESULTS

| | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 |
|------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Revenues | 34,988 | 29,529 | 18,713 | 19,817 | 29,739 | 30,725 | 23,652 | 26,081 |
| Net earnings (loss) ⁽¹⁾ | 2,615 | 2,688 | 1,322 | 125 | 3,813 | 3,644 | (7,383) | 1,684 |
| EPS ⁽²⁾ | 0.06 | 0.07 | 0.03 | 0.00 | 0.09 | 0.09 | (0.18) | 0.04 |

⁽¹⁾ Net earnings (loss) attributable to equity shareholders

⁽²⁾ Net earnings (loss) per share - basic and diluted

| | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 |
|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Dividends declared | - | - | - | 6,280 | - | - | - | - |
| Dividends paid | - | - | 6,280 | - | - | - | - | - |
| Dividends declared - per share | - | - | - | 0.15 | - | - | - | - |
| Dividends paid - per share | - | - | 0.15 | - | - | - | - | - |

| | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| Residential lots sold to third-parties (units) | 38 | 4 | 16 | 2 | 23 | 35 | 2 | 21 |
| Residential lots sold through GBG (units) | 47 | 62 | 31 | 28 | 53 | 52 | 30 | 43 |
| Total residential lots sold (units) | 85 | 66 | 47 | 30 | 76 | 87 | 32 | 64 |

| | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 |
|--------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Homes sold (units) | 47 | 62 | 31 | 28 | 53 | 52 | 30 | 43 |

| | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Development land revenues | 4,945 | - | 925 | 7,146 | 320 | 175 | 8,987 | 550 |
| Cash flows from operating activities | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 |
| Amount | 1,247 | 7,084 | 383 | 22,858 | 9,893 | 7,044 | 8,188 | 7,969 |
| Per share - basic and diluted | 0.03 | 0.17 | 0.01 | 0.54 | 0.24 | 0.17 | 0.19 | 0.19 |

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 reversals of write-downs, 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" in this MD&A which discusses the factors that affect Genesis' results and seasonality further.

During Q3 2021, Genesis sold 38 residential lots to third party builders and 47 homes. Revenues were higher in Q3 2021, compared to Q2 2021, due to higher development land and residential lot sales, with this being partially offset by lower residential home sales during the quarter. Gross margins in Q3 2021 were marginally lower than in Q2 2021. While development land sales had a higher gross margin than in Q2 2021, this higher gross margin was offset by lower gross margins on residential lots and homes in Q3 2021. Q3 2021 gross margins also included \$1,003 related to the reversal of a write-down previously taken with no corresponding reversal of write-down or write-down in Q2 2021. Both selling and marketing expenses and net finance expenses were lower in Q3 2021 compared to Q2 2021 while general and administrative expenses were higher between Q3 2021 and Q2 2021. Income tax expenses were \$801 in Q3 2021 compared to \$955 in Q2 2021. As a result of these factors, net earnings in Q3 2021 were comparable to Q2 2021.

During Q2 2021, Genesis sold 4 residential lots to third party builders and 62 homes. Revenues were higher in Q2 2021, compared to Q1 2021, due to higher residential home sales, with this being partially offset by lower development land and residential lot sales during the quarter. Gross margins in Q2 2021 were significantly higher than in Q1 2021 mainly due to the higher volume of homes and total residential lots sold. Both general and administrative expenses, selling and marketing expenses were higher in Q2 2021 compared to Q1 2021 while net finance expenses were marginally lower between Q2 2021 and Q1 2021. Income tax expenses were \$955 in Q2 2021 compared to \$393 in Q1 2021. As a result of these factors, net earnings in Q2 2021 were higher than in Q1 2021.

During Q1 2021, Genesis sold 16 residential lots to third party builders, 31 homes and one development land parcel held by a controlled limited partnership. Revenues were lower in Q1 2021, compared to Q4 2020, due to lower development land revenues in Q1 2021, with this being partially offset by higher residential lot and home sales during the quarter. Gross margins in Q1 2021 were higher than in Q4 2020 mainly due to no write-down of real estate held for development and sale in Q1 2021 compared to \$822 in Q4 2020. While residential lots and homes had a higher gross margin than in Q4 2020, this higher gross margin was offset by lower gross margin on development land sales in Q1 2021. General and administrative expenses were lower in Q1 2021 compared to Q4 2020 while selling and marketing expenses and net finance expenses were comparable between Q1 2021 and Q4 2020. Income tax expenses were \$393 in Q1 2021 compared to \$496 in Q4 2020. As a result of these factors, net earnings in Q1 2021 were higher than in Q4 2020.

During Q4 2020, Genesis sold two residential lots to third party builders, 28 homes and two development land parcels. Revenues were lower in Q4 2020 compared to Q3 2020 due to lower residential lot and home sales in Q4 2020 compared to Q3 2020. This was partially offset by higher development land revenues in Q4 2020. Gross margins in Q4 2020 were affected by a lower volume of residential homes and lots sold and by a write-down of \$822. Gross margins are also affected by the product mix for both residential homes and residential lots. General and administrative expenses were higher in Q4 2020 compared to Q3 2020 while selling and marketing expenses and net finance expenses were comparable between Q4 2020 and Q3 2020. Income tax expenses were \$496 in Q4 2020 compared to \$850 in Q3 2020. As a result of these factors, net earnings in Q4 2020 were lower than in Q3 2020.

During Q3 2020, Genesis sold 23 residential lots to third party builders, 53 homes and a development land parcel held by a controlled limited partnership. Revenues were lower in Q3 2020 compared to Q2 2020 due to lower residential lot sales in Q3 2020 compared to Q2 2020. This was partially offset by higher development land revenues in Q3 2020. Gross margins in Q3 2020 were lower than in Q2 2020 mainly due to the product mix and impacted both residential homes and residential lots. The development land parcel sold in Q3 2020 had a slight negative margin. General and administrative expenses, selling and marketing expenses, net finance and income tax expenses were marginally lower in Q3 2020 than Q2 2020. As a result of these factors, net earnings in Q3 2020 were higher than in Q2 2020.

During Q2 2020, Genesis sold 35 residential lots to third party builders, 52 homes and a non-core development land parcel. Revenues were higher in Q2 2020 compared to Q1 2020 due to higher residential lot and homes sales in Q2 2020 compared to Q1 2020. This was partially offset by lower development land revenues in Q2 2020. Gross margins in Q2 2020 were higher than in Q1 2020 mainly due to there being no write-down of real estate held for development and sale in Q2 2020 while there was a \$10,815 write-down of real estate held for development and sale in Q1 2020. General and administrative expenses, selling and marketing expenses and net finance expenses were slightly lower in Q2 2020 than Q1 2020. Income tax expenses were incurred during Q2 2020 due to net earnings for the quarter compared to income tax recoveries due to losses incurred during Q1 2020.

During Q1 2020, Genesis sold 2 residential lots to third party builders, 30 homes and a development land parcel. Revenues were lower in Q1 2020 compared to Q4 2019 due to lower residential lot and homes sales in Q1 2020 compared to Q4 2019. This was partially offset by higher development land revenues in Q1 2020. Gross margins in Q1 2020 were lower than in Q4 2019 due to the development land parcel which had a negligible margin and the \$10,000 write-down of real estate held for development and sale. Selling and marketing expenses and net finance expenses were comparable in both Q1 2020 and Q4 2019. General and administrative expenses were lower in Q1 2020 compared to Q4 2019 which include costs incurred to purchase a VTB from LPLP 2007. Due to the net loss incurred in Q1 2020, there were income tax recoveries compared to income tax expenses in Q4 2019.

During Q4 2019, Genesis sold 21 residential lots to third party builders, 43 homes and a small development land parcel sale resulting in higher revenues in Q4 2019 compared to Q3 2019. Gross margins in Q4 2019 were higher than in Q3 2019 due to the higher volume of residential lots and homes sold. The development land parcel had a negligible margin. General and administrative expenses and net finance expenses were higher in Q4 2019 compared to Q3 2019 costs mainly due to higher loan balances. Selling and marketing expenses were comparable in Q4 2019 and Q3 2019 while income tax expenses were \$841 in Q4 2019 compared to \$193 in Q3 2019.

SUMMARY OF ACCOUNTING CHANGES

The Corporation adopted no new IFRSs or interpretations as of January 1, 2021.

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 (including stock-based compensation), 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 Q3 2021 and Q3 2020. Refer to note 2(p) in the consolidated financial statements for the years ended December 31, 2020 and 2019 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 longer time frames involved, particularly in land development.

Write-down 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 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 September 30, 2021.

There were no changes in the Corporation's ICFR during the three months ended September 30, 2021 that have materially affected or are reasonably likely to materially affect the Corporation's ICFR. Due to the COVID-19 pandemic, Genesis successfully transitioned to working remotely in March 2020.

RISKS AND UNCERTAINTIES

The CMA economy has experienced a volatile economic period due to the continuing COVID-19 pandemic restrictions put in place and this combined with volatile energy prices, resulted in a decrease in economic activity and an increased unemployment level. These and other factors have had a negative impact on the CMA. However, in September 2021, many restrictions were lifted in Alberta and in Q3 2021 energy prices have strengthened. The impact of the lifting of restrictions and the future price of oil are unknown at this time. As a result, it is not possible to reliably estimate the length and overall impact of these developments and the impact on the financial results and condition of the Corporation in future periods.

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, 2020 available on SEDAR at www.sedar.com.

NON-GAAP MEASURES

Non-GAAP measures do not have any standardized meaning according to IFRS, and therefore may not be comparable to similar measures presented by other reporting issuers.

Gross margin before reversal of write-down / (write-down) is a non-GAAP measure, and therefore may not be comparable to similar measures presented by other reporting issuers. Gross margin before write-down is calculated by adjusting for write-down of real estate held for development and sale. Gross margin before write-down of real estate held for development and sale is used to assess the performance of the business without the effects of the non-cash write-down of real estate held for development and sale. Management believes it is useful to exclude write-down from the analysis as it could affect the comparability of financial results between periods and could potentially distort the analysis of trends in business performance. Excluding this item does not imply it is non-recurring. The most comparable GAAP financial measure is gross margin.

The tables below show the calculation of gross margin before reversal of write-down / (write-down), which is derived from gross margin:

| Residential Lots | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|--------|------------------------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Residential lot revenues | 13,677 | 13,926 | 32,672 | 34,417 |
| Gross margin | 3,330 | 5,499 | 11,158 | 13,776 |
| Write-down of real estate held for development and sale | - | - | - | - |
| Gross margin before write-down | 3,330 | 5,499 | 11,158 | 13,776 |
| Gross margin before write-down (%) | 24.3% | 39.5% | 34.2% | 40.0% |

| Development Land | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|--------|------------------------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Development land revenues | 4,945 | 320 | 5,870 | 9,482 |
| Gross margin | 1,574 | (17) | 1,654 | (9,800) |
| (Reversal of write-down) / write-down of real estate held for development and sale | (1,003) | - | (1,003) | 10,000 |
| Gross margin before reversal of write-down / (write-down) | 571 | (17) | 651 | 200 |
| Gross margin before reversal of write-down / (write-down) (%) | 11.5% | (5.3%) | 11.1% | 2.1% |

| Homes | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|--------|------------------------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues for homes | 24,095 | 24,838 | 66,392 | 62,827 |
| Gross margin | 2,999 | 2,813 | 8,829 | 7,050 |
| Write-down of real estate held for development and sale | - | - | - | 815 |
| Gross margin before write-down | 2,999 | 2,813 | 8,829 | 7,865 |
| Gross margin before write-down (%) | 12.4% | 11.3% | 13.3% | 12.5% |

| Residential Lots, Development Land and Homes | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|--------|------------------------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Total revenues | 34,988 | 29,739 | 83,230 | 84,116 |
| Gross margin | 7,903 | 8,295 | 21,641 | 11,026 |
| (Reversal of write-down) / write-down of real estate held for development and sale | (1,003) | - | (1,003) | 10,815 |
| Gross margin before reversal of write-down / (write-down) | 6,900 | 8,295 | 20,638 | 21,841 |
| Gross margin before reversal of write-down / (write-down) (%) | 19.7% | 27.9% | 24.8% | 26.0% |

Net cash is a non-GAAP measure, and therefore may not be comparable to similar measures presented by other reporting issuers. Net cash is calculated as the difference between cash and cash equivalents and loans and credit facilities. Management believes that net cash is an important measure to monitor leverage and evaluate the balance sheet. The most comparable GAAP financial measure is loans and credit facilities.

The table below show the calculation of net cash:

| | September 30, 2021 | December 31, 2020 |
|-----------------------------|-----------------------|----------------------|
| Cash and cash equivalents | 29,703 | 29,743 |
| Loans and credit facilities | 21,350 | 21,470 |
| Net cash | 8,353 | 8,273 |

OTHER

Additional information relating to the Corporation can be found on SEDAR at 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".

Although Genesis believes that the anticipated future results, performance or achievements expressed or implied by forward-looking statements are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements because they involve assumptions, known and unknown risks, uncertainties and other factors many of which are beyond the Corporation's control, which may cause the actual results, performance or achievements of Genesis to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Accordingly, Genesis cannot give any assurance that its expectations will in fact occur and cautions that actual results may differ materially from those in the forward-looking statements.

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. 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. Forward-looking statements in this MD&A and factors that could cause actual results to differ materially from such statements include, but are not limited to, those outlined in the following table:

| | |
|--|--|
| <p>Forward-looking statements in this MD&A include, but are not limited to:</p> <ul style="list-style-type: none"> • statements relating to the COVID-19 pandemic; • the availability of excess cash on hand and its proposed use; • the future exercise of any right to purchase; • the future payment of dividends and/or common share buybacks; • the timing for removal of the GMO restricting development of the Logan Landing lands and the Lewiston lands; • the timing and approval of the Logan Landing outline plan and land use applications, and anticipated commencement of development of these lands; • the timing and approval of the Lewiston outline plan and land use applications, and anticipated commencement of development of these lands; • the timing and approval of the conceptual scheme for the OMNI ASP; • the approval for approval to proceed with servicing the first phase of lands in the Belvedere ASP; • timing for closing of the acquisition of approximately 157 acres of future residential development land in the City of Calgary, and the anticipated number of housing units in the community upon completion; • the expected completion dates of various projects that GBG is currently engaged in, the timeline for pre-construction homes and anticipated lot yields for projects under development; • plans and strategies surrounding the acquisition of additional land; • commencement of the servicing phase and the construction phase of various communities and projects; • the financing of such phases and expected increased leverage; • anticipated general economic and business conditions, including forecasted economic growth; • potential changes, if any, to the federal mortgage lending rules; • expectations for lot and home prices; • construction starts and completions; • future development costs; • anticipated expenditures on land development activities; • GBG's sales process and construction margins; • the payment of dividends; and • the ability to continue to renew or repay financial obligations and to meet liabilities as they become due. | <p>Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to:</p> <ul style="list-style-type: none"> • 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 and debt financing on favorable terms, or at all; • not realizing on the anticipated benefits from transactions or not realizing on such anticipated benefits within the expected time frame; • the cyclical nature of the oil and gas industry; • changes in the Canadian US dollar exchange rate; • labor matters; • product availability due to supply chain issues and (or) cost increases; • 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, including in this MD&A under the heading "Risks and Uncertainties" and the AIF under the heading "Risk Factors". |
|--|--|

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.