2016 ANNUAL REPORT

GENESIS LAND DEVELOPMENT CORP.

MESSAGE FROM THE CHAIR

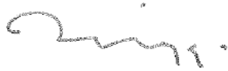
2016 was a transformational year for Genesis as the board adopted a new shareholder focused strategy designed to generating strong cash flow from our extensive land inventory, estimated to be over 10,000 single family and townhouse units and over 300 acres of mixed use commercial lands located in the Calgary, Alberta area.

The financial strength of Genesis improved significantly in 2016, as we reduced debt by over $20.5 million, paid the largest dividend in our history, increased cash on hand and used $1.42 million to repurchase common shares.

The Alberta economy continued in 2016 to be impacted by the sharp drop and subsequent partial recovery in oil and natural gas prices over the last several years. However, prices for lower and mid-market homes have been relatively stable and have been less impacted by the Alberta economy than higher valued homes. As the Calgary area has a relatively low level of serviced lot inventory available to builders, we were able to obtain increases in lot prices in 2016 and expect this trend to continue as the level of new serviced lots remains low.

Our future continues to be bright and we are well-positioned for longer-term growth and success with a significant portfolio of entitled and unentitled land in the Calgary, Alberta area and the ability to generate strong cash flow available for distribution to shareholders.

On behalf of the Board, I would like to extend my gratitude to our valued employees and business partners for their contribution to our success. And of course, thank you to our shareholders for your support and your trust.



Stephen J. Griggs
Chair of the Board

MANAGEMENT'S DISCUSSION & ANALYSIS 2016

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2016

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 consolidated financial statements and the notes thereto for year ended December 31, 2016 and 2015, prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated 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, 2016 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 March 21, 2017.

STRATEGY AND 2017 BUSINESS FOCUS

Strategy

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

As a land developer, Genesis plans, rezones, subdivides, services and sells residential communities and commercial and industrial lands to third parties, and sells lots and completed homes through its home building business. The land portfolio is planned, developed, serviced and sold with the objective of maximizing the risk adjusted net present value of the land and to maximize the cash flow available for distribution to shareholders. Genesis has no immediate plan or need to acquire additional land at this time and all excess cash on hand is expected to be used to issue dividends to shareholders, buy back common shares, or a combination of both.

At December 31, 2016, Genesis land inventory is estimated to include over 10,000 single family and townhouse units and over 300 acres of mixed use commercial lands.

The home building business, operated through a wholly-owned subsidiary, Genesis Builders Group Inc. ("GBG"), designs, constructs and sells single-family homes and townhouses primarily on lands developed by Genesis. The objective of the home building business is to deliver a significant return and cash flow from the capital invested in it and to sell incremental Genesis single family lots and townhouse land parcels. The home building division is expected to build and sell approximately 170 homes per year on these lands with third party builders expected to purchase 50-100 lots per year.

Refer to the New Strategy section of this MD&A for additional information.

Genesis is focused on minimizing overhead costs, which significantly reduce the return on long terms assets. Long term commitments are avoided where possible to preserve flexibility.

2017 Business Plan

The business plan for 2017 includes:

- Maximizing the return of capital to shareholders through dividends and/or buying back shares
- Obtaining additional land servicing and zoning entitlements which are expected to materially increase the value and marketability of these lands
- Developing detailed plans for the development and ultimate disposition of all core lands to maximize the net present value of each project
- Adding one or more third party builders acquiring lots in Genesis communities, in addition to the seven third-party builders working with Genesis at the end of 2016
- Increasing the number of units sold by GBG, including constructing several townhouse complexes, at reasonable construction margins while optimizing the amount of required capital
- Servicing a phase of the "Saddlestone" community in Calgary (expected to yield 102 residential lots) and an additional phase in Airdrie (expected to yield 73 residential lots)
- Selling the remaining non-core land

OVERVIEW OF MARKET AND 2016 OPERATING RESULTS

Alberta Real Estate Market Likely Hits Bottom

The Alberta economy continues to be impacted by the sharp drop and subsequent partial recovery in oil and natural gas prices over the last several years and is generally expected to continue to be weak and possibly flat in the year ahead. The Alberta economy is very dependent on the oil and gas industry and the price of oil and gas paid in Alberta. The economic impact of the decline in oil and gas prices has included weaker consumer confidence, leading to lower levels of new home purchases and significantly lower revenues for governments, constricting their ability to fund the infrastructure required to develop new communities. At the same time, interest rates remain at record lows resulting in low mortgage rates which improve the affordability of a new home for many buyers.

The sale of new homes has declined in Calgary since 2014, and prices for lower and mid-market homes are slightly lower, although relatively stable and less impacted by the Alberta economy than higher valued homes. However, the CMA has a relatively low level of serviced lot inventory available to builders, and Genesis was able to obtain increases in lot prices in 2016 and expects this trend to continue as the level of new serviced lots remains low. In addition, Genesis has made design, finishing and supplier contractual changes to reduce the construction cost of its homes while maintaining quality.

There has been a shift over the last several years in the buying of new CMA homes, and the vast majority of homes are now sold at or close to completion on a quick possession basis, rather than being contracted for before construction commence. Given the capital strength of the Corporation, Genesis is well positioned to sell homes on a quick possession basis and has developed a sales program tailored to current market conditions.

2016 – A Transformation Year

New Strategy

2016 was a year of transformation for Genesis. Prior to 2016, the business focused on building homes primarily on Genesis land, with most free cash flow being reinvested in the business to fund land servicing and new projects, and to acquire additional land.

In early 2016, the board of directors approved a new strategy focusing Genesis on:

- Generating strong cash flow from the current inventory of land in the CMA (with development extending over 15 years) – Genesis has land inventory with an estimate of over 10,000 single family and townhouse units (developed or estimated to be developed) and over 300 acres of mixed use commercial lands (developed or estimated)
- Returning excess cash flow to shareholders through special dividends and/or share buy backs
- Selling land with the objective of maximizing the current net present value of the land, which may include developing a parcel for later sale, holding land off the market or selling it before full development has occurred
- After careful examination, the home building business was restructured to reflect current market opportunities and to improve efficiency, reduce the capital invested in work in progress to reduce the risk of the business, and expand the product mix to include additional small townhouse projects - all with the goal of generating a strong return on invested capital
- Minimizing capital expenditures by servicing land only when it has been sold or is highly likely to be sold within 12-24 months
- Reorganizing the leadership team to improve and speed up decision-making and create higher levels of accountability throughout the organization
- Minimizing overhead and other costs
- Selling non-core land as reasonable prices can be realized.

Significant 2016 Cash Flows from Operating Activities and a Large Dividend for Shareholders

Genesis generated significant positive cash flow in 2016 in comparison to prior years. This was the result of a new empowered executive team, reductions in operating costs and capital commitments, creative land and home selling efforts and a focus on strengthening cash flow and the balance sheet.

In 2016, Genesis had cash inflows from operating activities of $42,952 ($0.98 per share), up $61,277 compared to 2015 cash outflows from operating activities of $18,325 (($0.41) per share), which is a change of $1.39 per share.

- **Home building work in progress was reduced** by $11,368 to $19,400 at December 31, 2016 from $30,768 at December 31, 2015, including by reducing the investment in home building inventory as a part of the drive for efficiency and effectiveness of the Corporation. Home building work in progress is monitored carefully and varies based on anticipated demand, the seasonal building cycle and the type of construction being undertaken (townhouse or single-family projects)
- **Large cash outflows for land servicing in 2015** resulted in the 534 lots in inventory at December 31, 2015 and also included a significant portion of the costs for the 82 lots added during 2016.
- **Higher cash inflows from residential lot and development land sales** due to a larger number of residential lot sales in 2016 as well as the sale of three development land parcel sales during 2016 compared to two development land parcel sales in 2015.
- **Genesis acquired 349 acres in southeast Calgary in early 2015** and YE 2015 cash outflows included $10,000 paid in January 2015 for this land. The balance of the purchase price of this land was financed by a vendor take back mortgage (the "VTB"). An $8,000 payment on the VTB loan was made in each of January 2016 and 2017.

2016 cash inflows from operating activities of $42,952 were mainly used to:

- **Reduce debt by over $20,500** - In 2016, Genesis reduced its loans and credit facilities by $20,524 from $63,819 at December 31, 2015 to $43,295 at December 31, 2016. The loans and credit facilities at December 31, 2016 included $8,531 of debt related to a limited partnership and $28,506 related to the VTB on the Calgary southeast lands (2015 - $8,125 and $34,321 respectively). The remainder of Genesis loans and credit facilities of $6,258 comprised a lot purchase line for GBG and a land servicing loan at December 31, 2016 (2015 - $19,946).
- **$10,936 to pay the largest dividend** in the Corporation's history as a public company to shareholders ($0.25 per share)
- **Increase cash on hand by $2,919** to $14,318 as at December 31, 2016 in comparison to $11,399 at December 31, 2015. In January 2017, $8,000 was used to make the second installment payment of the VTB
- **$1,420 to repurchase common shares** through the normal course issuer bid

Changes in leadership structure

Bruce Rudichuk, President and Chief Executive Officer and Mark Scott, Executive Vice President and Chief Financial Officer's employment with the Corporation ended on February 17, 2016.

Stephen Griggs, Chair of the Board, replaced Mr. Rudichuk as interim CEO. Rauf Muhammad, CPA (Colorado) served as interim CFO, until the appointment of Kirsten Richter, CPA, CA, as the interim Chief Financial Officer effective April 18, 2016.

Genesis made a number of staffing and organizational changes in early 2016 with the objective of creating clear lines of responsibility for the three main business functions of Genesis (land development, land sales and project financing, and home building) and consolidating in the CFO role, responsibility for all support functions (such as technology, human resources and office management). This new structure has allowed the CEO to focus on developing and implementing the new strategy, monitoring and analyzing results, delegating day to day operational responsibility and ensuring that Genesis has strong cash flow available for distribution to shareholders. In addition, the new structure is expected to reduce overall leadership costs while incentivizing key executives to deliver the results expected by the Board on behalf of shareholders.

In May 2016, three new Vice-President roles were created, each reporting to the CEO, and the following internal appointments were made to these new roles:

- Arnie Stefaniuk was appointed Vice-President, Land Development, with responsibility for the planning and development of Genesis' extensive land portfolio and managing Genesis' staff and external consultants
- Brian Whitwell was appointed Vice-President, Land and Financing, focusing on the sale of developed and non-core lands, the addition of new builder groups and the financing of land servicing and home building construction
- Parveshindera Sidhu was appointed Vice-President, Homebuilding and President, Genesis Builders Group Inc., with operating responsibility for Genesis' home building business and its staff

In 2016, the CFO, Kirsten Richter, was also given the responsibility for technology, human resources and office management.

In 2016, the executive compensation plan was simplified to eliminate the share option plan, create accountability for delivering measurable results for shareholders and create additional accountability for achieving or exceeding specific operational targets.

Significant cost reductions in 2016

In early 2016, Genesis reviewed its operating and capital budgets to reduce operating costs and servicing investments and to respond to the expected level of land and lot sales over the next several years. This resulted in 2016 operating costs being reduced by 14% in comparison to 2015 (including 13.9% in Q4 2016 vs Q4 2015), the postponement of previously planned land servicing costs on a large development land parcel until a buyer is found, and the reduction of home building work in progress by $11,400. In addition, Genesis reduced its staffing and consolidated a number of roles, ending 2016 with 55 employees in comparison to 80 employees at the end of 2015.

General, administrative and sales expenses for 2016 were $16,312 (including one time severance and other costs) compared to $18,926 for 2015, down $2,614 or 14%. Q4 2016 general, administrative and sales expenses were $4,606, compared to $5,349 in Q4 2015, down $743 or 13.9%. Genesis continues to seek cost reductions and operating efficiencies.

Genesis carefully plans any proposed land servicing to match expected sales over the following 12-24 months, and recognizing the seasonality of servicing activities in Alberta. In 2016, Genesis had lower cash outflows of $13,921 for land servicing and development compared to $ 36,092 in 2015.

Focused on obtaining entitlements or improving existing entitlements

In 2016, Genesis renewed its efforts to obtain zoning and servicing entitlements for its large portfolio of raw land, including in south east Calgary and Rocky View County, and to improve the current zoning of its Sage Hill Crossing and Airdrie developments. Zoning changes generally take a number of years and are not certain until the required municipal and other regulatory approvals have been obtained. Overall, Genesis made significant progress on all of its rezoning projects in 2016, which has continued into 2017.

Balanced approach to selling land and lots to third parties rather than only internally

In 2016, Genesis focused on selling residential lots, developed townhouse sites and other lands to third parties, rather than retaining land for future use primarily by Genesis in its GBG building business. 2016 revenues included the sale of three land parcels to third parties for $21,237 compared to two land parcel sales for $3,600 during 2015, and 58 lots sold to third parties in 2016 compared to 69 lots in 2015 (with 50 lots being sold to a third party builder in late 2015 for use in 2016). In 2016, GBG sold 146 homes on lots provided by Genesis, in comparison to 115 in 2015. GBG continues to play an important part in the sale of Genesis lots.

Solid 2016 results for Genesis Builders Group

GBG had 166 new home sales in 2016 with revenues of $83,249 compared to 209 new home sales with revenues of $102,846 in 2015. Of the 166 new home sales, 146 were built on residential lots supplied by Genesis, generating residential lot revenues included in the land division of $25,495 (2015 – 115 and $18,935 respectively). There were 142 new home orders in 2016 compared to 135 in 2015. There were 30 new home orders in Q4 2016 compared to 36 in Q4 2015.

Monetization of non-core lands

Genesis accumulated lands over a number of years which it now considers non-core, all of which have been listed or made available for sale. Progress was made in selling non-core land in 2016 with $1,650 realized in 2016. In March 2017, Genesis announced the sale of 1,476 acres of unentitled, undeveloped non-core lands owned by Genesis near the Hamlet of Delacour, Alberta for $9,000, which is expected to close in May 2017.

This 2017 sale will substantially complete the plan to dispose of the non-core lands owned by Genesis, with the bulk of non-core assets by dollar value having been sold or contracted for sale. Genesis will continue to market the remaining non-core lands, with the objective of selling the balance over the next few years.

Net earnings down – impacted by non-cash write downs

Net earnings were $5,906 for the year ending December 31, 2016 compared to $11,014 for the year ending December 31, 2015. There was a net loss of $1,216 for Q4 2016 compared to net earnings of $5,365 in Q4 2015 in part due to non-cash write offs of certain lands owned by Genesis as a result of revised estimates of costs to complete the development, including a significant increase in the estimate of municipal levies. Net earnings for the three months and year ended December 31, 2016 were impacted by $5,372 and $8,665 write-downs on parcels of development land located in Alberta (2015 – $1,129 and $12,390 respectively).

CORPORATE HIGHLIGHTS

Key financial results and operating data for the Corporation are as follows:

	Three months ended December 31,[1]		Year ended December 31,[2]	
	2016	**2015**	**2016**	**2015**
Key Financial Data				
Total revenues	**28,145**	36,575	**115,957**	119,088
Direct cost of sales	**(18,831)**	(26,215)	**(80,674)**	(84,189)
(Write-down) recovery of real estate held for development and sale	**(5,372)**	(1,129)	**(8,665)**	(12,390)
Gross margin	**3,942**	9,231	**26,618**	22,509
(Loss) earnings before income taxes	**(1,408)**	5,674	**7,464**	4,043
Net earnings attributable to equity shareholders	**(1,216)**	5,365	**5,906**	11,014
Net earnings per share – basic and diluted	**(0.03)**	0.13	**0.13**	0.25
Cash flows from (used in) operating activities	**6,229**	(7,193)	**42,952**	(18,325)
Cash flows from (used in) operating activities per share – basic and diluted	**0.14**	(0.16)	**0.98**	(0.41)
Special cash dividend per common share, declared and paid	**0.25**	0.12	**0.25**	0.12
Key Operating Data				
Residential lots sold to third parties (units)	**12**	50	**58**	69
Residential lots sold through home building business segment (units)	**53**	41	**146**	115
Average revenue per lot sold	**169**	168	**181**	172
Homes sold (units)	**56**	51	**166**	209
Average revenue per home sold	**437**	460	**501**	489
New home orders (units)	**30**	36	**142**	135
Development land sold (acres)	**-**	114	**1,674**	118

	As at December 31,	
	2016	**2015**
Homes (with lots) subject to firm sale contracts (units)	**39**	63

	As at December 31,	
Key Balance Sheet Data	**2016**	**2015**
Cash and cash equivalents	**14,318**	11,399
Total assets	**288,995**	331,045
Loans and credit facilities	**43,295**	63,819
Total liabilities	**77,330**	106,054
Shareholders' equity	**205,751**	212,125
Total equity	**211,665**	224,991
Loans and credit facilities ("Debt") to total assets	**15%**	19%

[1] Three months ended December 31, 2016 and 2015 ("Q4 2016" and "Q4 2015")

[2] Year ended December 31, 2016 and 2015 ("YE 2016" and "YE 2015")

Land Development

	Three months ended December 31,			Year ended December 31,		
	2016	**2015**	**% change**	**2016**	**2015**	**% change**
Key Financial Data						
Residential lot sales[1]	**10,961**	15,304	(28.4%)	**36,966**	31,577	17.1%
Development land sales	**-**	3,500	(100.0%)	**21,237**	3,600	489.9%
Direct cost of sales	**(6,280)**	(13,148)	(52.2%)	**(36,753)**	(20,704)	77.5%
Gross margin	**4,681**	5,656	(17.2%)	**21,450**	14,473	48.2%
Gross margin (%)[2]	**42.7%**	30.1%		**36.9%**	41.1%	
Write-down of real estate held for development and sale	**(5,372)**	(1,129)	375.8%	**(8,665)**	(12,390)	(30.1%)
Equity income from joint venture	**(22)**	2,669	(100.8%)	**86**	4,238	(98.0%)
Other expenses[3]	**(2,831)**	(2,955)	(4.2%)	**(9,743)**	(10,744)	(9.3%)
Loss (earnings) before taxes	**(3,544)**	4,241	(183.6%)	**3,128**	(4,423)	(170.7%)
Key Operating Data						
Residential lots sold to third parties	**12**	50	(76.0%)	**58**	69	(15.9%)
Residential lots sold through home building business segment	**53**	41	29.3%	**146**	115	27.0%
Total residential lots sold	**65**	91	(28.6%)	**204**	184	10.9%
Average revenue per lot sold	**169**	168	0.6%	**181**	172	5.2%
Average revenue per acres sold	**-**	31	N/R[4]	**13**	30	(56.7%)
Development land sold (acres)	**-**	114	N/R[4]	**1,674**	118	N/R[4]%

[1] Includes residential lot sales to third parties and to GBG and other revenue
[2] Gross margin amount divided by the sum of residential lot sales and development land sales
[3] Other expenses includes general and administrative, selling and marketing and net finance expense
[4] Not reflective due to percentage increase

Gross margin by source of revenue

	Three months ended December 31,		Year ended December 31,	
	2016	**2015**	**2016**	**2015**
Residential lot sales[1]	**10,961**	15,304	**36,966**	31,577
Direct cost of sales	**(6,280)**	(9,671)	**(20,135)**	(16,746)
Gross margin	**4,681**	5,633	**16,831**	14,831
Gross margin (%)	**42.7%**	36.8%	**45.5%**	47.0%
Development land sales[2]	**-**	3,500	**21,237**	3,600
Direct cost of sales	**-**	(3,477)	**(16,618)**	(3,958)
Gross margin	**-**	23	**4,619**	(358)
Residential lot and development land gross margin	**4,681**	5,656	**21,450**	14,473

[1] Includes other revenue
[2] Includes rebate of $100 on early closing of the 14 acre development land parcel in 2016

The change in gross margin percentages for single-family lots relates to the mix of sales by community as the gross margin percentage on residential lots typically varies by community and lot type, based on the nature of the development work to be undertaken before the lots are ready for sale and how long the Corporation has owned the land.

Volumes and Revenues

Revenues were higher during YE 2016 compared to YE 2015 due to higher volumes of residential lot sales through the home building business segment, partially offset by lower volumes of residential lot sale made to third parties. In addition, a 14 acre multi-family site in Airdrie was sold in the first quarter of 2016 for $10,150, a 1,653 acre non-core land parcel in British Columbia was sold in the second quarter of 2016 for $1,650 and a 7 acre development land parcel in Calgary was sold in the third quarter of 2016 for $9,437.

Revenues were lower in Q4 2016 compared to Q4 2015 due to lower volumes of residential lot sales made to third parties and to no development land sales made during Q4 2016. This was partially offset by higher residential lot sales made through GBG. Residential lots are sold to GBG at market prices.

The 14 acre sale transaction for $10,150 involved one of the Genesis limited partnerships in which Genesis owned a 10% undivided interest in the land and therefore received 10% of the net proceeds. The details of the amounts attributed to each of Genesis and the limited partnership are explained in note 4 in the consolidated financial statements for the year ended December 31, 2016 and 2015. The transaction closed in June 2016.

Equity income from joint venture

The community developed by the "Kinwood" joint venture is complete. Activity and operations will be nominal in future years as the joint venture is wound down and the future development cost liability is settled. The joint venture continues to incur general and administrative expenses during this period. Homes built on joint venture lots by the home building business segment resulted in Genesis recognizing deferred gains and deferred margins. The home building business segment recorded 1 home sale on a lot purchased from the joint venture in Q4 2016 compared to 10 homes in Q4 2015 and sold 8 homes in YE 2016 compared to 66 homes in YE 2015.

Write-down of real estate held for development and sale

The Alberta economy has been impacted by the sharp drop and subsequent partial recovery in oil and natural gas prices over the last several years and is generally expected to continue to be weak and possibly flat for some time. Third-party appraisals and cost-to-complete estimates were conducted during 2016. As a result, the Corporation recorded write-downs on parcels of land located in and around Calgary during the year ended December 31, 2016: a write-down of $4,000 on land under development owned by Genesis to reflect the estimated returns realizable from completion of the development and sale of this land, a write-down of $1,990 to reflect the market value of a non-core undeveloped land parcel owned by Genesis and a write-down of $2,675 to reflect the market value of a non-core undeveloped land parcel belonging to a limited partnership.

Other expenses

Other expenses were lower for Q4 2016 and YE 2016 compared to the same periods in 2015. The restructuring at the end of the first quarter of 2016 resulted in significant reductions in corporate administration, compensation, net finance and selling and marketing expenses during the remainder of 2016. These decreases were partially offset by sales commissions incurred on the sale of the three development land parcels.

Factors Affecting Results of Operations

A number of factors affect the results of operations, particularly in land development, including:

- The development and sale of residential lots and development land occurs over a substantial period of time which creates volatility in the revenues, earnings and cash flows from operating activities
- Land and lot prices and gross margins vary by community based on the nature of the development work to be undertaken before the land and lots are ready for sale, and the length of time the Corporation has owned the land
- The sale of developed lots to GBG are structured to defer the related revenues and earnings from those lots until the sale of the home and lot to the end purchaser
- Seasonality has historically resulted in higher lot and home building revenues in the summer and fall months when home building sales closings peak.

Home Building

The homebuilding segment of Genesis is represented through its wholly owned subsidiary, GBG.

	Three months ended December 31,			Year ended December 31,		
	2016	**2015**	**% change**	**2016**	**2015**	**% change**
Key Financial Data						
Revenues[(1)]	**24,456**	24,068	1.6%	**83,249**	102,846	(19.1%)
Direct cost of sales	**(19,823)**	(19,361)	2.4%	**(69,416)**	(84,326)	(17.7%)
Gross margin	**4,633**	4,707	(1.6%)	**13,833**	18,520	(25.3%)
Gross margin (%)	**18.9%**	19.6%		**16.6%**	18.0%	
Other expenses[(2)]	**(2,497)**	(3,271)	(23.7%)	**(9,497)**	(11,960)	(20.6%)
Earnings before taxes	**2,136**	1,436	48.7%	**4,336**	6,560	(33.9%)
Key Operating Data						
Homes sold (single-family units)	**56**	39	43.6%	**166**	186	(10.8%)
Homes sold (townhouse units)	**-**	12	N/R[(3)]	**-**	23	N/R[(3)]
Total homes sold (units)	**56**	51	9.8%	**166**	209	(20.6%)
Average revenue per single-family home sold	**437**	479	(8.8%)	**501**	501	0.0%
Average revenue per townhouse sold	**-**	396	N/R[(3)]	**-**	394	N/R[(3)]
Average revenue per home sold (single-family and townhouse)	**437**	460	(5.0%)	**501**	489	2.5%
New home orders (units)	**30**	36	(16.7%)	**142**	135	5.2%
Homes (with lots) subject to firm sales contracts (units)				**39**	63	(38.1%)

(1) Revenues include residential home sales and other revenue
(2) Other expenses includes general and administrative, selling and marketing and net finance expense
(3) Not reflective due to percentage increase

Volumes and revenues

Revenues for YE 2016 were lower than in YE 2015 mainly due to lower volumes. All 166 homes sold during 2016 were single-family homes with an average price of $501 per home compared to 186 single-family and 23 townhouses in YE 2015 with average prices of $501 and $394 respectively.

Revenues for Q4 2016 were slightly higher than in Q4 2015 due to the volume of sales and the product mix. All 56 homes sold in Q4 2016 were single-family detached and semi-detached homes with an average price of $437 per home compared to 39 single-family and 12 townhouses in Q4 2015 with average prices of $479 and $396 respectively.

Revenues for YE 2016 were lower than in YE 2015 mainly due to lower volumes. All 166 homes sold during 2016 were single-family homes with an average price of $501 per home compared to 186 single-family and 23 townhouses in YE 2015 with average prices of $501 and $394 respectively.

New home orders for Q4 2016 decreased to 30 compared to 36 in Q4 2015. New home orders for YE 2016 increased to 142 compared to 135 in YE 2015.

GBG builds homes either after receiving a firm sale contract or on a quick possession basis. Quick possession homes are built in advance of receiving a firm sale contract to meet the market demand from those buyers seeking quick possession. GBG has seen an increase in quick possession closings with 25 closings in Q4 2016 compared to 21 in Q4 2015 and 81 closings in 2016 compared to 50 in 2015. GBG has also seen a decline in pre-construction sales closings with 31 closings in Q4 2016 compared to 30 in Q4 2015 and 85 closings in 2016 compared to 159 in 2015. The year over year closing book of firm sales contracts also reflects this shift with 39 homes and lots with firm sales contracts at December 31, 2016 compared to 63 at December 31, 2015.

Townhouse sites listed for sale

Genesis has listed four townhouse sites for sale as GBG townhouse projects planned on these sites are not expected to proceed. As a result $876 of pre-construction work in progress relating to these townhouse projects was expensed to cost of sales in 2016.

Other expenses

Other expenses for the home building division decreased by 23.7% for Q4 2016 compared to Q4 2015 and by 20.6% for 2016 compared to 2015. These decreases were achieved due to the restructuring in March 2016, as well as other ongoing cost reduction initiatives, resulting in savings in corporate administrative expenses, compensation and benefits and advertising expenses.

Finance Expense

	Three months ended December 31,			Year ended December 31,		
	2016	**2015**	**% change**	**2016**	**2015**	**% change**
Interest incurred	**215**	255	(15.7%)	**1,014**	1,248	(18.8%)
Finance expense relating to VTB[1]	**547**	658	(16.9%)	**2,185**	2,633	(17.0%)
Financing fees amortized	**76**	87	(12.6%)	**300**	606	(50.5%)
Interest and financing fees capitalized	**(98)**	(102)	(3.9%)	**(500)**	(623)	(19.7%)
	740	898	(17.6%)	**2,999**	3,864	(22.4%)

[1] VTB related to Calgary southeast lands acquisition

The imputed rate on the VTB, which has a 0% face rate, is 8%. Interest expense on the VTB in 2016 is less than in 2015 following payment of the first installment of $8,000 in January 2016. Interest incurred during 2016 is less than in 2015 due to lower loan balances in 2016. The Corporation paid the second installment of $8,000 on the VTB in January 2017.

The weighted average interest rate of loan agreements with various financial institutions was 5.77% (YE 2015 - 4.75%) based on December 31, 2016 balances.

The weighted average interest rate of loan agreements was 3.81% (YE 2015 - 3.82%), based on YE 2016 balances after excluding $8,531 of debt relating to a limited partnership. This loan is guaranteed by Genesis and secured by lands held by the limited partnership.

SEGMENTED BALANCE SHEET

	December 31, 2016						December 31, 2015
	Land Development						
	Genesis	LPs	Intra-segment eliminations	Home Building	Inter-segment Eliminations	Consolidated	Consolidated
Assets							
Real estate held for development and sale	189,913	36,881	(4,194)	19,597	(197)	**242,000**	288,291
Amounts receivable	20,938	-	-	121	-	**21,059**	17,234
Cash and cash equivalents	13,189	40	-	1,089	-	**14,318**	11,399
Other assets	34,543	50	(22,483)	4,122	(4,614)	**11,618**	14,121
Total assets	258,583	36,971	(26,677)	24,929	(4,811)	**288,995**	331,045
Liabilities							
Loans and credit facilities	33,918	8,514	-	863	-	**43,295**	63,819
Provision for future development costs	20,066	-	-	1,187	-	**21,253**	18,926
Other liabilities[(1), (2)]	10,674	27,631	(27,543)	6,642	(4,622)	**12,782**	23,309
Total liabilities	64,658	36,145	(27,543)	8,692	(4,622)	**77,330**	106,054
Net assets	**193,925**	**826**	**866**	**16,237**	**(189)**	**211,665**	224,991

[(1)] *Segmented liabilities under the Genesis land segment include $287 due to the home building segment (December 31, 2015 - $9,095 due from the home building segment to the land development segment)*

[(2)] *Other liabilities under the LPs segment is comprised of $27,543 (December 31, 2015 - $26,704) of accounts payable and accrued liabilities due to Genesis.*

LIQUIDITY AND CAPITAL RESOURCES

Genesis significantly reduced its debt during 2016 and as at December 31, 2016, had an undrawn $10,000 operating line of credit, 39 homes (with lots) subject to firm sale contracts at the end of Q4 2016, and a portfolio of entitled land.

Genesis commenced a normal course issuer bid (“NCIB”) in 2015 and renewed it in 2016. During the year ended December 31, 2016, 551,796 common shares (1.25% of common shares outstanding at the beginning of the year) were purchased and cancelled under the NCIB for a total cost of $1,420 (average $2.60 per share).

	December 31,		
	2016	2015	% change
VTB	**28,506**	34,321	(16.9%)
Other loans and credit facilities	**6,258**	21,373	(70.7%)
	34,764	55,694	(37.6%)
Loan relating to a limited partnership	**8,531**	8,125	5.0%
Total loans and credit facilities	**43,295**	63,819	(32.2%)
Total liabilities to equity [(1)]	**37%**	47%	
Loans and credit facilities (“Debt”) to total assets	**15%**	19%	

[(1)] *Calculated as total liabilities divided by total equity*

Genesis regularly reviews its credit facilities and manages its requirements in accordance with project development plans and operating requirements. Genesis and its subsidiaries were in compliance with all covenants at all period ends. Refer to the credit and liquidity risk section of this MD&A for factors that could affect Genesis’ liquidity and capital resources.

Real Estate Held for Development and Sale

	December 31		
	2016	**2015**	**% change**
Real estate held for development and sale	**308,824**	351,397	(12.1%)
Provision for write-downs	**(66,824)**	(63,106)	5.9%
	242,000	288,291	(16.1%)

Real estate held for development and sale decreased by $46,291 at YE 2016 compared to YE 2015. This reduction in land inventory was due to the sale of three development land parcels with a net carrying value of $16,623, the $8,665 write-down on certain land parcels as discussed in the Factors Affecting Results of Operations section and the sale of residential lots through the home building division and to third party builders and the sale of residential homes. This decrease was partially offset by land development and home building activities. Refer to note 4 in the consolidated financial statements for the year ended December 31, 2016 and 2015 which details gross book value, provision for write-downs and net book value of real estate held for development and sale. Genesis expects to spend approximately $25,000 on land development activities during 2017.

The following tables present Genesis' real estate held for development and sale, and estimated equivalent of single-family lots, townhouse/multi-family units and commercial acreages as at December 31, 2016.

	Land under development			**Land held for future development**		**Total**		
Land development segment	**Net carrying value**	**Acres[1]**	**Lots**	**Net carrying value**	**Acres[1]**	**Net carrying value**	**Acres[1]**	**Lots**
Residential								
Airdrie[2]	32,185	169	196	8,592	90	40,777	259	196
Calgary NW[3]	28,748	34	80	-	-	28,748	34	80
Calgary NE[4]	14,259	17	122	3,259	19	17,518	36	122
Calgary SE[5]	-	-	-	44,334	349	44,334	349	-
	75,192	**220**	**398**	**56,185**	**458**	**131,377**	**678**	**398**
Mixed use[6]	43,704	64	-	4,220	312	47,924	376	-
Other assets[7] – non-core	-	-	14	10,612	1,810	10,612	1,810	14
Total land development segment	**118,896**	**284**	**412**	**71,017**	**2,580**	**189,913**	**2,864**	**412**
Home building business segment[8]						**19,400**	**-**	**14**
Total land and home building segments						**209,313**	**2,864**	**426**
Limited Partnerships[9]						32,687	2,373	-
Real estate held for development and sale						**242,000**	**5,237**	**426**

See accompanying footnotes on page 15.

	Acres[1]	Developed Lots	Estimated Equivalent if/when Developed			Total
		Single-family (units)	Single-family (lots)	Townhouse/multi-family (units)	Commercial (acres)	Single- and townhouse/multi-family (units)
Residential						
Airdrie[2]	259	196	1,517	162	10	1,875
Calgary NW[3]	34	80	31	1,869	1	1,980
Calgary NE[4]	36	122	217	117	-	456
Calgary SE[5]	349	-	1,984	-	-	1,984
	678	**398**	**3,749**	**2,148**	**11**	**6,295**
Mixed use[6]	**376**	**-**	**-**	**2,650**	**336**	**2,650**
Other assets[7] – non-core	**1,810**	**14**	**1,269**	**-**	**-**	**1,283**
Total land development segment	**2,864**	**412**	**5,018**	**4,798**	**347**	**10,228**
Home building business segment	-	**14**	-	-	-	**14**
Total land and home building segments	**2,864**	**426**	**5,018**	**4,798**	**347**	**10,242**
Limited Partnerships[9]	2,373	-	2,495	800	441	3,295
Real estate held for development and sale	**5,237**	**426**	**7,513**	**5,598**	**788**	**13,537**

[1] Acres comprises townhouse/multi-family, commercial acres and land not yet subdivided into single-family and other lots
[2] Airdrie comprises the communities of Bayside, Bayview and Canals
[3] Calgary NW comprises the community of Sage Meadows
[4] Calgary NE comprises the community of Saddlestone
[5] Calgary SE comprises southeast lands acquired in 2015
[6] Mixed use comprises North Conrich and Sage Hill Crossing
[7] Other assets are non-core and actively being marketed for disposal. These assets represent 5.6% (YE 2015 - 6.6%) of Genesis' land portfolio with a carrying value of $10,612 (YE 2015 - $14,113). A 1,476 acre parcel has been contracted for sale in March 2017 for $9,000, and is expected to be completed in May 2017.
[8] Housing projects under development comprise $2,688 in lots and $16,712 of work-in-progress.
[9] Comprises land held for future development and land under development. Net of intra-segment eliminations of $4,194.

The following tables present the continuity of the each segment's residential lot supply for the period ended December 31, 2016:

Land Development

Project	Lots at Jan. 1, 2016	Additions made during 2016	Sold to third-party builders	Sold to Home Building	Lots at December 31, 2016
Airdrie					
Bayside and Bayview	300	-	(47)	(65)	188
Canals	10	-	(1)	(1)	8
	310	-	(48)	(66)	196
Calgary NW					
Sage Meadows	90	-	(10)	-	80
Calgary NE					
Saddlestone	120	82	-	(80)	122
Brooks (non-core)	14	-	-	-	14
Total	534	82	(58)	(146)	412

Home Building

Project	Lots at January 1, 2016	Lots purchased in 2016	Homes sold in 2016	Lots at December 31, 2016	Price range of homes sold
Airdrie					
Bayside and Bayview	3	65	(65)	3	$317-$607
Canals	-	1	(1)	-	$611-$611
	3	66	(66)	3	$317-$611
Calgary NW					
Evansridge	22	-	(12)	10	$486-$648
Kinwood	9	-	(8)	1	$458-$607
	31	-	(20)	11	$458-$648
Calgary NE					
Saddlestone	-	80	(80)	-	$360-$736
Total	**34**	146	**(166)**	**14**	$317-$736

Amounts Receivable

	December 31,		
	2016	**2015**	**% change**
Amounts receivable	**21,059**	17,234	22.2%

Genesis generally retains title to lots and homes that are contracted for sale until full payment is received in order to mitigate credit exposure to third parties. Individual balances due from customers at YE 2016, which comprise greater than 10% of total amounts receivable, totaled $19,040 from five customers (2015 - $15,777 from three customers). The increase of $3,825 in amounts receivable is mainly due to the timing of residential lot sales and closings, the timing of which affects the Corporation's amounts receivable. As of December 31, 2016 the Corporation had 110 lots or $17,528 receivable compared to 83 lots or $13,512 receivable as at December 31, 2015, a change of $4,016.

Cash Flows from Operating Activities

	Three months ended December 31,		Year ended December 31,	
	2016	**2015**	**2016**	**2015**
Cash flows from (used in) operating activities	**6,229**	(7,193)	**42,952**	(18,325)
Cash flows from (used in) operating activities per share – basic and diluted	**0.14**	(0.16)	**0.98**	(0.41)

The $61,277 change in cash flows between YE 2016 (cash inflow of $42,952) and YE 2015 (cash outflow of $18,325) is explained by the following:

Lower cash outflows for home building activity	28,167
Lower cash outflows for land servicing	22,171
Higher cash inflows from residential lot and development land sales	12,087
Lower cash outflows for land acquisition	10,000
Lower cash outflows for income tax installments	5,125
Lower cash outflows for other operating costs	3,840
Lower cash inflows from sale of residential homes	(17,925)
Lower other cash receipts	(2,188)
Total change in cash flows	61,277

Lower cash outflows for home building activity was partially due to reducing the investment in home building inventory from $30,768 at December 31, 2015 to $19,400 at December 31, 2016. This inventory reduction is partly the result of the drive for efficiency and effectiveness of the Corporation. Large cash outflows for land servicing in 2015 contributed to the 534 lots at December 31, 2015 set out in the land development table on page 15 of this MD&A and also included a significant portion of the costs for the 82 lots added during 2016.

Higher cash inflows from residential lot and development land sales was due to a larger number of residential lot sales as well as the sale of three development land parcel sales during 2016 compared to two development land parcel sales in 2015.

YE 2015 cash outflows included $10,000 paid in January 2015 for the acquisition of 349 acres in southeast Calgary listed in the table on page 14 of this MD&A and which was classified as an operating activity. The balance of the purchase price of this land was financed by the VTB listed in the Liquidity and Capital Resources table of this MD&A. An $8,000 payment on the VTB loan was made in YE 2016 was classified as a financing activity.

Lower cash inflows from the sale of residential homes are consistent with the lower volumes of sales during 2016.

LIABILITIES AND SHAREHOLDERS' EQUITY

The following table presents Genesis' liabilities and equity at the end of YE 2016 and YE 2015:

	December 31,		December 31,	
	2016	**% of Total**	**2015**	**% of Total**
Loans and credit facilities	**43,295**	**15%**	63,819	19%
Customer deposits	**2,587**	**1%**	3,820	1%
Accounts payable and accrued liabilities	**10,195**	**4%**	19,219	6%
Provision for future development costs	**21,253**	**7%**	18,926	6%
Income taxes payable	**-**	**-**	270	-
Total liabilities	**77,330**	**27%**	106,054	32%
Non-controlling interest	**5,914**	**2%**	12,866	4%
Shareholders' equity	**205,751**	**71%**	212,125	64%
	288,995	**100%**	331,045	100%

Loans and Credit Facilities

The change in the loans and credit facilities of Genesis and a limited partnership were as follows:

	For the year ended December 31,	
	2016	**2015**
Balance, beginning of period – excluding VTB	**29,498**	23,892
Balance, beginning of period VTB – for land acquisition	**34,321**	34,321
Advances for land development and home building	**42,462**	45,524
Repayments from the proceeds of land and home sales	**(65,800)**	(42,719)
Interest and financing fees incurred	**3,314**	4,276
Interest and financing fees paid	**(500)**	(1,475)
Balance, end of period	**43,295**	63,819

The Corporation's loans and credit facilities, net of deferred financing fees, consisted of the following segmented amounts:

	For the year ended December 31,	
	2016	**2015**
Land development	**33,918**	50,603
Limited partnerships	**8,514**	8,062
Home building	**863**	5,154
	43,295	63,819

The following is a summary of drawn and outstanding loan and credit facility balances as at Q4 2016 and as at the end of the previous four quarters:

	Q4 2016	**Q3 2016**	**Q2 2016**	**Q1 2016**	**Q4 2015**
Vendor-take-back mortgage	28,506	27,959	27,413	26,867	34,321
Land development loans	5,566	1,004	1,410	9,807	16,609
Land loan relating to a limited partnership	8,531	8,531	8,325	8,125	8,125
Home building loans	903	1,344	2,148	3,670	5,194
Demand operating line	-	-	1,580	-	-
	43,506	38,838	40,876	48,469	64,249
Unamortized deferred financing fees	(211)	(280)	(293)	(361)	(430)
Balance, end of period	43,295	38,558	40,583	48,108	63,819

Total liabilities to equity follows:

	December 31	
	2016	**2015**
Total liabilities	**77,330**	106,054
Total equity	**211,665**	224,991
Total liabilities to equity[(1)]	**37%**	47%

[(1)] *Calculated as total liabilities divided by total equity*

Genesis has four land project loan facilities with the ability to fund up to $33,270 of development and servicing costs as at December 31, 2016. Interest on these facilities ranges from prime + 0.75% to prime + 1.25% per annum and draws on these facilities can be made as land development activities progress. $5,566 was drawn against these facilities as at YE 2016 (YE 2015 - $16,609).

In addition, Genesis has a demand operating line of credit of up to $10,000 for general corporate purposes at an interest rate of prime + 1% per annum. The outstanding balance on this facility was $Nil as at YE 2016 (YE 2015 - Nil).

GBG has a demand operating line of $6,500 at an interest rate of prime + 1.5% per annum. The amount drawn on this facility as at YE 2016 was Nil (YE 2015 - $1,427). In addition, a lot purchase loan at an interest rate of prime + 1.5% per annum is also available to GBG with $903 drawn as at YE 2016 (YE 2015 - $3,767).

Genesis assumed a VTB on the purchase of the southeast lands in January 2015. The VTB has an outstanding balance of $32,000 with an unamortized discount of $3,494 as at YE 2016 (YE 2015 - $40,000 and $5,679 respectively) and the outstanding balance payable in four equal installments of $8,000 in January of each of 2017 through 2020. Genesis paid $8,000 on the VTB in January 2017 leaving an outstanding balance of $24,000 excluding the unamortized discount.

Genesis guarantees an $8,531 loan (YE 2015 - $8,125) relating to a limited partnership bearing interest at the greater of 7.25% or prime + 3% per annum. The loan is secured by lands held by the limited partnership.

Genesis has various covenants in place with its lenders with respect to its credit facilities. Such covenants include credit usage restrictions; cancellation, prepayment, confidentiality and cross default clauses; sales coverage requirements; conditions precedent for funding; and other general understandings such as, but not limited to, maintaining contracted lot prices, restrictions on encumbrances, liens and charges, material changes to project plans, and material changes in the Corporation's ownership structure. In addition, GBG has a secured revolving operating line repayable on demand to be used for home construction and the acquisition of serviced lots. This line has a financial covenant requiring that GBG maintain a net worth of at least $11,500 at all times. Net worth is defined by the lender as "Retained Earnings plus Shareholders Loans plus Due to Related Parties (excluding lot payables to related parties) minus Due from Related Parties". Genesis and its subsidiaries were in compliance with all covenants at YE 2016 and at YE 2015. Loans and credit facilities are used primarily to finance the costs of developing land, building houses and for land purchases, in certain circumstances.

Genesis has sufficient liquidity from its cash flows from operating activities, supplemented by credit facilities, to meet the above liabilities as they become due. Genesis regularly reviews its credit facilities and manages requirements in accordance with project development plans and operating requirements.

Provision for Future Development Costs

When Genesis sells lots and homes, it often remains responsible to pay for future development costs known as "costs-to-complete".

For GBG, costs-to-complete estimates are the costs likely to be incurred on seasonal and other work (such as paving and landscaping) and estimated warranty charges over the one year warranty period.

For the land development segment, the provision for future development costs represents the estimated remaining construction costs related to and/or allocated to sold land. This includes all direct construction costs and indirect costs expected to be incurred during the remainder of the construction period, net of expected recoveries, allocable to the portions of the development that have already been sold. 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.

Provision for future development costs at December 31, 2016 were $20,064 for the land segment ($17,064 – 2015) and $1,189 ($1,862 – 2015) for the home building business segment. This increase in cost was due to normal sales activity in land and in home building. The increase was partially offset by completion of previously recognized cost-to-complete liabilities on residential lots and on residential homes.

Income Tax Payable

The changes in income tax (recoverable) payable are as follows:

	For the year ended December 31,	
	2016	**2015**
Balance, beginning of period	**270**	4,433
Provision for current income tax	**4,397**	5,671
Net payments	**(4,709)**	(9,834)
Balance, end of period	**(42)**	270

The decrease in income tax payable is due to net payments made during 2016.

Shareholders’ Equity

As at March 21, 2017, the Corporation had 43,735,390 common shares issued and outstanding. The Corporation terminated its stock option plan on March 22, 2016 and all 550,000 outstanding options to acquire common shares of Genesis were cancelled effective June 30, 2016.

The common shares of the Corporation are listed for trading on the Toronto Stock Exchange under the symbol “GDC”.

In September 2015, Genesis initiated a normal course issuer bid (“NCIB”) to purchase and cancel up to 2,246,310 common shares which was 5% of Genesis's issued and outstanding Common Shares as at September 3, 2015. On September 7, 2016, the Corporation announced the renewal of its NCIB. The renewed NCIB commenced on September 12, 2016 and terminates on the earlier of (i) September 11, 2017; 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 2,194,320 common shares under the renewed NCIB.

	Three months ended December 31,		Year ended December 31,	
	2016	**2015**	**2016**	**2015**
Number of shares purchased and cancelled	**36,178**	379,498	**551,796**	628,598
Total cost	**92**	1,118	**1,420**	1,887
Average price per share purchased	**2.54**	2.95	**2.60**	3.00
Beginning of period	**Sept 30, 2016**	Sept 30, 2015	**Jan 1, 2016**	Jan 1, 2015
Shares cancelled as a % of common shares outstanding at beginning of period	**0.08%**	0.85%	**1.25%**	1.40%

The Corporation repurchased for cancellation an additional 10,416 common shares for $30 between January 1, 2017 and March 21, 2017. As of the date of this MD&A, there are 2,128,108 common shares remaining for purchase under the NCIB.

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 YE 2016 were as follows:

	Loans and Credit Facilities[1]	Naming Rights	Lease Obligations	Total
Current	22,990	700	671	**24,361**
January 2018 to December 2018	7,383	500	49	**7,932**
January 2019 to December 2019	6,822	500	11	**7,333**
January 2020 and thereafter	6,311	1,000	-	**7,311**
Current	43,506	2,700	731	**46,937**

[1] *Excludes deferred financing fees*

In 2012, Genesis entered into a memorandum of understanding with the Northeast Community Society 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, terminating in 2021). The first five installments totaling $2,500 had been paid as at December 31, 2016. Genesis paid the sixth installment of $500 in February 2017.

In 2008, Genesis entered into an agreement with the City of Airdrie to contribute $2,000 over 10 years for 40-year naming rights to “Genesis Place”, a recreation complex in the city of Airdrie ($200 each year, terminating in 2017). The first nine installments totaling $1,800 were paid as at December 31, 2016.

Subsequent to December 31, 2016, the Corporation amended the term of its head office lease agreement to extend the term by 38 months to September 30, 2020. The total basic rent over the extension period is $364, equivalent to $115 per year (a 73% reduction from the current 2016 basic rent cost of $426). Genesis also has other minor operating leases, a number of which were terminated during 2016 as part of Genesis' cost reduction program.

As a normal part of business, Genesis has entered into arrangements and incurred obligations that will impact future operations and liquidity, some of which are reflected as short-term liabilities and commitments in note 14 of the consolidated financial statements for the year ended December 31, 2016 and 2015.

Current Contractual Obligations

	December 31,	
	2016	**2015**
Loans and credit facilities, excluding deferred financing fees	**22,990**	13,184
Accounts payable and accrued liabilities	**10,195**	19,219
Total short-term liabilities	**33,185**	32,403
Commitments[1]	**1,371**	1,708
	34,556	34,111

[1] Commitments comprise naming rights and lease obligations.

At YE 2016, Genesis had obligations due within the next 12 months of $34,556, of which $22,990 related to loans and credit facilities. Repayment is either (i) linked directly to the collection of lot receivables and sales proceeds; or (ii) due at maturity. Management is confident that Genesis has the ability to continue to renew or to repay its financial obligations as they come due.

OFF BALANCE SHEET ARRANGEMENTS

Letters of Credit

Genesis has an ongoing requirement to provide irrevocable letters of credit to municipalities as part of the sub-division plan registration process. At YE 2016, these letters of credit totalled approximately $4,429 (YE 2015 - $6,309).

Lease Agreements

Genesis has certain lease agreements that are entered into in the normal course of operations. All leases are treated as operating leases and lease payments are included in general and administrative expenses. No asset value or liability has been assigned to these leases in the balance sheet as at YE 2016 and YE 2015. In the event the lease for the office building is terminated early, Genesis is liable to pay to Morguard for the loss of its income for the unexpired portion of the lease, in addition to damages and other expenses incurred by Morguard, if any. In 2016, Genesis terminated a number of vehicle and other leases as a part of its cost reduction program.

SELECTED ANNUAL INFORMATION

	2016	2015	2014
Total revenues	**115,957**	119,088	134,245
Gross margin	**26,618**	22,509	39,001
Net earnings attributable to equity shareholders	**5,906**	11,014	17,395
Net earnings per share – basic and diluted	**0.13**	0.25	0.39
Total assets	**288,995**	331,045	309,742
Loans and credit facilities	**43,295**	63,819	23,892
Special cash dividends per share, declared and paid	**0.25**	0.12	0.12

Refer to the Factors Affecting Results of Operations section of this MD&A commencing on page 10 for the factors that affected Genesis' results.

Total revenues comprise residential lot sales, development land sales, residential home sales and other revenues. Residential lot sales volumes were 204, 184 and 271 units in 2016, 2015 and 2014 respectively reflecting the market conditions. In addition, development land sales were $21,237, $3,600 and $14,000 for 2016, 2015 and 2014 respectively. Development land sales are lumpy in nature and comprise sales of non-core lands, commercial lands and other lands that Genesis does not intend to build on.

Residential home closings were 166, 209 and 220 in 2016, 2015 and 2014 respectively. Both 2015 and 2014 included closings of townhouse units (2015 - 23, 2014 - 13) while there were no townhouse closings in 2016. This partially explains the lower home closings during 2016.

Gross margins in 2016 and 2015 were impacted by a write-down of real estate held for development and sale, while in 2014 gross margins were positively impacted by a recovery of write-downs previously made. Net earnings and net earnings per share were affected as a result of the above.

Total assets decreased in 2016 compared to 2015 and 2014 mainly due to a reduction in real estate held for development and sale, as a result of sales of residential lots, development lands and residential homes and a decision to reduce the home building work in progress. In addition, 2016 included a write-down of $8,665 relating to various lands.

Total loans and credit facilities increased in 2015 compared to 2014 mainly due to the purchase of the southeast lands secured by a $40,000 VTB. Total loans and credit facilities subsequently decreased in 2016 compared to 2015 mainly due to the repayment of loans and credit facilities, including $8,000 for the VTB.

SUMMARY OF QUARTERLY RESULTS

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Revenues	**28,145**	29,240	26,148	32,424	36,575	34,918	31,822	15,773
Net earnings[1]	**(1,216)**	2,184	2,828	2,110	5,365	4,256	1,333	60
EPS[2]	**(0.03)**	0.05	0.06	0.05	0.13	0.09	0.03	0.00

[1] Net earnings attributable to equity shareholders
[2] Net earnings per share - basic and diluted

In general, net earnings are mainly affected by the volume of residential lot and home sales, development land parcel sales, and write-downs or recoveries, if any. Seasonality affects the land development and home building industry in Canada, particularly winter weather conditions. Refer to the Factors Affecting Results of Operations section of this MD&A which discusses the factors that affect Genesis' results and seasonality further.

During Q4 2016, Genesis sold 12 residential lots to third parties and 56 homes (all single-family) compared to 24 residential lots to third parties, a 7 acre development land parcel for $9,437 and 28 homes (all single-family) during the third quarter of 2016 ("Q3 2016"). This resulted in revenues that were slightly lower than Q3 2016. Genesis also had a write-down of $5,372 in Q4 2016 compared to a write down of $3,293 in Q3 2016, a difference of $2,079 which affected the net earnings in Q4 2016.

During Q3 2016, Genesis sold 24 residential lots to third parties, a 7 acre development land parcel for $9,437 and 28 homes (all single-family). The development land parcel sale and higher residential lot sales resulted in higher revenues in the third quarter of 2016 compared to the second quarter of 2016 ("Q2 2016"), but this was partially offset by the lower residential home revenues. Genesis also had a write-down $3,293 related to of a single parcel of undeveloped non-core land located in Alberta.

During Q2 2016, Genesis sold 22 residential lots to third parties, a 1,653 acre non-core development land parcel for $1,650 and 40 homes (all single-family). The sale of a development land parcel in the first quarter of 2016 resulted in higher revenues in the first quarter of 2016 ("Q1 2016") compared to Q2 2016, but this was partially offset by the higher volume of residential lot sales in Q2 2016. During Q2 2016, Genesis also incurred $992 of cost of sales expense relating to townhouse projects that were not going to proceed. These were the main factors resulting in lower net earnings and EPS during Q2 2016 compared to Q1 2016.

During Q1 2016, Genesis sold no residential lots to third parties, sold a development land parcel for $10,150 and 42 homes (all single-family). During the fourth quarter of 2015, the joint venture in which Genesis is a 50% partner, sold a multi-family land parcel for which Genesis realized a deferred gain of $1,184. Genesis also realized deferred gains from the sale of 10 single family lots and its share of net income from the joint venture in the fourth quarter of 2015. There was no corresponding multi-family land sale in Q1 2016, and Genesis realized deferred gain from five single-family lots during Q1 2016. These factors results in lower net earnings and EPS during Q1 2016 compared to the fourth quarter of 2015.

During Q4 2015, Genesis sold 50 residential lots to third parties, 51 homes (39 single-family and 12 townhouses) and a non-core development land parcel.

During Q3 2015, Genesis sold 13 residential lots and 67 homes (56 single-family and 11 townhouses).

During Q2 2015, net earnings were affected by a write-down of real estate held for development and sales.

During Q1 2015, revenues and net earnings were low due to lower residential lot and residential home sales.

RELATED PARTY TRANSACTIONS

Transactions occurred in the year ended December 31, 2016 with the following related parties:

1. Underwood Capital Partners Inc. ("Underwood") - controlled by an officer and director, Stephen J. Griggs
2. Smoothwater Capital Corporation ("Smoothwater") – a significant shareholder of Genesis and Stephen J. Griggs serves as CEO

	Three months ended December 31,		Year ended December 31,	
	2016	**2015**	**2016**	**2015**
Paid to Underwood for the services of Stephen J. Griggs as interim CEO	**80**	-	**368**	-
Reimbursement of travel and other costs incurred by Smoothwater	**-**	-	**11**	-
	80	-	**379**	-

CONSOLIDATED ENTITIES

The Corporation is a general partner in four limited group structures and a 50% co-owner in a joint venture. Refer to note 19 of the consolidated financial statements for the year ended December 31, 2016 and 2015 for summarized financial information concerning the limited partnership arrangements. Refer to note 16 of the consolidated financial statements for the year ended December 31, 2016 and 2015 for summarized financial information concerning the joint venture. Genesis Limited Partnership #6 and Genesis Limited Partnership #7 paid a final distribution of $6,978 to their unit holders during the year ended December 31, 2016 and are in the process of being wound up.

SUBSEQUENT EVENTS

Since December 31, 2016, the Corporation has:

- Paid the second installment of $8,000 on the VTB in January 2017. The balance on the VTB after this payment, excluding the unamortized portion, is $24,000
- Amended the term of its head office lease agreement by extending the term by 38 months to September 30, 2020. The total basic rent over the extension period is $364, a reduction of 73% from the 2016 annual basic rent amount.
- Entered into an agreement to sell 1,476 acres of non-core land for $9,000 payable at closing, which is expected to close in May 2017.

SUMMARY OF ACCOUNTING CHANGES

The Corporation adopted no new IFRSs and interpretations during 2016.

RECENT ACCOUNTING PRONOUNCEMENTS

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

IFRS 15, “Revenue from contracts with customers”

On May 28, 2014 the IASB issued IFRS 15, “Revenue from contracts with customers”. IFRS 15 will replace existing standards and interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard outlines a single comprehensive model for entities for revenue recognition arising from contracts with customers. The Corporation has not yet considered the impact of IFRS 15 on its financial statements. The Corporation will assess the impact, if any, and report on this in its 2017 financial statements.

IFRS 9, “Financial instruments”

On November 12, 2009, the IASB issued IFRS 9, “Financial instruments” (“IFRS 9”), which will replace IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”). The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 applies to classification and measurement of financial assets as defined in IAS 39. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The Corporation has not yet considered the impact of IFRS 9 on its financial statements. Corporation will assess the impact, if any, and report on this in its 2017 financial statements.

IFRS 16, “Leases”

On January 13, 2016, the IASB published a new standard, IFRS 16, “Leases”. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted but only if the entity is also applying IFRS 15, “Revenue from contracts with customers”. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. The Corporation has not yet considered the impact of IFRS 16 on its financial statements.

CRITICAL ACCOUNTING 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 for the land development and the home building business segments. 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 YE 2016 and YE 2015. Refer to note 2(q) in the consolidated financial statements for the years ended December 31, 2016 and 2015 for additional information on judgments and estimates.

Provision for Future Development Costs

Changes in the estimated future development costs of land previously sold 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 longer time frames involved, specifically in land development.

Impairment of Real Estate Held for Development and Sale

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

Valuation of amounts receivables

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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Interim Chief Executive Officer ("CEO") and Interim Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*. The Interim CEO and Interim CFO have designed, or caused to be designed under their direct supervision, Genesis' DC&P to provide reasonable assurance that:

(i) material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and

(ii) information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported on a timely basis.

The Interim CEO and Interim CFO have also designed, or caused to be designed under their direct supervision, Genesis' ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The ICFR have been designed using the control framework established in Internal Control – Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

The Interim CEO and Interim CFO have evaluated the design and operating effectiveness of Genesis' DC&P and ICFR and concluded that Genesis' DC&P and ICFR were effective as at December 31, 2016. While Genesis' CEO and CFO believe that the Corporation's internal controls and procedures provide a reasonable level of assurance that such controls and procedures are reliable, an internal control system cannot prevent all errors and fraud. It is management's belief that any control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

There were no changes in the Corporation's ICFR during the three months and year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect the Corporation's ICFR.

RISKS AND UNCERTAINTIES

In the normal course of business, Genesis is exposed to certain risks and uncertainties inherent in the real estate development and home building industries. Real estate development and home building are cyclical businesses. As a result, Genesis profitability 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 risk, mortgage rates and financing risk, general uninsured losses, cyber-security and business continuity risk, environmental risk and government regulations.

Development and Construction Cost Risk

Genesis may be impacted by higher prices of labor, consulting fees, construction services and materials. Costs of development and building have fluctuated over the past several years and are typically passed on to the end customer through higher pricing. Any significant increase that Genesis cannot pass on to the end customer may have a negative material impact on profits.

Credit and Liquidity Risk

Credit risk arises from the possibility that third party builders that acquire lots from Genesis may experience financial difficulty and be unable to fulfill their lot payout commitments. Liquidity risk is the risk that Genesis will not be able to meet its financial obligations as they fall due. If Genesis is unable to generate sufficient sales, renew existing credit facilities or secure additional financing, the Corporation's ability to meet its obligations as they become due may be impacted. Based on the Corporation's operating history, relationship with lenders and committed sales contracts, management believes that Genesis has the ability to continue to renew or repay its financial obligations as they come due.

Finance Risk

Genesis uses debt and other forms of financing in its business to execute the corporate strategy. Genesis uses project specific credit facilities to fund land development costs and a construction operating line for home construction purposes. Should Genesis be unable to retain or obtain such credit facilities, its ability to achieve its goals could be impacted. In order to reduce finance risk, Genesis endeavors to match the term of financing with the expected revenues of the underlying land asset.

Management regularly reviews the Corporation's credit facilities and manages the requirements in accordance with project development plans and operating requirements.

Litigation Risk

All industries are subject to legal claims, with or without merit. The Corporation may be involved from time to time in various legal proceedings which may include the potential liability from its operating activities and, as a public company, possibly from violations of securities laws or breach of fiduciary duty by its directors or officers. Defense and settlement costs can be substantial, even with respect to legal claims that have no merit. Due to the inherent uncertainty associated with litigation, the resolution of any particular legal proceeding could have a material effect on the financial position and results of operations of the Corporation.

Cybersecurity and Business Continuity Risk

Genesis' operations, performance and reputation depend on how its assets, including networks, IT systems, offices and sensitive information, are protected from cyberattacks. Genesis' operations and business continuity depend on how well it protects, tests, maintains and replace its networks, IT systems and associated equipment. The protection and effective organization of Genesis' systems, applications and information repositories are central to the security and continuous operation of the business.

Cyberattacks and threats (such as hacking, computer viruses, denial of service attacks, industrial espionage, unauthorized access to confidential information, or other breaches of network or IT security) continue to evolve and Genesis' IT defenses need to be regularly monitored and adapted. Genesis may also be exposed to cyber threats as a result of actions that may be taken by its customers, suppliers, employees or independent third parties, whether malicious or not, including as a result of the use of social media, cloud-based solutions and IT consumerization (i.e. the combining of personal and business use of technology devices and applications.) Vulnerabilities could harm Genesis' brand and reputation as well as its business relationships, and could adversely affect its operations and financial results, given that they may lead to: network operating failures and service disruptions, which could directly impact Genesis' ability to maintain its day-to-day business operations and meet its commitments; the theft, loss or unauthorized release of confidential information, including customer or employee information, that could result in financial loss and exposure to claims for damages by customers and employees; physical damage to network assets impacting service continuity as well as corruption or destruction of data; litigation, fines and liability for failure to comply with privacy and information security laws; regulatory investigations and increased audit and regulatory scrutiny that could divert resources from regular operations; loss of customers or impairment of our ability to attract new ones; or lost revenues due to service disruptions and the incurrence of remediation costs.

Genesis has the following in place to reduce and/or manage cybersecurity and business continuity risk: enterprise grade firewalls with the ability to detect port scanning, denial of service attacks and content filtering and application control to permit or deny traffic on the network; signature-based antivirus which runs scans to detect suspicious files and continuously receives updates to counter new threat; email security and anti-spam filtering to scan all incoming and outgoing emails before email delivery is completed; and regular internal and external backups of database and networks files which could be used to restore data in the event of loss of information due to corruption, deletion or encryption due to viruses or malware or system failures.

The Corporation maintains various types of insurance to cover certain potential risks and regularly evaluates the adequacy of this coverage.

There may be additional risks that management may need to consider as circumstances require. For a more detailed discussion on the Corporation's risk factors, refer to Genesis' AIF for the year ended December 31, 2016 available on SEDAR at www.sedar.com.

TRADING AND SHARE STATISTICS

The Corporation's trading and share statistics for 2016 and 2015 are provided below.

	2016	2015
Average daily trading volume	**12,188**	47,810
Share price ($/share)		
High	**3.17**	3.90
Low	**2.01**	2.58
Close	**2.99**	2.73
Market capitalization at December 31	**130,800**	120,932
Shares outstanding	**43,745,806**	44,297,602

OTHER

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

ADVISORIES

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", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

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

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to the nature of development lands held and the anticipated inventory and development potential of such lands, anticipated general economic and business conditions, the anticipated impact on Genesis' development and home building activities, Genesis' ongoing review of its business, including cost reductions, expected closings of land sales and listing of townhouse sites including the sale of 1,476 acres of non-core land, the activity levels and operations of the joint venture, the ability to close the book of homes (with lots) subject to firm sale contracts, the Alberta real estate cycle, the wind-up of Genesis Limited Partnership #6 and Genesis Limited Partnership #7, Genesis' business plan for 2017, the Corporation's cost reductions and operating efficiencies, progress of rezoning projects, the continuing role of GBG in the sale of Genesis lots, the marketing of non-core lands, the closing of a sale of land near Delacour, Alberta, the expected level of new serviced lot inventory available to builders and the ability of GBG to sell homes on a quick possession basis and the ability to continue to renew or repay financial obligations and to meet liabilities as they become due. Although Genesis believes that the anticipated future results, performance or achievements expressed or implied by the 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.

Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to: the impact of contractual arrangements and incurred obligations on future operations and liquidity; local real estate conditions, including the development of properties in close proximity to Genesis' properties; the uncertainties of real estate development and acquisition activity; fluctuations in interest rates; ability to access and raise capital on favourable terms; not realizing on the anticipated benefits from transactions or not realizing on such anticipated benefits within the expected time frame; labour matters, governmental regulations, 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 this MD&A under the heading "Risks and Uncertainties" and the AIF under the heading "Risk Factors". Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A 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.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and 2015

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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 three 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/ Stephen J. Griggs,
Interim Chief Executive Officer

/s/ Kirsten Richter
Interim Chief Financial Officer

March 21, 2017

Independent Auditors' Report

To the Shareholders of Genesis Land Development Corp.

We have audited the accompanying consolidated financial statements of Genesis Land Development Corp. which comprise the consolidated balance sheets as at December 31, 2016 and 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Genesis Land Development Corp. as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Calgary, Alberta
March 21, 2017

Chartered Professional Accountants

MNP LLP

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

	Notes	December 31, 2016	December 31, 2015
Assets			
Real estate held for development and sale	4	**242,000**	288,291
Investment in joint venture	16	**-**	2,854
Amounts receivable	5	**21,059**	17,234
Other operating assets	6	**5,019**	7,574
Deferred tax assets	7	**6,557**	3,693
Income tax recoverable		**42**	-
Cash and cash equivalents		**14,318**	11,399
Total assets		**288,995**	331,045
Liabilities			
Loans and credit facilities	8	**43,295**	63,819
Customer deposits		**2,587**	3,820
Accounts payable and accrued liabilities		**10,195**	19,219
Income taxes payable		**-**	270
Provision for future development costs	2(p)	**21,253**	18,926
Total liabilities		**77,330**	106,054
Commitments and contingencies	14		
Equity			
Share capital	9,10	**54,888**	55,591
Contributed surplus	10	**-**	5,577
Retained earnings		**150,863**	150,957
Shareholders' equity		**205,751**	212,125
Non-controlling interest	19	**5,914**	12,866
Total equity		**211,665**	224,991
Total liabilities and equity		**288,995**	331,045

See accompanying notes to the consolidated financial statements

Consolidated entities (note 19)
Subsequent events (note 20)

ON BEHALF OF THE BOARD:

/s/ **Stephen J. Griggs**
Director and Chair of the Board

/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, 2016 and 2015
(In thousands of Canadian dollars except per share amounts)

		Year ended December 31,	
	Notes	**2016**	**2015**
Revenues			
Sales revenue		**115,179**	118,769
Other revenue		**778**	319
		115,957	119,088
Direct cost of sales		**(80,674)**	(84,189)
Write-down of real estate held for development and sale	4	**(8,665)**	(12,390)
		(89,339)	(96,579)
Gross margin		**26,618**	22,509
Income from joint venture	16	**86**	4,238
General and administrative	11	**(11,930)**	(13,521)
Selling and marketing	12	**(4,382)**	(5,405)
		(16,226)	(14,688)
Earnings from operations		**10,392**	7,821
Finance income		**71**	86
Finance expense	13	**(2,999)**	(3,864)
Earnings before income taxes		**7,464**	4,043
Income tax expense	7	**(1,532)**	(3,336)
Net earnings being comprehensive earnings		**5,932**	707
Attributable to non-controlling interest	19	**26**	(10,307)
Attributable to equity shareholders		**5,906**	11,014
Net earnings per share – basic and diluted	9	**0.13**	0.25

See accompanying notes to the consolidated financial statements

Consolidated entities (note 19)
Subsequent events (note 20)

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2016 and 2015
(In thousands of Canadian dollars except number of shares)

	Equity attributable to Corporation's shareholders						
	Common shares – Issued						
	Number of Shares	Amount	Contributed Surplus	Retained Earnings	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
At December 31, 2014	44,931,200	56,393	5,349	146,359	208,101	23,173	231,274
Share-based payments	-	-	228	-	228	-	228
Cancellation of shares	(5,000)	-	-	-	-	-	-
Repurchase and cancellation of shares [1]	(628,598)	(802)	-	(1,085)	(1,887)	-	(1,887)
Dividends [3]	-	-	-	(5,331)	(5,331)	-	(5,331)
Net earnings (loss) [2]	-	-	-	11,014	11,014	(10,307)	707
At December 31, 2015	44,297,602	55,591	5,577	150,957	212,125	12,866	224,991
At December 31, 2015	44,297,602	55,591	5,577	150,957	212,125	12,866	224,991
Share-based payments	-	-	76	-	76	-	76
Repurchase and cancellation of shares [1]	(551,796)	(703)	-	(717)	(1,420)	-	(1,420)
Distributions [4]	-	-	-	-	-	(6,978)	(6,978)
Transferred to retained earnings [5]	-	-	(5,653)	5,653	-	-	-
Dividends [3]	-	-	-	(10,936)	(10,936)	-	(10,936)
Net earnings [2]	-	-	-	5,906	5,906	26	5,932
At December 31, 2016	43,745,806	54,888	-	150,863	205,751	5,914	211,665

See accompanying notes to the consolidated financial statements

[1] Repurchased and cancelled under normal course issuer bid ("NCIB"). Refer to note 9c
[2] Net earnings (loss) being comprehensive earnings (loss)
[3] Special cash dividends of $0.25 and $0.12 per share were paid in 2016 and 2015 respectively.
[4] Distribution to unit holders of Genesis Limited Partnership #6 and Genesis Limited Partnership #7. Refer to note 4
[5] Transferred to retained earnings on cancellation of all outstanding stock options. Refer to note 10

GENESIS LAND DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015
(In thousands of Canadian dollars)

	Notes	Year ended December 31, 2016	2015
Operating activities			
Receipts from residential lot and development land sales		**27,795**	15,708
Receipts from residential home sales		**83,100**	101,025
Other receipts		**2,910**	5,083
Paid for land development		**(13,921)**	(36,092)
Paid for land acquisition		**-**	(10,000)
Paid for residential home construction		**(37,425)**	(65,592)
Paid to suppliers and employees		**(14,869)**	(18,709)
Interest received		**71**	86
Income taxes paid		**(4,709)**	(9,834)
Cash flows from (used in) operating activities		**42,952**	(18,325)
Investing activities			
Acquisition of equipment		**(61)**	(1,187)
Distribution received from joint venture	16	**3,200**	3,800
Disposal of equipment		**-**	10
Cash flows from investing activities		**3,139**	2,623
Financing activities			
Advances from loans and credit facilities	8	**42,462**	45,524
Repayments of loans and credit facilities		**(57,800)**	(42,719)
Payment on vendor-take-back mortgage		**(8,000)**	-
Interest and fees paid on loans and credit facilities		**(500)**	(1,475)
Cash settlement of options		**-**	(59)
Dividends paid		**(10,936)**	(5,331)
Repurchase and cancellation of shares under NCIB	9	**(1,420)**	(1,887)
Distribution to unit holders of limited partnerships		**(6,978)**	-
Cash flows (used in) financing activities		**(43,172)**	(5,947)
Change in cash and cash equivalents		**2,919**	(21,649)
Cash and cash equivalents, beginning of period		**11,399**	33,048
Cash and cash equivalents, end of period		**14,318**	11,399

See accompanying notes to the consolidated financial statements

1. DESCRIPTION OF BUSINESS

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

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

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

The consolidated financial statements of Genesis were approved for issuance by the Board of Directors on March 21, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

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 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.

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.

Subsidiaries 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 so as to obtain benefit from its activities. 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 held 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 subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) **Interest in joint venture**

The Corporation has an interest in a joint venture, Kinwood Communities Inc., (the "JV") which is a jointly controlled entity. The Corporation recognizes its interest in the JV using the equity method of accounting.

e) **Revenue recognition**

(i) Residential lot and development land sales

Land and lot sales to third parties are recognized when the risks and rewards of ownership have been transferred, the agreed-to services pertaining to the property have been substantially performed, a minimum 15% non-refundable deposit has been received, and the collection of the remaining unpaid balance is reasonably assured. 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) Residential home sales

Revenue is recognized 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.

(iii) Interest income

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

(iv) 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.

f) **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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Borrowing costs

The acquisition or construction of real estate assets necessarily takes a substantial period of time to prepare 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. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of the funds.

The borrowing costs are determined first by reference to borrowings specific to the project, where relevant, and secondly by applying a weighted average interest rate for the Corporation’s non-project specific borrowings, less any investment income arising on temporary investing of funds, to qualifying inventory. Borrowing costs are recorded as inventory from the date of commencement of development work until the date of completion. The recording of interest as inventory is suspended if the project development is suspended for a prolonged period.

h) 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 equipment — 3 years
- Computer software — 3 years
- Showhome furniture — 3 years
- Leasehold improvements — Lesser of 5 years or remaining term of the lease

i) Income taxes

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation's consolidated financial statements include some entities that are limited partnerships (note 19) and are not subject to income taxes. The income or loss for Canadian tax purposes is attributable to the taxable income of the 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 partners that form part of the non-controlling interest.

j) Cash and cash equivalents

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

k) Leases

Operating lease payments are recognized as an operating expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

l) Share-based payments

Prior to 2016, the Corporation provided equity-settled share-based payments in the form of a share option plan to its employees, officers and directors. The share options issued are either regular options or performance options. The costs of share-based payments are calculated by reference to the fair value of the options at the date on which they are granted. The fair values of regular options are determined using the Black-Scholes Option-Pricing Model while the fair values of performance options are determined using the Black-Scholes Option-Pricing Model incorporating the Monte Carlo simulation. 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 at the discretion of the Corporation and are accounted for as equity-settled plans. When options are settled in cash, the cash paid reduces the contributed surplus to the extent of previously recognized liability. Amounts paid in excess of previously recognized liability are expensed.

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

m) Financial assets

All financial assets are initially recognized on the consolidated balance sheet at fair value and designated at inception into one of the following classifications: at fair value through profit or loss ("FVTPL"); and loans and receivables. All financial assets are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Transaction costs related to financial assets classified as FVTPL are expensed, and for all other financial assets they are included in the initial carrying amount.

The financial assets classified as FVTPL are cash and cash equivalents, and deposits and restricted cash. Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at FVTPL are carried on the consolidated balance sheet at fair value with changes in fair value recognized in the consolidated statements of comprehensive income.

Financial assets classified as loans and receivables are amounts receivable. Financial assets classified as loans and receivables 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 are no longer recognized 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events that have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset, discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

n) Financial liabilities

The financial liabilities classified as other financial liabilities are accounts payable and accrued liabilities, and loans and credit facilities.

All financial liabilities are initially recognized on the consolidated balance sheet at fair value less directly attributable transaction costs, and designated at inception as other financial liabilities.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are no longer recognized as a liability when the contractual obligations are discharged, cancelled or expire.

o) 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.

p) Provision for future development costs

The Corporation sells land, lots and homes for which it is responsible to pay for future development costs. For the home building segment, the provision for future development costs represents the costs likely to be incurred on seasonal work and estimated warranty charges over the one year warranty period. For the land development segment, the provision for future development costs represents the estimated construction costs related to sold land. This includes all direct construction costs and indirect costs expected to be incurred during the remainder of the construction 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the risks and rewards of ownership have been transferred. The Corporation reviews each contract and evaluates all the factors to determine the appropriate transfer date.

(ii) Consolidation

The Corporation applies judgment in determining control over certain limited partnerships where the Corporation holds less than 50% equity ownership. The judgment is 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 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 from independent real estate appraisers and in light of recent market transactions of similar and adjacent lands and housing projects in the same geographic area.

(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 the estimated future development costs, 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) Impairment of real estate held for development and sale

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Valuation of amounts receivables

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.

3. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS DURING 2016

The Corporation adopted no new IFRSs and interpretations during 2016.

RECENT ACCOUNTING PRONOUNCEMENTS

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

IFRS 15, "Revenue from contracts with customers"

On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace existing standards and interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard outlines a single comprehensive model for entities for revenue recognition arising from contracts with customers. The Corporation has not yet considered the impact of IFRS 15 on its consolidated financial statements. The Corporation will assess the impact, if any, and report on this in its 2017 financial statements.

IFRS 9, "Financial instruments"

On November 12, 2009, the IASB issued IFRS 9, "Financial instruments" ("IFRS 9"), which will replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 applies to classification and measurement of financial assets as defined in IAS 39. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The Corporation has not yet considered the impact of IFRS 9 on its consolidated financial statements. The Corporation will assess the impact, if any, and report on this in its 2017 financial statements.

IFRS 16, "Leases"

On January 13, 2016, the IASB published a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted but only if the entity is also applying IFRS 15, "Revenue from contracts with customers". Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. The Corporation has not yet considered the impact of IFRS 16 on its consolidated financial statements.

4. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	Land Under Development	Land Held for Future Development	Home Building	Total	Limited Partnerships	Intra-segment Elimination	Consolidated Total
Gross book value							
As at December 31, 2015	138,518	107,495	30,768	276,781	79,997	(5,381)	351,397
Transfers between categories	(22,923)	(2,632)	25,555	-	-	-	-
Development	29,822	296	34,615	64,733	244	-	64,977
Sold	(22,521)	(6,466)	(71,538)	(100,525)	(8,212)	1,187	(107,550)
As at December 31, 2016	122,896	98,693	19,400	240,989	72,029	(4,194)	308,824
Less provision for write-downs							
As at December 31, 2015	-	30,633	-	30,633	32,473	-	63,106
Sold	-	(4,947)	-	(4,947)	-	-	(4,947)
Write-down of real estate held for development and sale	4,000	1,990	-	5,990	2,675	-	8,665
As at December 31, 2016	4,000	27,676	-	31,676	35,148	-	66,824
Net book value							
As at December 31, 2015	138,518	76,862	30,768	246,148	47,524	(5,381)	288,291
As at December 31, 2016	118,896	71,017	19,400	209,313	36,881	(4,194)	242,000

During the year ended December 31, 2016, interest of $500 (2015 - $623) was capitalized as a component of the Development costs above.

During the year ended December 31, 2016, $876 of pre-construction work in progress, relating to certain townhouse projects in the home building segment, that are not expected to proceed, was expensed to cost of sales in the home building segment. The Corporation does not intend to build on these townhouse sites but rather has listed the relevant land parcels for sale to third parties.

Land under development: The Corporation closed the sale of a 7 acre development land parcel in September 2016 for $9,437.

Land held for future development: The Corporation closed the sale of a 1,653 acre non-core parcel of land in June 2016. The sale was contracted for gross proceeds of $1,650.

Land under development: The Corporation closed the sale of a 14 acre development land parcel during the three months ended March 31, 2016 for $10,150. The Corporation owned a direct 10% undivided interest. This parcel was the final land holding of Genesis Limited Partnership #6 (“LP6”).

During the year ended December 31, 2016, the Corporation recorded the following write-downs on parcels of land located in and around Calgary, Alberta: a write-down of $4,000 on land under development to reflect the estimated returns realizable from completion of development and sale of this land, a write-down of $1,990 to reflect the market value of a non-core undeveloped land parcel and a write-down of $2,675 to reflect the market value of a non-core undeveloped land parcel belonging to a limited partnership.

4. REAL ESTATE HELD FOR DEVELOPMENT AND SALE (continued)

The following table summarizes the sale of the 7 acre development land parcel and the 1,653 acre non-core land parcel.

	Land Under Development	Land Held for Future Development	Total
Sales revenue	9,437	1,650	11,087
Direct cost of sales	(5,936)	(1,533)	(7,469)
Gross margin	3,501	117	3,618
Sales commission and misc. expenses/recoveries	(186)	(76)	(262)
Net margin	3,315	41	3,356

The following table summarizes the 14 acre development land sale transaction.

	Genesis	LP 6/7 Group	Total
Sales revenue, net of $100 rebate	1,015	9,135	10,150
Direct cost of sales	(2,124)	(8,212)	(10,336)
Deferred gain from the original sale of these lands to LP6	1,187	-	1,187
Gross margin	78	923	1,001
Sales commission and misc. expenses	(25)	(238)	(263)
Management fees	669	(669)	-
Net margin	722	16	738
Genesis' 11.75% interest in LP 6	2	(2)	-
	724	14	738

Genesis Limited Partnership #6 and Genesis Limited Partnership #7 paid a total distribution of $6,978 to their unit holders during the year ended December 31, 2016.

5. AMOUNTS RECEIVABLE

	2016	2015
Agreements receivable	**19,778**	16,312
Other receivables	**1,281**	922
	21,059	17,234

Agreements receivable for lot sales are secured by the underlying real estate assets and have various terms of repayment. Purchasers generally have between 6 and 24 months to pay the balance owing for the purchased lots. Certain agreements receivable and mortgages receivable, if any, are interest bearing.

6. OTHER OPERATING ASSETS

	2016	2015
Deposits	**2,497**	3,485
Prepayments	**262**	309
Restricted cash	**1,353**	2,127
Property and equipment	**907**	1,653
	5,019	7,574

Deposits include amounts paid to development authorities as security to guarantee the completion of construction projects under development and deposits on future land acquisitions. The deposits are refundable upon completion of the related projects and earn interest at rates approximating those earned on guaranteed investment certificates. The Corporation has also provided letters of credit as security to guarantee the completion of certain construction projects (see note 14 for additional information). Restricted cash is held in trust accounts.

7. INCOME TAXES

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

	2016	2015
Current income tax	**4,397**	5,671
Deferred tax relating to origination and reversal of temporary differences	**(2,865)**	(2,335)
	1,532	3,336

b) Income tax expense differed from that which would be expected from applying the combined statutory Canadian federal and provincial income tax rates of 27.00% (2015 – 26.01%) to earnings before income taxes. The difference resulted from the following:

	2016	2015
Earnings before income taxes	**7,464**	4,043
Statutory tax rate	**27.00%**	26.01%
Expected income tax expense	**2,015**	1,052
Utilization of previously recognized tax losses	**-**	(160)
Benefit of losses not recognized	**63**	-
Effect of tax rate change	**-**	(190)
Share-based payment transactions	**20**	75
Change in estimate of a deferred tax component	**(533)**	-
Others	**78**	(122)
Non-controlling interest	**(7)**	2,681
Non-taxable item	**(104)**	-
Tax expense for the year	**1,532**	3,336

7. INCOME TAXES (continued)

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

	2016	2015
Deferred tax assets	**8,461**	6,694
Deferred tax liabilities	**(1,904)**	(3,001)
	6,557	3,693

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

	2016	2015
Real estate held for development and sale	**5,562**	4,589
Non-capital loss carry-forwards*	**212**	182
Reserves from land sales	**(1,690)**	(2,974)
Unamortized financing costs	**2,419**	1,923
Other temporary differences	**54**	(27)
	6,557	3,693

**Non-capital losses carry-forward amounts expire between 2032 and 2036*

8. LOANS AND CREDIT FACILITIES

	2016	2015
Secured by agreements receivable and real estate held for development and sale (a) Land project loan, payable on collection of agreements receivable, bearing interest ranging from prime +0.75% to prime +1.25% per annum, secured by real estate held for development and sale with a carrying value of $35,711, due between September 18, 2017 and November 5, 2017.	**5,566**	16,609
Secured by real estate held for development and sale (b) Vendor-take-back mortgage ("VTB") of $32,000 at 0% per annum is measured at amortized cost and whose fair value is based on discounted future cash flows, using an 8% discount rate. The VTB was assumed on January 6, 2015 for $40,000 for the purchase of southeast Calgary lands and is secured by these lands with a carrying value of $44,334. The VTB is to be paid in five annual installments of $8,000 each, commencing January 6, 2016 and ending January 6, 2020. The second installment of $8,000 was paid in January 2017.	**32,000**	40,000
Unamortized portion of the discount on the VTB.	**(3,494)**	(5,679)
(c) Demand operating line of credit up to $10,000, bearing interest at prime +1.0% per annum, secured by real estate held for development and sale with a carrying value of $13,058.	**-**	-
Secured by housing projects under development (d) Demand operating line of credit up to $6,500, bearing interest at prime +1.5% per annum, secured by a general security agreement over assets of the home building division.	**-**	1,427
(e) Lot purchase loan, payable on collection of closing proceeds, bearing interest at prime +1.5% per annum, secured by home building projects with a carrying value of $1,473 due on September 11, 2017.	**903**	3,767
	34,975	56,124
Secured by land held for future development - Limited Partnership (f) Land loan, bearing interest at the greater of 7.25% or prime +3% per annum, secured by land held for future development and sale with a carrying value of $26,121 maturing July 1, 2017.	**8,531**	8,125
	43,506	64,249
Deferred fees on loans and credit facilities	**(211)**	(430)
	43,295	63,819

The weighted average interest rate of loan agreements with financial institutions was 5.77% (December 31, 2015 - 4.75%) based on December 31, 2016 balances. The VTB at 0% per annum is measured at amortized cost and its fair value is based on discounted future cash flows using an 8% discount rate, resulting in interest expense of $2,185 (2015 - $2,633) for the year ended December 31, 2016.

During the year ended December 31, 2016, the Corporation received advances of $42,462 for the year (2015 - $45,524) relating to various existing loan facilities secured by agreements receivable and real estate held for development and sale, bearing interest ranging from prime + 0.75% to prime + 1.25% per annum, with due dates ranging from March 31, 2017 to December 31, 2017.

8. LOANS AND CREDIT FACILITIES (continued)

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

January 1, 2017 to December 31, 2017	22,990
January 1, 2018 to December 31, 2018	7,383
January 1, 2019 to December 31, 2019	6,822
January 1, 2020 to December 31, 2020	6,311
	43,506

The Corporation has various covenants in place with its lenders with respect to certain contracted credit facilities. Such covenants include credit usage restrictions; cancellation, prepayment, confidentiality and cross default clauses; sales coverage requirements; conditions precedent for funding; and other general understandings such as, but not limited to, maintaining contracted lot prices, restrictions on encumbrances, liens and charges, material changes to project plans, and material changes in the Corporation's ownership structure. In addition, the home building business segment has a secured revolving operating line repayable on demand, to be used for home construction and for the acquisition of serviced lots. As at December 31, 2016 and 2015, the Corporation and its subsidiaries were in compliance with all loan covenants.

9. 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, 2016 and 2015:

	Year ended December 31,	
	2016	**2015**
Basic	**43,969,313**	44,828,422
Effect of dilutive securities – stock options	**-**	-
Diluted	**43,969,313**	44,828,422

In calculating diluted earnings per share for the year ended December 31, 2016, the Corporation excluded all options as they were cancelled effective June 30, 2016 and their exercise price was greater than the average market price during the six months ended June 30, 2016. In calculating the diluted earnings for the year ended December 31, 2015, the Corporation excluded all 2,357,000 options as their exercise price was greater than the average market price of the Corporation's shares during the period.

9. SHARE CAPITAL (continued)

c) **Normal course issuer bid**

On September 7, 2016, the Corporation announced the renewal of its NCIB. The renewed NCIB commenced on September 12, 2016 and terminates on the earlier of (i) September 11, 2017; 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 2,194,320 common shares under the renewed NCIB.

The prior NCIB, which expired on September 9, 2016, allowed the Corporation to purchase for cancellation up to 2,246,310 common shares. The Corporation purchased a total of 1,124,598 common shares at an average price of $2.81 per share under this NCIB.

The following table sets forth the number of common shares repurchased and cancelled during the year ended December 31, 2016 and 2015 under the NCIB.

	Year ended December 31,	
	2016	**2015**
Number of shares repurchased and cancelled	**551,796**	628,598
Reduction in share capital	**703**	802
Reduction in retained earnings	**717**	1,085
Reduction in shareholders' equity	**1,420**	1,887

The average purchase prices per share for the year ended December 31, 2016 was $2.60 (2015 - $3.00).

10. STOCK OPTIONS

The Corporation terminated the stock option plan on March 22, 2016 and all outstanding options were subsequently cancelled. The stock option plan was a plan for employees, officers, and directors of the Corporation to purchase common shares. Vesting provisions and exercise prices were set at the time of issuance by the Board of Directors. Options vested over a number of years on various anniversary dates from the date of the original grant. The options were issued at not less than the fair market value of the common shares at the date of grant and were issued with terms not exceeding five years from the date of grant.

All outstanding stock options were cancelled effective June 30, 2016 and $5,653 of contributed surplus relating to share-based payments was transferred to retained earnings.

Regular options

Details of outstanding regular options were as follows:

	Year ended December 31,			
	2016		2015	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding – beginning of period	**1,085,000**	**$4.01**	1,419,000	$3.86
Options expired [1]	**(918,328)**	**$3.89**	(115,000)	$3.53
Options cancelled	**(166,672)**	**$4.71**	(75,000)	$3.40
Options settled in cash	**-**	**-**	(144,000)	$3.27
Outstanding – end of period	**-**	**-**	1,085,000	$4.01
Exercisable – end of period	**-**	**-**	848,327	$3.93

[1] Holders no longer employees of Genesis

10. STOCK OPTIONS (continued)

Performance options

Details of outstanding performance options were as follows:

	Year ended December 31,			
	2016		2015	
	Number of Options	**Exercise Price**	**Number of Options**	**Exercise Price**
Outstanding – beginning of period	**1,272,000**	**$3.35**	1,272,000	$3.35
Options expired [(1)]	**(1,272,000)**	**$3.35**	-	-
Outstanding – end of period	**-**	**-**	1,272,000	$3.35
Exercisable – end of period	**-**	**-**	193,900	$3.35
Weighted average remaining contractual life		**-**		3.00 years

[(1)] Holders no longer employees of Genesis

11. GENERAL AND ADMINISTRATIVE

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

	2016	2015
Corporate administration	**2,780**	3,040
Compensation and benefits	**8,131**	9,230
Professional services	**1,019**	1,251
	11,930	13,521

Compensation and benefits of the directors and key management personnel were as follows:

	2016	2015
Salaries, wages and benefits	**1,924**	2,110
Share-based payments	**76**	287
	2,000	2,397

12. SELLING AND MARKETING

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

	2016	2015
Advertising and marketing	**2,020**	3,197
Sales commissions	**2,362**	2,208
	4,382	5,405

13. FINANCE EXPENSE

The finance expense of the Corporation consisted of the following:

	2016	2015
Interest incurred	**1,014**	1,248
Finance expense relating to VTB (note 8)	**2,185**	2,633
Financing fees amortized	**300**	606
Interest and financing fees capitalized (note 4)	**(500)**	(623)
	2,999	3,864

14. COMMITMENTS AND CONTINGENCIES

a) The Corporation has entered into a memorandum of understanding with the Northeast Community Society in 2012, whereby the Corporation will contribute $5,000 over 10 years for 15-year naming rights to "Genesis Centre for Community Wellness", a recreation complex in northeast Calgary ($500 each year, terminating in 2021). The first five installments totaling $2,500 were paid up to and through to the end of December 2016. The Corporation paid the sixth installment of $500 in February 2017.

b) The Corporation has entered into an agreement with the City of Airdrie in 2008, whereby the Corporation will contribute $2,000 over 10 years for 40-year naming rights to "Genesis Place", a recreation complex in the city of Airdrie ($200 each year, terminating in 2017). The first nine installments totaling $1,800 were paid up to and through to the end of December 2016.

c) The Corporation has issued letters of credit pursuant to service agreements with municipalities to indemnify them in the event that the Corporation does not perform its contractual obligations. As at December 31, 2016, the letters of credit amounted to $4,429 (December 31, 2015 – $6,309).

d) On July 15, 2011, a joint venture (note 16) obtained a credit facility in the amount of $17,000. The Corporation and a joint venture partner had each provided guarantees for 50% of this facility. The facility was cancelled during 2016.

e) The Corporation has office and other operating leases with the following annual payments: not later than one year - $671; later than one year but not later than five years - $60; and later than five years - Nil.

f) Two former employees have filed a claim against the Corporation on May 27, 2016 alleging wrongful dismissal and seeking damages. The Corporation is vigorously defending these allegations.

g) Limited Partnership Land Pool (2007) has a credit facility in the amount of $8,531 included in loans and credit facilities balance (note 8) in the consolidated financial statements. The Corporation has provided a guarantee for this facility.

15. FINANCIAL INSTRUMENTS

a) Risks associated with financial instruments

(i) Credit risk

As at December 31, 2016, the Corporation carried Nil (2015 - Nil) as allowance for doubtful accounts.

The Corporation recognizes bad debt expense or recovery relating to amounts receivable on sold lots, net of the return of the real estate held for development and sale. These lots are taken back into the Corporation's lot inventory. The difference between an impaired amount receivable and the related bad debt expense or recovery is the cost of a lot for which impairment has been assessed.

15. FINANCIAL INSTRUMENTS (continued)

Recovery of bad debt expense is included in the Corporation's general and administrative expenses. In order to mitigate credit risk, the Corporation retains title to sold residential lots until full payment is received. Individual balances due from customers as at December 31, 2016, which comprise greater than 10% of total amounts receivable, totaled $19,040 from five customers (December 31, 2015 - $15,777 from three customers).

Aging of amounts receivable was as follows:

	2016	2015
Not past due	**20,865**	17,234
Past due	**194**	-
	21,059	17,234

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities and other commitments as at December 31, 2016:

	<1 Year	**>1 Year**	**Total**
Financial liabilities			
Accounts payable and accrued liabilities	10,195	-	10,195
Loans and credit facilities excl. deferred fees (note 8)	22,990	20,516	43,506
	33,185	20,516	53,701
Commitments			
Lease obligations (note 14)	671	60	731
Naming rights (note 14)	700	2,000	2,700
	1,371	2,060	3,431
	34,556	**22,576**	**57,132**

At December 31, 2016, the Corporation had obligations due within the next 12 months of $34,556 (2015 - $34,111). Based on the Corporation' 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.

(iii) Market risk

The Corporation is exposed to interest rate risk to the extent that certain agreements receivable and certain loans and credit facilities are at a floating rate of interest. A 1% change in interest rates would result in a change in interest incurred of approximately $150 annually on floating rate loans.

15. FINANCIAL INSTRUMENTS

b) Fair value of financial instruments

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

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

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 estimated fair value of financial assets and liabilities as at December 31, 2016, are presented in the following table:

	December 31, 2016		December 31, 2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Fair value through profit and loss				
Cash and cash equivalents	14,318	14,318	11,399	11,399
Deposits	2,497	2,497	3,485	3,485
Restricted cash	1,353	1,353	2,127	2,127
Loans and receivables				
Amounts receivable	21,059	20,057	17,234	16,106
Other financial liabilities				
Accounts payable and accrued liabilities	10,195	10,195	19,219	19,219
Loans and credit facilities, excluding deferred loans and credit facilities fees (note 8)	43,506	43,506	64,249	64,249

Cash and cash equivalents, deposits, and restricted cash are classified under Level 1 of the hierarchy.

The fair values of the Corporation's amounts receivable and of loans and credit facilities were estimated based on current market rates for loans of the same risk and maturities. These are classified as Level 2 of the hierarchy. Accounts payable and accrued liabilities are classified under Level 2 of the hierarchy and their fair value approximates the carrying value due to the short term nature of the financial instruments.

During the years ended December 31, 2016 and 2015, no transfers were made between the levels in the fair value hierarchy.

c) Capital management

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

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

15. FINANCIAL INSTRUMENTS (continued)

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

	2016	2015
Loans and credit facilities (note 8)	**43,295**	63,819
Shareholders' equity	**205,751**	212,125
	249,046	275,944

16. JOINT VENTURE

The Corporation formed the JV on April 30, 2010, for the purpose of acquiring, developing and selling certain real estate. The Corporation is a 50% partner in the JV and the following tables summarize the financial information of the JV.

	December 31,	
	2016	2015
Assets		
Amounts receivable	**237**	11,687
Cash and cash equivalents	**1,204**	2,127
Total assets	**1,441**	13,814
Liabilities		
Accounts payable and accrued liabilities	**442**	1,661
Provision for future development costs	**1,787**	6,241
Total liabilities	**2,229**	7,902
Net assets	**(788)**	5,912
Corporation's share of net assets (50%)	**(394)**	2,956
Deferred gain	**(10)**	(102)
Carrying amount on the consolidated balance sheets	**(404)**	2,854

As at December 31, 2016, the carrying amount is grouped with accounts payable and accrued liabilities on the consolidated balance sheets.

16. JOINT VENTURE (continued)

	Year ended December 31,	
	2016	2015
Revenues	**32**	12,172
Cost of sales	**(314)**	(9,115)
	(282)	3,057
General and administrative	**(14)**	(679)
Net finance (expense) income	**(4)**	99
(Loss) earnings being comprehensive (loss) earnings	**(300)**	2,477
Corporation's share of (loss) earnings and comprehensive (loss) earnings (50%)	**(150)**	1,239
Deferred gain recognized	**92**	1,855
Deferred margin recognized on JV lots sold	**144**	1,144
Amount on consolidated statements of comprehensive income	**86**	4,238

	Year ended December 31,	
	2016	2015
Cash flows from operating activities	**5,477**	12,212
Cash flows (used in) financing activities	**(6,400)**	(10,085)
Net change in cash and cash equivalents	**(923)**	2,127

16. JOINT VENTURE (continued)

	Investment in JV	Income from JV
At December 31, 2015	**2,854**	**-**
Share of net income in JV	**(150)**	(150)
Deferred gain recognized	**92**	92
Deferred margin from JV on lots sold	**-**	144
Distribution received	**(3,200)**	-
At December 31, 2016	**(404)**	86
At December 31, 2014	3,560	-
Share of net income in JV	1,239	1,239
Deferred gain recognized	1,855	1,855
Deferred margin from JV on lots sold	-	1,144
Distribution received	(3,800)	-
At December 31, 2015	2,854	4,238

The Corporation’s transactions with the JV are limited to the purchase of home building lots. During the year ended December 31, 2016, the JV sold no lots (2015 - Nil) to Genesis Builders Group Inc., a wholly owned subsidiary of the Corporation. The Corporation's accounts payable and accrued liabilities as at December 31, 2016 was Nil (December 31, 2015 - Nil), related to the purchase of home building lots.

The Corporation deferred $13,167 of gain when it contributed its share of land to the JV in 2010. As at December 31, 2016, the Corporation had realized $13,157 (2015 - $13,065) of that amount as a result of sales through its home building business segment and directly to third parties.

GENESIS LAND DEVELOPMENT CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015
(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)

17. SEGMENTED INFORMATION

The income producing business units of the Corporation reported the following activities for the year ended December 31, 2016 and 2015:

	Land Development Segment				Home Building Segment	Intersegment Elimination	Total
Year ended December 31, 2016	**Genesis**	**LP**	**Intrasegment Elimination**	**Total**			
Revenues	49,704	9,204	(705)	58,203	83,249	(25,495)	115,957
Direct cost of sales	(29,696)	(8,244)	1,187	(36,753)	(69,416)	25,495	(80,674)
Write-down of real estate held for	(5,990)	(2,675)	-	(8,665)	-	-	(8,665)
Gross margin	14,018	(1,715)	482	12,785	13,833	-	26,618
Income from JV	86	-	-	86	-	-	86
G&A, selling & marketing and net finance expense or income	(7,277)	(3,135)	669	(9,743)	(9,497)	-	(19,240)
Earnings (loss) before income taxes and non-controlling	6,827	(4,850)	1,151	3,128	4,336	-	7,464
Segmented assets	258,583	36,971	(26,677)	268,877	24,929	(4,811)	288,995
Segmented liabilities(1),(2)	64,658	36,145	(27,543)	73,260	8,692	(4,622)	77,330
Segmented net assets(1),(2)	193,925	826	866	195,617	16,237	(189)	211,665

	Land Development Segment				Home Building Segment	Intersegment Elimination	Total
Year ended December 31, 2015	**Genesis**	**LP**	**Intrasegment Elimination**	**Total**			
Revenues	35,719	(542)	-	35,177	102,846	(18,935)	119,088
Direct cost of sales	(20,694)	(10)	-	(20,704)	(84,326)	20,841	(84,189)
Write-down of real estate held for development and sale	(4,365)	(8,025)	-	(12,390)	-	-	(12,390)
Gross margin	10,660	(8,577)	-	2,083	18,520	1,906	22,509
Income from JV	4,238	-	-	4,238	-	-	4,238
G&A, selling & marketing and net finance expense or income	(8,662)	(2,082)	-	(10,744)	(11,960)	-	(22,704)
Earnings (loss) before income taxes and non-controlling	6,236	(10,659)	-	(4,423)	6,560	1,906	4,043
Segmented assets as at December 31, 2015	290,431	48,209	(31,801)	306,839	35,683	(11,477)	331,045
Segmented liabilities as at December 31, 2015(1),(2)	86,183	34,794	(26,704)	94,273	22,917	(11,136)	106,054
Segmented net assets as at December 31, 2015(1),(2)	204,248	13,415	(5,097)	212,566	12,766	(341)	224,991

(1) Segmented liabilities under the Genesis land segment include $287 due to the home building segment (December 31, 2015 - $9,095 due from the home building segment to the land development segment)

(2) Segmented liabilities under the LP segment is comprised of accounts payable and accrued liabilities and includes $27,543 (December 31, 2015 - $26,704) due to Genesis.

18. RELATED PARTY TRANSACTIONS

Transactions occurred in the year ended December 31, 2016 with the following related parties:

a) A corporation controlled by an officer and director,

b) A corporation which is a significant shareholder of Genesis.

Genesis incurred costs of $379 from the two entities for the year ended December 31, 2016 (2015 - Nil). For the year ended December 31, 2016, $368 (2015 - Nil) related to fees for services and $11 (2015 - Nil) related to reimbursement of travel and other costs. Of these amounts, Nil (2015 - Nil) is in accounts payable and accrued liabilities as at December 31, 2016.

19. CONSOLIDATED ENTITIES

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. 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. The Corporation is the general partner in four limited partnership group structures.

Limited Partnership Land Pool (2007) ("LPLP 2007") has a loan amounting to $26,590 (2015 - $25,143) due to the Corporation. The loan has been secured by a second mortgage on a property owned by LPLP 2007. The loan agreement has also been registered as a caveat on the titles of two properties held by LPLP 2007.

19. CONSOLIDATED ENTITIES (continued)

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

	% equity interest as at	
Name	**December 31, 2016**	**December 31, 2015**
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%
Polar Hedge Enhanced Income Trust	100%	100%
No. 114 Corporate Ventures Ltd., Buena Vista Ranches Ltd.	Dissolved	100%
Home Building		
Single-Family and Townhouses		
Genesis Builders Group Inc.	100%	100%
The Breeze Inc.	100%	100%
Generations Group of Companies Inc.	Dissolved	100%
Laurels by Genesis Inc.	100%	-
Newport at Canals Landing Inc.	100%	100%
Ashbury at Saddlestone Inc.	100%	100%
Hutton at Bayview Inc.	100%	100%
Joint Venture		
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 6/7 Group		
Genesis Limited Partnership #6	11.75%	11.75%
Genesis Limited Partnership #7, GP GLP7 Inc., GLP7 Subco Inc.	0%	0%
LP 8/9 Group		
Genesis Limited Partnership #8 (1)	53.63%	53.63%
Genesis Limited Partnership #9, GP GLP9 Inc., GLP9 Subco Inc.	0%	0%
GP GLP8 Inc.	100%	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., GP RRSP 2007 #2 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% at December 31, 2016 and 2015 in accordance with the terms of the limited partnership agreement.

19. 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, 2016				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Assets					
Real estate held for development and sale	8,186	-	2,574	26,121	**36,881**
Amounts receivable	-	-	-	-	**-**
Other operating assets	-	-	-	50	**50**
Cash and cash equivalents	-	-	1	39	**40**
Total assets	8,186	-	2,575	26,210	**36,971**
Liabilities					
Loans and credit facilities	-	-	-	8,514	**8,514**
Customer deposits	-	-	-	2	**2**
Accounts payable and accrued liabilities	-	-	-	86	**86**
Due to related parties	427	-	526	26,590	**27,543**
Total liabilities	427	-	526	35,192	**36,145**
Net assets (liabilities)	7,759	-	2,049	(8,982)	**826**
Non-controlling interest (%)	100%	88.25%	100%	100%	

	December 31, 2015				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Assets					
Real estate held for development and sale	7,943	8,212	2,574	28,795	**47,524**
Amounts receivable	-	-	-	2	**2**
Other operating assets	-	-	-	197	**197**
Cash and cash equivalents	-	442	1	43	**486**
Total assets	7,943	8,654	2,575	29,037	**48,209**
Liabilities					
Loans and credit facilities	-	-	-	8,062	**8,062**
Customer deposits	-	-	-	2	**2**
Accounts payable and accrued liabilities	-	-	-	26	**26**
Due to related parties	159	895	507	25,143	**26,704**
Total liabilities	159	895	507	33,233	**34,794**
Net assets (liabilities)	7,784	7,759	2,068	(4,196)	**13,415**
Non-controlling interest (%)	100%	88.25%	100%	100%	

19. CONSOLIDATED ENTITIES (continued)

SUMMARIZED INCOME STATEMENTS

	Year ended December 31, 2016				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Revenues	17	9,137	-	50	**9,204**
Net loss being comprehensive loss	(23)	(21)	(19)	(4,787)	**(4,850)**
Non-controlling interest (%)	100%	88.25%	100%	100%	

	Year ended December 31, 2015				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Revenues	19	(615)	-	54	**(542)**
Net earnings (loss) being comprehensive income (loss)	11	(621)	(615)	(9,434)	**(10,659)**
Non-controlling interest (%)	100%	88.25%	100%	100%	

SUMMARIZED STATEMENT OF CASH FLOWS

	Year ended December 31, 2016				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Cash flows from (used in) operating activities	-	7,296	-	(4)	**7,292**
Cash flows used in financing activities	-	(7,738)	-	-	**(7,738)**
Net decrease in cash and cash equivalents	-	(442)	-	(4)	**(446)**

	Year ended December 31, 2015				
	LP 4/5	LP6/7	LP 8/9	LPLP 2007	Total
Cash flows from financing activities	-	3	-	6	**9**
Net increase in cash and cash equivalents	-	3	-	6	**9**

20. SUBSEQUENT EVENTS

The Corporation paid the second installment of $8,000 on the VTB in January 2017. The balance on the VTB after this payment, excluding the unamortized portion, is $24,000.

The Corporation amended the term of its head office lease agreement extending the term by 38 months to September 30, 2020. The total basic rent over the extension period is $364.

The Corporation entered into a firm agreement to sell 1,476 acres of non-core land for $9,000. The sale is expected to close in May 2017.

OFFICERS

STEPHEN J. GRIGGS
Interim Chief Executive Officer

KIRSTEN RICHTER
Interim Chief Financial Officer

PARVESHINDERA SIDHU
President, Genesis Builders Group Inc.
and Vice-President, Home Building

ARNIE STEFANIUK
Vice- President, Land Development

BRIAN WHITWELL
Vice-President, Land and Financings

DIRECTORS

STEPHEN J. GRIGGS
Chair of the Board

STEVEN GLOVER
Lead Director

YAZDI BHARUCHA
Director

MICHAEL BRODSKY
Director

MARK W. MITCHELL
Director

LOUDON OWEN
Director

IAIN STEWART
Director

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