



GENESIS LAND DEVELOPMENT CORP.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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MANAGEMENT'S REPORT

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

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

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

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

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

/s/ Iain Stewart
President and Chief Executive Officer

/s/ Wayne King
Chief Financial Officer

March 2, 2023

Independent Auditor's Report

To the Shareholders of Genesis Land Development Corp.:

Opinion

We have audited the consolidated financial statements of Genesis Land Development Corp. and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2022 and December 31, 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter Description	Audit Response
<p><i>Real Estate Held for Development and Sale</i></p> <p>As at December 31, 2022, approximately 73% of the Corporation's assets or \$265.7 million are comprised of real estate held for development and sale (refer to Note 5). As described in Note 2e, real estate held for development and sale is measured at lower of cost or net realizable value.</p> <p>The determination of the net realizable value of real estate held for development and sale is considered to be a significant estimate. Each valuation requires consideration of various inputs including, but not limited to, the type of real estate, its location, stage of development and comparable market transactions. We therefore considered real estate held for development and sale to be a key audit matter.</p>	<p>We responded to this matter by performing audit procedures in relation to real estate held for development and sale. Our audit work in relation to this included, but was not restricted to, the following:</p> <ul style="list-style-type: none"> • We obtained the independent appraisals completed for the Corporation's real estate holdings. We verified that management had appropriately deducted future development costs and estimated selling costs from the appraised values to determine the net realizable value. We compared the carrying value to the estimated net realizable value. • We obtained reliance letters from the independent appraisers and confirmed their professional qualifications and their role as specialists. • We engaged our internal valuations group to review the independent appraisals to verify that the valuation methodologies used by the independent appraisers was generally accepted. • For real estate held for development and sale in which no appraisal was obtained, we assessed the carrying value based on recent sales made in the various phases. We performed a recalculation using the current year average sales price, multiplied by the number of lots remaining in each phase. We ensured expected future development costs and estimated selling costs were applied to the values in order to analyze the reasonability of net realizable value when compared to the carrying values in the general ledger. • We assessed the appropriateness of the disclosures relating to the assumptions used in real estate held for development and sale in the notes to the consolidated financial statements.

Provision for Future Development Costs

As described in Notes 2n and 14, the Corporation has obligations related to the completion of land under development and housing projects. The Corporation recognizes a liability for the future costs to be incurred.

The liability recognized for future land development and housing project costs involves inputs which rely on significant judgment from management, as well as significant reliance on the estimates made by third party engineers and architects. As such, future development and housing project costs have a high degree of subjectivity. We therefore considered the provision for future development costs to be a key audit matter.

We responded to this matter by performing procedures in relation to the provision for future land development and housing project costs. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained copies of the estimated cost reports prepared by independent experts (engineers and architects) engaged by management.
- We obtained reliance letters from the independent appraisers and confirmed their professional qualifications and their role as specialists.
- For internally estimated future development costs, we had thorough discussions with managers in the land and home divisions of the Corporation to understand management's estimation process. We assessed the reasonableness of the internal estimates based on known historical and current information. We compared the prior year costs to complete ("CTC") balance to current year CTC by community and analyzed significant variances to ensure that the change in CTC from the prior year is reasonable. We also compared estimates in management's calculation to the reports obtained from independent engineer specialists. In addition, we recalculated the allocation of common land development costs to specific development phases and completed analytical procedures based on the percentage of lots sold to identify unexpected and unusual variances in the expected CTC balance.
- We performed a look back analysis by comparing the previous provision for future development cost estimates to subsequent actual costs incurred to gain comfort over management's process for determining estimates of future development costs.
- We assessed the appropriateness of the disclosures relating to the assumptions used in the provision for future land development costs in the notes to the consolidated financial statements.

Other Information

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

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

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

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Calgary, Alberta

March 2, 2023

MNP LLP

Chartered Professional Accountants

**GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED BALANCE SHEETS**

(In thousands of Canadian dollars)

	Notes	December 31, 2022	December 31, 2021
Assets			
Real estate held for development and sale	5	265,683	218,855
Amounts receivable	6	22,165	13,632
Investments in land development entities	7	6,730	6,170
Investment in joint venture	8	3,588	-
Other operating assets	9	20,679	14,738
Right-of-use assets	10	562	655
Deferred tax assets	11	8,135	6,904
Cash and cash equivalents		36,598	63,975
Total assets		364,140	324,929
Liabilities			
Loan and credit facilities	12	65,057	32,668
Customer deposits	13	15,753	9,002
Accounts payable and accrued liabilities	21a	12,470	16,808
Accounts payable related to residential lot purchases		17,944	9,600
Lease liabilities		841	842
Income tax payable		704	2,092
Provision for future development costs	14	24,034	17,979
Total liabilities		136,803	88,991
Commitments and contingencies	20		
Subsequent events	12a, 16b, 25		
Equity			
Share capital	15	82,383	82,383
Contributed surplus	16c	1,063	1,045
Retained earnings		141,186	145,196
Shareholders' equity		224,632	228,624
Non-controlling interest		2,705	7,314
Total equity		227,337	235,938
Total liabilities and equity		364,140	324,929

See accompanying notes to the consolidated financial statements.

ON BEHALF OF THE BOARD:

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

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

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2022 and 2021
(In thousands of Canadian dollars except per share amounts)

		Year ended December 31,	
	Notes	2022	2021
Revenues			
Sales revenue		140,241	109,713
Other revenue		116	48
	22	140,357	109,761
Direct cost of sales		(114,285)	(82,186)
Reversal of write-down of real estate held for development and sale	5	1,086	4,268
		(113,199)	(77,918)
Gross margin		27,158	31,843
Gain in investments in land development entities	7	560	562
General and administrative	17	(14,786)	(12,025)
Selling and marketing	18	(5,815)	(5,143)
		(20,041)	(16,606)
Earnings from operations		7,117	15,237
Finance income		512	338
Finance expense	19	(1,612)	(1,220)
Earnings before income taxes		6,017	14,355
Income tax expense	11	(1,628)	(3,375)
Net earnings being comprehensive earnings		4,389	10,980
Attributable to non-controlling interest	24	(131)	103
Attributable to equity shareholders		4,520	10,877
Net earnings per share - basic and diluted	15b	0.08	0.24

See accompanying notes to the consolidated financial statements.

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2022 and 2021
(In thousands of Canadian dollars except number of shares)

	Notes	Equity attributable to Corporation's shareholders					Non-Controlling Interest	Total Equity
		Common shares - Issued		Contributed Surplus	Retained Earnings	Total Shareholders' Equity		
		Number of Shares	Amount					
At December 31, 2020		41,863,335	52,489	868	134,319	187,676	12,084	199,760
Share-based payments	16c	-	-	177	-	177	-	177
Issued on rights offering, net		15,000,000	29,894	-	-	29,894	-	29,894
Distributions	24	-	-	-	-	-	(4,773)	(4,773)
Net earnings being comprehensive earnings and other		-	-	-	10,877	10,877	3	10,880
At December 31, 2021		56,863,335	82,383	1,045	145,196	228,624	7,314	235,938

At December 31, 2021		56,863,335	82,383	1,045	145,196	228,624	7,314	235,938
Share-based payments	16c	-	-	18	-	18	-	18
Dividends	15d	-	-	-	(8,530)	(8,530)	-	(8,530)
Distributions and other	24	-	-	-	-	-	(4,478)	(4,478)
Net earnings being comprehensive earnings		-	-	-	4,520	4,520	(131)	4,389
At December 31, 2022		56,863,335	82,383	1,063	141,186	224,632	2,705	227,337

See accompanying notes to the consolidated financial statements.

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
(In thousands of Canadian dollars)

		Year ended December 31,	
	Notes	2022	2021
Operating activities			
Receipts from residential lot sales		16,742	13,981
Receipts from development land sales		15,991	8,589
Receipts from residential home sales		104,049	95,480
Other cash receipts		311	777
Paid for land development		(33,820)	(39,868)
Paid for lots / land acquisition		(39,245)	(3,993)
Paid for residential home construction		(84,478)	(57,323)
Paid to suppliers and employees		(19,572)	(16,053)
Interest received		512	338
Income tax (payments) refunds		(4,246)	460
Cash flows (used in) from operating activities		(43,756)	2,388
Investing activities			
Investment in joint venture	8	(3,589)	-
Acquisition of equipment		(607)	(875)
Change in restricted cash		2,093	250
Contribution made for joint venture		-	(260)
Cash flows used in investing activities		(2,103)	(885)
Financing activities			
Advances from loans and credit facilities	12	84,151	61,517
Repayments of loans and credit facilities		(42,389)	(40,416)
Repayment of vendor-take-back mortgage payable	12e	(9,312)	(9,312)
Interest and fees paid on loans and credit facilities		(2,452)	(1,871)
Distributions to unit holders of limited partnerships		(2,986)	(803)
Dividends paid	15d	(8,530)	(6,280)
Proceeds from rights offering, net		-	29,894
Cash flows from financing activities		18,482	32,729
Change in cash and cash equivalents		(27,377)	34,232
Cash and cash equivalents, beginning of year		63,975	29,743
Cash and cash equivalents, end of year		36,598	63,975

See accompanying notes to the consolidated financial statements.

GENESIS LAND DEVELOPMENT CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

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

1. DESCRIPTION OF BUSINESS

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

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

The Corporation is listed for trading on the Toronto Stock Exchange under the symbol “GDC”. Genesis’ head office and registered office are located at 6240, 333 - 96 Ave. NE, Calgary, AB T3K 0S3.

In March 2022, all COVID health recommendations applied by the Province of Alberta were removed. However, as a result of the restrictions placed by regulatory authorities there remain numerous supply chain issues that impact the procurement and availability of multiple components required to build homes and develop land. To this point, the Corporation has been able to manage these issues. The Corporation remains cautious as there is continued uncertainty as to the extent and duration of the future economic implications which could have an adverse impact on the Corporation’s financial position, negatively impact the value of its long term assets, future revenue and profitability.

The consolidated financial statements of Genesis were approved for issuance by the Board of Directors on March 2, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

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

a) **Statement of compliance**

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

b) **Basis of presentation**

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

GENESIS LAND DEVELOPMENT CORP.
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(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation

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

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

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

d) Revenue recognition

(i) Residential lot sales

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

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

Indicators of transfer of control to a purchaser include a present right to payment at the closing date of the contract, the purchaser having full access to the lot and the purchaser's ability to obtain a building permit from the relevant authority, all indicating that significant risk and rewards of ownership have been transferred to the purchaser who has signed a contract and has made a minimum 15% non-refundable deposit. In order to mitigate credit risk, the Corporation does not transfer title to sold residential lots until full payment is received.

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

(ii) Development land sales

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

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

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

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

GENESIS LAND DEVELOPMENT CORP.
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(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Residential home sales

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

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

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

(iv) Finance income

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

(v) Other revenue

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

e) Real estate held for development and sale

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

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

f) Borrowing costs

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

g) Property and equipment

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

- Vehicles and other equipment 5 years
- Office equipment and furniture 7 years
- Computer hardware and software 3 years
- Showhome furniture 3 years
- Leasehold improvements Lesser of useful life of the improvement or the lease term

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Income taxes

Income tax is recognized in the consolidated statements of comprehensive income except to the extent that it related to items recognized directly in equity, in which case it is recognized in equity.

Income taxes comprise the following:

(i) Current income tax

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

(ii) Deferred tax

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

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

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

The Corporation's consolidated financial statements include some entities that are limited partnerships (note 24) and are not subject to income taxes. The income or loss for Canadian tax purposes is attributable to the taxable income of the limited partners in accordance with the provisions of the Income Tax Act (Canada). The calculation of income tax expense reflects the exclusion of taxable income allocated to limited partners that form part of the non-controlling interest.

i) Cash and cash equivalents

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

j) Leases

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

GENESIS LAND DEVELOPMENT CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial assets

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

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

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

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

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

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

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

l) Financial liabilities

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

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

• Cash	FVTPL
• Cash equivalents	Amortized cost
• Deposits	Amortized cost
• Equity investments in land development entities	FVTPL
• Restricted cash	FVTPL
• Amounts receivable	Amortized cost
• Accounts payable and accrued liabilities	Amortized cost
• Cash settled deferred share units	FVTPL
• Loans and credit facilities	Amortized cost

m) Earnings per share

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

The calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively when the number of common shares outstanding increases as a result of a rights offering.

n) Provision for future development costs

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

o) Share-based compensation

The Corporation has a long-term incentive plan comprised of a stock option plan and a deferred share unit ("DSU") plan.

(i) Stock options

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

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Deferred share unit plan

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

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

p) Interest in joint venture

The Corporation has an interest in a joint venture, Sage Hill Estates Apartments LP, ("SHEA LP" or the "JV") which is a jointly controlled entity. The Corporation recognizes its interest in the JV using the equity method of accounting.

q) Significant accounting judgments and estimates

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

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

Judgments

(i) Revenue recognition

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

(ii) Consolidation

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

(iii) Income taxes

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

(iv) Net realizable value ("NRV")

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Legal contingencies

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

Estimates

(i) Provision for future development costs

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

(ii) Reversal of write-down / Write-down of real estate held for development and sale

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

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

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

(iv) Share-based compensation

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

(v) Investments in land development entities

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

3. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS DURING 2022

The Corporation adopted no new IFRSs and interpretations during 2022.

4. NEW ACCOUNTING PRONOUNCEMENTS

There were no new accounting pronouncements or amendments to existing standards that impacted or are expected to impact the Corporation in 2022 and 2023.

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5. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	Lots, Multi-family & Commercial Parcels	Land Held for Development	Home Building	Total	Limited Partnerships	Intra-segment Elimination	Consolidated Total
Gross book value							
As at December 31, 2021	41,892	151,852	28,870	222,614	9,564	(4,194)	227,984
Development activities	3,180	31,168	53,727	88,075	308	-	88,383
Transfer	41,791	(41,791)	-	-	-	-	-
Acquisitions	-	35,849	22,188	58,037	-	-	58,037
Sold	(41,212)	-	(56,279)	(97,491)	(6,763)	64	(104,190)
As at December 31, 2022	45,651	177,078	48,506	271,235	3,109	(4,130)	270,214
Provision for write-downs							
As at December 31, 2021	4,402	4,727	-	9,129	-	-	9,129
Sold	(3,512)	-	-	(3,512)	-	-	(3,512)
Transfer	1,841	(1,841)	-	-	-	-	-
Write-down / (reversal of write-down) of real estate held for development and sale	112	(1,198)	-	(1,086)	-	-	(1,086)
As at December 31, 2022	2,843	1,688	-	4,531	-	-	4,531
Net book value							
As at December 31, 2021	37,490	147,125	28,870	213,485	9,564	(4,194)	218,855
As at December 31, 2022	42,808	175,390	48,506	266,704	3,109	(4,130)	265,683

During the year ended December 31, 2022, the Corporation closed the sales of five parcels of development land for \$15,991 (2021 - four parcels for \$5,870). This included the sale of a 3.22-acre multi-family site for \$3,589 to SHEA LP and the gross sale proceeds from the sale being used to purchase 50% of the units in SHEA LP by way of a capital contribution of \$3,589 (note 8).

During the year ended December 31, 2022, the Corporation closed the acquisition of approximately 157 acres of future residential development land in the City of Calgary for \$29,150 pursuant to a binding agreement entered into in 2021.

During the year ended December 31, 2022, the Corporation closed the acquisition of the 49% undivided interest in three parcels totaling 456 acres in North Conrich, on the eastern edge of Calgary, in Rocky View County from Genesis Limited Partnership #4 and Genesis Limited Partnership #5 (controlled entities within the consolidated entity) for \$6,699. Genesis now owns 100% interest in these lands (see note 22 for additional information).

During the year ended December 31, 2022, the Corporation entered into a binding agreement to acquire 132 residential lots in the Calgary Metropolitan Area for \$22,188. The Corporation paid non-refundable deposits of \$6,277 with the balance of \$15,911, due on closing which is scheduled between January 2023 and January 2025.

During the year ended December 31, 2022, interest of \$822 (2021 - \$166) was capitalized as a component of development activities.

During the year ended December 31, 2022, the Corporation recorded a net reversal of write-down of \$1,086 related to write-downs previously taken on real estate 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 (2021 - \$4,268).

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6. AMOUNTS RECEIVABLE

	2022	2021
Agreements receivable	21,207	12,135
Other receivables	958	1,497
	22,165	13,632

Agreements receivable for lot sales have various terms of repayment with purchasers generally having between 6 and 24 months to pay the balance owing for the purchased lots. On receipt of a minimum 15% non-refundable deposit and after agreed to services pertaining to the property have been substantially performed, the purchaser is deemed to have control over the lot and is permitted to start construction. In order to mitigate credit risk, the Corporation does not transfer title to sold residential lots until full payment is received (see note 21a). Certain agreements receivable and mortgages receivable, if any, are interest bearing.

7. INVESTMENTS IN LAND DEVELOPMENT ENTITIES

	Investment in land development limited partnership - 5% interest	Investment in land development joint venture - 8% interest	Total
As at December 31, 2021	1,890	4,280	6,170
Gain in Fair Value	340	220	560
As at December 31, 2022	2,230	4,500	6,730

	Investment in land development limited partnership - 5% interest	Investment in land development joint venture - 8% interest	Total
As at December 31, 2020	1,850	3,758	5,608
Gain in Fair Value	40	522	562
As at December 31, 2021	1,890	4,280	6,170

The fair value of investments in land development entities is based on the market approach method. Fair values were obtained from external third-party appraisals. This method uses prices and other relevant information that have been generated by market transactions involving identical or comparable assets. During the year ended December 31, 2022, the Corporation recorded \$560 as a gain in investment in land development entities (2021 - \$562).

8. JOINT VENTURE

The Corporation and a private company entered into a limited partnership agreement to form SHEA LP, for the purpose of acquiring, developing and renting certain real estate. The Corporation sold a 3.22-acre multi-family site for \$3,589 to SHEA LP and used the gross sale proceeds to purchase 50% of the units in SHEA LP by way of a capital contribution of \$3,589. The private company will contribute cash equity until it is equal with Genesis's contribution after which all future contributions will be 50/50.

SHEA LP is accounted for using the equity method with the Corporation's share of net assets being \$3,588 at December 31, 2022 (December 31, 2021 - \$Nil).

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9. OTHER OPERATING ASSETS

	2022	2021
Deposits	11,122	6,676
Restricted Cash	6,849	5,992
Prepayments	1,118	589
Property, equipment and other	1,590	1,481
	20,679	14,738

Deposits include amounts paid by the Corporation towards the purchase of lots and land as well as amounts paid to development authorities as security to guarantee the completion of construction projects under development. Restricted cash includes funds held in trust related to acquisition and sale of development land and lots. The Corporation also provides letters of credit and surety bonds as security to guarantee the completion of certain construction projects (see note 20a for additional information).

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10. LEASES

Right-of-Use Assets	Photocopiers	Office Building	Trucks	Showhomes Leaseback	Total
As at January 1, 2022	50	528	9	68	655
Additions	17	-	-	168	185
Depreciation charge for the year ⁽¹⁾	(20)	(102)	(9)	(147)	(278)
As at December 31, 2022	47	426	-	89	562
As at December 31, 2021	50	528	9	68	655

Lease Liabilities	Photocopiers	Office Building	Trucks	Showhomes Leaseback	Total
As at January 1, 2022	53	699	10	80	842
Additions	17	-	-	209	226
Lease payments	(22)	(63)	(10)	(174)	(269)
Interest for the year ⁽¹⁾	2	34	-	6	42
As at December 31, 2022	50	670	-	121	841
As at December 31, 2021	53	699	10	80	842

⁽¹⁾ Discount rate used ranged between 3.26% and 7.55%.

Lease Liabilities – undiscounted cash flows	Photocopiers	Office Building	Trucks	Showhomes Leaseback	Total
January 1, 2023 to December 31, 2023	26	178	-	106	310
January 1, 2024 to November 30, 2027	27	563	-	19	609
As at December 31, 2022	53	741	-	125	919
As at December 31, 2021	56	804	10	81	951

Amounts recognized in statements of comprehensive income	Photocopiers	Office Building	Trucks	Showhomes Leaseback	Total
Interest on lease liabilities	2	34	-	6	42
Total for the year ended December 31, 2022	2	34	-	6	42
Total for the year ended December 31, 2021	3	34	1	3	41

Amounts recognized in the statement of cash flows ⁽²⁾	Photocopiers	Office Building	Trucks	Showhomes Leaseback	Total
Interest paid	2	34	-	6	42
Payment of lease liabilities	20	29	10	168	227
Total for the year ended December 31, 2022	22	63	10	174	269
Total for the year ended December 31, 2021	21	40	14	86	161

⁽²⁾ These amounts are included in the line item "paid to suppliers and employees" in the consolidated statements of cash flows.

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11. INCOME TAXES

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

	2022	2021
Current income tax expense	2,859	2,191
Deferred income tax expense	(1,231)	1,184
Income tax expense	1,628	3,375

b) Income tax expense differed from that which would be expected from applying the combined statutory Canadian federal and provincial income tax rates of 23.00% (2021 - 23.00%) to earnings before income taxes. The difference resulted from the following:

	2022	2021
Earnings before income taxes	6,017	14,355
Statutory tax rate	23.00%	23.00%
Expected income tax expense	1,384	3,302
Share-based compensation	235	135
Other	(27)	(38)
Non-controlling interest	36	(24)
Tax expense for the year	1,628	3,375

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

	2022	2021
Deferred tax assets	9,033	7,672
Deferred tax liabilities	(898)	(768)
Net deferred tax assets	8,135	6,904

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

	2022	2021
Real estate held for development and sale	5,756	4,542
Reserves from land sales	(612)	(598)
Unamortized financing costs	2,780	2,810
Other temporary differences	211	150
Net deferred tax assets	8,135	6,904

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12. LOAN AND CREDIT FACILITIES

	2022	2021
Secured by specific dedicated lands and a general corporate charge on all assets of the Corporation		
a) Corporate revolving credit facility up to \$50,000 with a major Canadian financial institution at an interest rate per annum of prime +1.90%. Subsequent to December 31, 2022, in January 2023, the facility was extended and matures on February 1, 2026.	25,626	16,237
Secured by agreements receivable and real estate held for development and sale		
b) Demand land project servicing facilities from a major Canadian chartered bank, payable on collection of agreements receivable, bearing interest at prime +0.50% per annum, secured by real estate held for development and sale with a carrying value of \$15,480. Loan amounts are due between May 12, 2024, and March 19, 2025.	12,522	5,794
c) Demand operating credit facility up to \$21,500 from a major Canadian chartered bank, bearing interest at prime +0.50% per annum, secured by real estate held for development and sale with a carrying value of \$44,345 and a corporate guarantee. Loan amount is due on October 27, 2025.	20,198	-
Secured by housing projects under development		
d) Demand operating credit facility up to \$10,000 from a major Canadian chartered bank, bearing interest at prime +0.75% per annum, secured by a general security agreement over assets of the home building division. The facility was amended in January 2022 to increase from \$6,500 to \$10,000.	7,364	1,917
Secured by real estate held for development and sale		
e) The vendor-take-back facility bearing interest at 5% per annum was entered into on September 13, 2019 in partial payment for the purchase of approximately 130 acres of future residential development land in north Calgary. The final installment of \$9,312 was paid in January 2022.	-	9,312
	65,710	33,260
Deferred fees on loan and credit facilities	(653)	(592)
	65,057	32,668

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

The weighted average interest rate of loan agreements with financial institutions was 7.52% (December 31, 2021 - 3.92%) based on December 31, 2022 balances.

During the year ended December 31, 2022, the Corporation received advances of \$84,151 (2021 - \$61,517) and made repayments of \$42,389 (2021 - \$40,416) relating to various loan facilities. These are secured by real estate held for development and sale, housing projects under development, specific dedicated lands and a general corporate charge on all assets of the Corporation. These loan facilities bear interest ranging from prime +0.50% to prime +1.90% per annum, with maturity dates ranging from May 12, 2024 to February 1, 2026. During the year ended December 31, 2022, the Corporation incurred interest expense of \$2,027 directly related to these loans (2021 - \$1,096).

The Corporation and its subsidiaries have various covenants in place with their lenders with respect to credit facilities including credit usage restrictions; cancellation, prepayment, confidentiality and cross default clauses; sales coverage requirements; conditions precedent for funding; and other 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. As at December 31, 2022 and 2021, the Corporation and its subsidiaries were in compliance with all loan covenants.

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12. LOAN AND CREDIT FACILITIES (continued)

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

January 1, 2023 to December 31, 2023	7,364
January 1, 2024 to December 31, 2024	8,522
January 1, 2025 to December 31, 2025	24,198
January 1, 2026 to December 31, 2026	25,626
	65,710

13. CUSTOMER DEPOSITS

	2022	2021
Customer deposits on residential home sales	9,194	5,588
Customer deposits on residential lot and development land sales	6,559	3,414
	15,753	9,002

Customer deposits are amounts received upon signing of contracts for purchases of residential homes, lots and development land on which revenue recognition criteria have not yet been met.

14. PROVISION FOR FUTURE DEVELOPMENT COSTS

The movement in the provision for future development costs is as follows:

	Land Development	Home Building	Total
As at December 31, 2021	15,096	2,883	17,979
Additions	9,927	12,607	22,534
Changes to estimates	(297)	113	(184)
Development activities	(4,621)	(11,674)	(16,295)
As at December 31, 2022	20,105	3,929	24,034

	Land Development	Home Building	Total
As at December 31, 2020	18,737	1,476	20,213
Additions	5,253	11,758	17,011
Changes to estimates	(67)	(416)	(483)
Development activities	(8,827)	(9,935)	(18,762)
As at December 31, 2021	15,096	2,883	17,979

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15. SHARE CAPITAL

a) **Authorized**

Unlimited number of common shares without par value.

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

b) **Weighted average number of shares**

The following table sets forth the weighted average number of common shares outstanding for the year ended December 31, 2022 and 2021:

	Year ended December 31,	
	2022	2021
Basic	56,863,335	44,642,895
Effect of dilutive securities - stock options	-	-
Diluted	56,863,335	44,642,895

In calculating diluted earnings per share for the year ended December 31, 2022, the Corporation excluded all options as all outstanding options were cancelled effective May 25, 2022. In calculating the diluted earnings for the year ended December 31, 2021, the Corporation excluded 855,000 options as their weighted exercise price was higher than the average market price of the Corporation's shares during the period.

Basic and diluted earnings per share and weighted average number of shares for prior periods have been recalculated to account for the impact of the Corporation's share issue pursuant to a rights offering that closed on December 17, 2021.

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

The Corporation initiated an NCIB on December 14, 2022. The NCIB commenced on December 16, 2022 and will terminate on the earlier of: (i) December 15, 2023; and (ii) the date on which the maximum number of common shares are purchased pursuant to the bid. The Corporation may purchase for cancellation up to 2,843,166 common shares under the NCIB.

The prior NCIB, which expired on October 12, 2021, allowed the Corporation to purchase for cancellation up to 2,098,885 common shares.

No purchases were made under the NCIB during the year ended December 31, 2022 and 2021.

d) **Dividends paid**

Cash dividends of \$8,530 (\$0.15 per share) were declared and paid during the year ended December 31, 2022. No dividends were declared during the year ended December 31, 2021. Cash dividends of \$6,280 (\$0.15 per share), declared on December 9, 2020, were paid on January 11, 2021.

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16. SHARE-BASED COMPENSATION

a) Stock option plan

Share-based payments may be settled in cash or equity at the sole discretion of the Corporation and are accounted for as equity-settled plans. During the year ended December 31, 2022, 855,000 stock options with a weighted average exercise price of \$3.31 were cancelled.

Details of stock options are as follows:

	Year ended December 31,			
	2022		2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of year	855,000	\$3.31	2,535,000	\$3.31
Options cancelled pursuant to revised long-term incentive plan	(855,000)	\$3.31	(1,680,000)	\$3.31
Outstanding - end of year	-	-	855,000	\$3.31
Exercisable - end of year	-	-	641,250	\$3.31

b) Deferred share unit plan ("DSU")

The Corporation's cash settled DSU plan provides for DSUs to be issued to directors and designated employees. DSUs are issued with various vesting terms, currently ranging from immediately vesting up to four years. Details of the number of outstanding DSUs are as follows:

	Year ended December 31,	
	2022	2021
Outstanding - beginning of year	573,743	354,258
DSUs granted	491,317	334,033
DSUs cancelled	-	(114,548)
Outstanding - end of year	1,065,060	573,743
Vested - end of year	641,043	115,490

The outstanding liability related to cash settled DSUs as at December 31, 2022 was \$1,950 (December 31, 2021 - \$947) and is recorded in accounts payable and accrued liabilities. DSUs are measured at fair value at each reporting period on a mark-to-market basis.

Subsequent to December 31, 2022, the Corporation granted 211,241 DSUs at \$2.03 each.

c) Share-based compensation expense

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

	Year ended December 31,	
	2022	2021
Stock options	18	177
Deferred share units related to grants which are to be cash settled	1,003	410
Total share-based compensation expense	1,021	587

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17. GENERAL AND ADMINISTRATIVE

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

	Years ended December 31,	
	2022	2021
Compensation and benefits	9,499	7,359
Share-based compensation	1,021	587
Corporate administration	2,930	2,291
Professional services	1,336	1,788
	14,786	12,025

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

	Years ended December 31,	
	2022	2021
Salaries, wages and benefits	2,423	2,112
Share-based compensation	1,021	587
	3,444	2,699

18. SELLING AND MARKETING

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

	Years ended December 31,	
	2022	2021
Advertising and marketing	3,452	3,114
Sales commissions	2,363	2,029
	5,815	5,143

19. FINANCE EXPENSE

Finance expense of the Corporation consisted of the following:

	Years ended December 31,	
	2022	2021
Interest incurred	1,989	479
Interest relating to VTB (note 12)	105	658
Financing fees amortized	340	249
Interest and financing fees capitalized (note 5)	(822)	(166)
	1,612	1,220

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20. COMMITMENTS AND CONTINGENCIES

a) The Corporation has issued letters of credit and surety bonds pursuant to servicing agreements with municipalities to indemnify them in the event that the Corporation does not perform its contractual obligations. As at December 31, 2022, these amounted to \$5,414 (December 31, 2021 - \$7,747).

b) The Corporation is committed to pay levies and municipal fees relating to signed municipal agreements on commencement of development of certain real estate assets with the following future payments:

January 1, 2023 to December 31, 2023	7,475
January 1, 2024 to December 31, 2024	3,841
January 1, 2025 to December 31, 2025	800
	12,116

c) The Corporation has contracted to acquire 243 residential lots in the Calgary Metropolitan Area for \$36,984 from third-party land developers. The Corporation has paid deposits totaling \$6,609 with the remainder being payable as follows:

January 1, 2023 to December 31, 2023	7,401
January 1, 2024 to December 31, 2024	5,262
January 1, 2025 to December 31, 2025	17,531
January 1, 2026 to December 31, 2026	181
	30,375

d) The Corporation entered into an agreement to acquire approximately 160 acres of future residential development land in the southeast sector of the City of Calgary for \$30,000. The Corporation has paid a non-refundable deposit of \$3,300 with the balance due on closing which is scheduled for January 31, 2025. In addition, the Corporation has contracted to acquire approximately 3.56 acres of land for \$663. The Corporation paid a deposit of \$132, with the balance of \$531 to be paid on closing, currently scheduled for Q2 2023.

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21. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

The Corporation's current financial assets are measured at amortized cost or fair value through profit and loss ("FVTPL"). The estimated fair value of financial assets and liabilities measured at FVTPL as at December 31, 2022 and December 31, 2021 are presented in the following table:

	Fair Value Hierarchy	Measurement Basis	Carrying Value		Fair Value	
			As at Dec. 31, 2022	As at Dec. 31, 2021	As at Dec. 31, 2022	As at Dec. 31, 2021
Financial Assets						
Cash	Level 1	FVTPL	36,598	63,975	36,598	63,975
Investments in land development entities	Level 3	FVTPL	6,730	6,170	6,730	6,170
Restricted cash ⁽¹⁾	Level 1	FVTPL	6,849	5,992	6,849	5,992
Financial Liabilities						
Cash settled DSUs	Level 1	FVTPL	1,950	947	1,950	947

⁽¹⁾ Included in other operating assets.

During the year ended December 31, 2022 and 2021, no transfers were made between the levels in the fair value hierarchy.

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21. FINANCIAL INSTRUMENTS (continued)

a) Risks associated with financial instruments

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The financial assets that are exposed to credit risk consist of cash and cash equivalents, restricted cash and amounts receivable. The Corporation's cash is held in bank accounts with major Canadian chartered banks. Restricted cash amounts are held in trust by reputable law firms.

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

Recovery of bad debt expense is included in the Corporation's general and administrative expenses. In order to mitigate credit risk, the Corporation does not transfer title to sold residential lots until full payment is received. Individual balances due from customers as at December 31, 2022, which comprise greater than 10% of total amounts receivable, totaled \$21,207 from two customers (December 31, 2021 - \$12,135 from three customers).

Aging of amounts receivable, none of which are past due, was as follows:

	2022	2021
Due on sold lots	21,207	12,135
Other receivables	958	1,497
	22,165	13,632

(ii) Liquidity risk

The contractual maturities of financial liabilities and other commitments as at December 31, 2022 were as follows:

	<1 Year	>1 Year	Total
Financial liabilities			
Accounts payable and accrued liabilities	12,470	-	12,470
Accounts payable related to residential lot purchases	13,036	4,908	17,944
Loan and credit facilities excl. deferred fees on loan and credit facilities (note 12)	7,364	58,346	65,710
	32,870	63,254	96,124
Commitments			
Lease obligations (including variable operating costs)	547	1,361	1,908
Land and lot purchase contracts (note 20c and note 20d)	7,932	49,674	57,606
Levies and municipal fees (note 20b)	7,475	4,641	12,116
	15,954	55,676	71,630
	48,824	118,930	167,754

As at December 31, 2022, the Corporation had obligations due within the next 12 months of \$48,824 (December 31, 2021 - \$74,758). Based on the Corporation's operating history, its relationship with its lenders and committed sales contracts, management believes that the Corporation has the ability to continue to renew or repay its financial obligations as they come due. During the year ended December 31, 2022, the Corporation's operating line of credit facility was increased from \$6,500 to \$10,000 (note 12d) and the corporate revolving line of credit was extended until February 2026 (note 12a). The Corporation also put in place a demand operating credit facility of \$21,500 (note 12c).

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21. FINANCIAL INSTRUMENTS (continued)

(iii) Market risk

The Corporation is exposed to interest rate risk to the extent that certain agreements receivable and certain loan and credit facilities are at a floating rate of interest. A 1% change in interest rates would result in a change in interest incurred of approximately \$657 annually on floating rate facilities (2021 - \$239).

b) Capital management

The Corporation's policy is to maintain a sufficient capital base in order to retain investor, creditor and market confidence and to sustain the future development of the business. The Corporation is in compliance with all externally imposed capital requirements.

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

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

	2022	2021
Loan and credit facilities (note 12)	65,057	32,668
Shareholders' equity	224,632	228,624
	289,689	261,292

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22. SEGMENTED INFORMATION

The income producing business units of the Corporation reported the following activities for the year ended December 31, 2022 and 2021:

Year ended December 31, 2022	Land Development Segment			Total	Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination				
Revenues	40,564	75	-	40,639	100,680	(16,953)	124,366
Revenues - development lands	15,991	6,699	(6,699)	15,991	-	-	15,991
Direct cost of sales	(47,489)	(6,763)	6,763	(47,489)	(83,749)	16,953	(114,285)
Reversal of write-down of real estate held for development and sale	1,086	-	-	1,086	-	-	1,086
Gross margin	10,152	11	64	10,227	16,931	-	27,158
Gain in investments in land development entities	560	-	-	560	-	-	560
G&A, selling & marketing and net finance expense or income	(8,919)	(142)	-	(9,061)	(12,640)	-	(21,701)
Earnings (loss) before income taxes and non-controlling interest	1,793	(131)	64	1,726	4,291	-	6,017
Segmented assets as at December 31, 2022	302,477	3,701	(4,495)	301,683	64,777	(2,320)	364,140
Segmented liabilities as at December 31, 2022 ^{(1), (2)}	95,658	996	(365)	96,289	42,834	(2,320)	136,803
Segmented net assets as at December 31, 2022 ^{(1), (2)}	206,819	2,705	(4,130)	205,394	21,943	-	227,337

Year ended December 31, 2021	Land Development Segment			Total	Home Building Segment	Intersegment Elimination	Total
	Genesis	LP	Intrasegment Elimination				
Revenues	41,076	203	(184)	41,095	92,416	(29,620)	103,891
Revenues - development lands	4,945	925	-	5,870	-	-	5,870
Direct cost of sales	(30,771)	(845)	-	(31,616)	(80,190)	29,620	(82,186)
Reversal of write-down of real estate held for development and sale	4,268	-	-	4,268	-	-	4,268
Gross margin	19,518	283	(184)	19,617	12,226	-	31,843
Gain in investments in land development entities	562	-	-	562	-	-	562
G&A, selling & marketing and net finance expense or income	(8,142)	(180)	184	(8,138)	(9,912)	-	(18,050)
Earnings before income taxes and non-controlling interest	11,938	103	-	12,041	2,314	-	14,355
Segmented assets as at December 31, 2021	276,751	13,895	(6,482)	284,164	39,527	1,238	324,929
Segmented liabilities as at December 31, 2021 ^{(1), (2)}	62,653	6,609	(2,288)	66,974	20,779	1,238	88,991
Segmented net assets as at December 31, 2021 ^{(1), (2)}	214,098	7,286	(4,194)	217,190	18,748	-	235,938

⁽¹⁾ Segmented liabilities under the Genesis home building segment include \$61 due to the land development segment (December 31, 2021 - \$3,113 due from the land development segment to the home building segment).

⁽²⁾ Segmented liabilities under the LP segment is comprised of accounts payable and accrued liabilities and includes \$365 (December 31, 2021 -\$2,288) due to Genesis.

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23. RELATED PARTY TRANSACTIONS

Transactions occurred with the following related parties:

- a) In 2005, the Corporation sold a 49% undivided interest in approximately 610 acres to Genesis Limited Partnership #4 and GLP5 NE Calgary Development Inc. for \$7,670. These entities are part of LP 4/5 group and are consolidated in the Corporation's financial statements (note 24). A margin of \$4,194 was deferred at that point and would have been recognized when the lands were sold to a third-party. In July 2022, the Corporation repurchased from LP4/5 group their 49% undivided interest in 456 acres of land for \$6,699 with LP4/5 group still owning a 49% undivided interest in the remaining 154 acres of land. The cash proceeds were \$5,038 with the remainder of \$1,661 being applied against debt owed to the Corporation by LP4/5 group. The margin deferred on completion of the repurchase was \$4,130 and will be recognized when the lands are sold to a third party.
- b) The Corporation and a private company entered into a Limited Partnership, SHEA LP to develop a two-building purpose built rental project containing approximately 300 units in the Corporation's Sage Hill Crest community. The Corporation and the private company each own 50% of the units in SHEA LP (49% directly and 1% through the general partner Sage Hill Estates Apartments GP Inc.). See note 8 for additional information.

24. CONSOLIDATED ENTITIES

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

Genesis Limited Partnership #8 and Genesis Limited Partnership #9, part of the LP8/9 group, paid a final distribution to their unit holders during the year ended December 31, 2021. Genesis held 53.63% equity interest in Genesis Limited Partnership#8. The LP 8/9 Group entities no longer have any assets or liabilities and have been wound up. The entities are no longer being consolidated effective January 1, 2022.

LPLP 2007 is a limited partnership controlled by the Corporation. This limited partnership no longer has any real estate assets and is in the process of distributing all remaining cash, held in trust, to the limited partners following which it will be wound up.

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24. CONSOLIDATED ENTITIES (continued)

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

Name	% equity interest as at	
	December 31, 2022	December 31, 2021
Land Development		
Genpol Inc.	100%	100%
Genpol LP	100%	100%
1504431 Alberta Ltd.	0.0002%	0.0002%
Genesis Sage Meadows Partnership	99.9998%	99.9998%
Genesis Land Development (Southeast) Corp.	100%	100%
Genesis Keystone Ltd.	100%	100%
Polar Hedge Enhanced Income Trust	100%	100%
Genesis Land Development (Ricardo Ranch) Corp.	100%	100%
Sage Hill Crest Apartments Corp.	100%	100%
Siseneg Holding Inc.	100%	-
GLDC Management Inc.	100%	-
Lewiston Lands Limited Partnership ⁽²⁾	100%	-
Lewiston Lands GP Inc.	100%	-
Home Building		
Genesis Builders Group Inc.	100%	100%
The Breeze Inc.	100%	100%
Joint Venture		
Sage Hill Estates Apartments LP	49%	49%
Sage Hill Estates Apartments GP Inc.	2%	2%
Kinwood Communities Inc.	50%	50%
Limited Partnerships		
LP 4/5 Group		
Genesis Limited Partnership #4 ⁽¹⁾	0.001%	0.001%
Genesis Limited Partnership #5, GLP5 GP Inc., GLP5 NE Calgary Development Inc.	0%	0%
Genesis Northeast Calgary Ltd.	100%	100%
LP 8/9 Group		
Genesis Limited Partnership #8 ⁽¹⁾	-	53.63%
Genesis Limited Partnership #9, GP GLP9 Inc., GLP9 Subco Inc.	-	0%
GP GLP8 Inc.	-	100%
LPLP 2007 Group		
Limited Partnership Land Pool (2007)	0.023%	0.023%
GP LPLP 2007 Inc.	100%	100%
GP RRSP 2007 Inc., LPLP 2007 Subco Inc.	0%	0%
LPLP 2007 Subco #2 Inc., LP RRSP Limited Partnership #1	0%	0%
LP RRSP Limited Partnership #2	0%	0%

⁽¹⁾ The allocation of profit or loss is 0% in accordance with the terms of the limited partnership agreement.

⁽²⁾ During the year ended December 31, 2022, the Corporation sold approximately 130 acres to Lewiston Lands Limited Partnership ("LLLP") for \$42,830. 100% of LLLP was owned by Genesis Land Development Corporation at December 31, 2022. This transaction was eliminated on consolidation.

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24. CONSOLIDATED ENTITIES (continued)

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

BALANCE SHEETS

	December 31, 2022			
	LP 4/5	LP 8/9	LPLP 2007	Total
Assets				
Real estate held for development and sale	3,109	-	-	3,109
Other operating assets including restricted cash	22	-	532	554
Cash and cash equivalents	-	-	38	38
Total assets	3,131	-	570	3,701
Liabilities				
Accounts payable and accrued liabilities	98	-	533	631
Due to related parties	328	-	37	365
Total liabilities	426	-	570	996
Net assets	2,705	-	-	2,705
Non-controlling interest (%)	100%	0%	100%	

	December 31, 2021			
	LP 4/5	LP 8/9	LPLP 2007	Total
Assets				
Real estate held for development and sale	9,564	-	-	9,564
Amounts receivable	-	-	6	6
Due from related parties	-	45	51	96
Other operating assets including restricted cash	-	-	4,198	4,198
Cash and cash equivalents	-	-	31	31
Total assets	9,564	45	4,286	13,895
Liabilities				
Accounts payable and accrued liabilities	3	45	4,273	4,321
Due to related parties	2,288	-	-	2,288
Total liabilities	2,291	45	4,273	6,609
Net assets	7,273	-	13	7,286
Non-controlling interest (%)	100%	100%	100%	

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24. CONSOLIDATED ENTITIES (continued)

SUMMARIZED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31, 2022			
	LP 4/5	LP 8/9	LPLP 2007	Total
Revenues	6,713	-	61	6,774
Net (loss)	(131)	-	-	(131)
Non-controlling interest (%)	100%	n/a	100%	

	Year ended December 31, 2021			
	LP 4/5	LP 8/9	LPLP 2007	Total
Revenues	19	1,109	-	1,128
Net (loss) / earnings	(184)	211	76	103
Non-controlling interest (%)	100%	100%	100%	

SUMMARIZED STATEMENT OF CASH FLOWS

	Year ended December 31, 2022			
	LP 4/5	LP 8/9	LPLP 2007	Total
Cash flows from operating activities	-	-	7	7
Net increase in cash and cash equivalents	-	-	7	7

	Year ended December 31, 2021			
	LP 4/5	LP 8/9	LPLP 2007	Total
Cash flows (used in) / from operating activities	-	(13)	90	77
Cash flows used in financing activities	-	-	(74)	(74)
Net (decrease) / increase in cash and cash equivalents	-	(13)	16	3

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25. SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the following occurred:

a) In December 2022, the Corporation entered into binding agreements to sell a 20% ownership stake in LLLP to each of two Calgary based third party home builders. LLLP owns 130 acres of residential development land located in north Calgary in the Keystone Area Structure Plan. The transaction closed on January 16, 2023, for a consideration for each 20% ownership stake of \$5,880 (net of assumption of debt of \$4,000 each) resulting in gross proceeds for the sale of a 40% ownership interest of \$11,760 (net of assumption of debt of \$8,000).

b) In February 2023, the Corporation paid \$1,253 to GLP5 NE Calgary Development Inc. to acquire an additional 25 acres in the OMNI project in North Conrich. This results in Genesis holding a 73% interest (previously 59%) in the 185-acre OMNI project with the remaining 27% being held by Genesis Limited Partnership #4.