



GENESIS LAND DEVELOPMENT CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2014 and 2013
(Unaudited)

THIRD QUARTER

GENESIS LAND DEVELOPMENT CORP.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2014 and 2013
(Unaudited)

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

	Notes	September 30, 2014	December 31, 2013
Assets			
Real estate held for development and sale	4	243,377	257,420
Investment in joint venture	10	8,254	7,894
Amounts receivable	9	22,002	23,342
Other operating assets		12,482	7,115
Deferred tax assets		608	397
Cash and cash equivalents		16,693	17,678
Total assets		303,416	313,846
Liabilities			
Loans and credit facilities	5, 9	16,519	50,373
Customer deposits		6,037	5,228
Accounts payable and accrued liabilities	9	25,830	16,759
Income taxes payable		5,336	3,112
Provision for future land development costs		20,670	20,448
Total liabilities		74,392	95,920
Commitments and contingencies	8		
Equity			
Share capital	6, 7	56,175	56,122
Contributed surplus		5,198	5,011
Retained earnings		143,501	134,350
Shareholders' equity		204,874	195,483
Non-controlling interest	14	24,150	22,443
Total equity		229,024	217,926
Total liabilities and equity		303,416	313,846

See accompanying notes to the condensed consolidated interim financial statements

GENESIS LAND DEVELOPMENT CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
For the three and nine months ended September 30, 2014 and 2013
(In thousands of Canadian dollars except per share amounts)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2014	2013	2014	2013
Revenues					
Sales revenue		32,784	19,678	105,212	69,565
Other revenue		200	56	524	181
		32,984	19,734	105,736	69,746
Direct cost of sales		(23,673)	(14,157)	(78,483)	(49,118)
(Write-down) recovery of real estate held for development and sale		-	(11,141)	4,361	(12,127)
		(23,673)	(25,298)	(74,122)	(61,245)
Gross margin		9,311	(5,564)	31,614	8,501
Income from joint venture	10	1,058	1,805	3,677	2,825
General and administrative		(3,435)	(5,531)	(9,726)	(11,985)
Selling and marketing		(1,301)	(1,127)	(4,039)	(2,829)
		(3,678)	(4,853)	(10,088)	(11,989)
Operating earnings (loss) from continuing operations		5,633	(10,417)	21,526	(3,488)
Finance income		106	110	307	447
Finance expense		(258)	(181)	(841)	(1,294)
Earnings (loss) before income taxes		5,481	(10,488)	20,992	(4,335)
Income tax (expense) recovery		(1,624)	1,372	(4,748)	(91)
Net earnings (loss) being comprehensive earnings		3,857	(9,116)	16,244	(4,426)
Attributable to non-controlling interest	14	(509)	(4,472)	1,707	(5,159)
Attributable to equity shareholders		4,366	(4,644)	14,537	733
Net earnings (loss) per share – basic and diluted		0.09	(0.10)	0.32	0.02

See accompanying notes to the condensed consolidated interim financial statements

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

(Unaudited)

For the three and nine months ended September 30, 2014 and 2013

(In thousands of Canadian dollars except number of shares)

	Equity attributable to Corporation's shareholders					Non-Controlling Interest	Total Equity
	Common shares – Issued		Contributed Surplus	Retained Earnings	Total Shareholders' Equity		
	Number of Shares	Amount					
At December 31, 2012	44,765,728	55,844	5,109	128,637	189,590	36,719	226,309
Share-based payments	95,472	278	(127)	-	151	-	151
Distributions ⁽¹⁾	-	-	-	-	-	(4,750)	(4,750)
Net earnings (loss) ⁽²⁾	-	-	-	733	733	(5,159)	(4,426)
At September 30, 2013	44,861,200	56,122	4,982	129,370	190,474	26,810	217,284
At December 31, 2013	44,861,200	56,122	5,011	134,350	195,483	22,443	217,926
Share-based payments	20,000	53	187	-	240	-	240
Dividends	-	-	-	(5,386)	(5,386)	-	(5,386)
Net earnings (loss) ⁽²⁾	-	-	-	14,537	14,537	1,707	16,244
At September 30, 2014	44,881,200	56,175	5,198	143,501	204,874	24,150	229,024

See accompanying notes to the condensed consolidated interim financial statements

⁽¹⁾ Distributions to unit holders of Limited Partnership 6/7

⁽²⁾ Net earnings (loss) being comprehensive earnings (loss)

GENESIS LAND DEVELOPMENT CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
For the three and nine months ended September 30, 2014 and 2013
(In thousands of Canadian dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2014	2013	2014	2013
Operating activities					
Receipts from residential lot and development land sales		8,421	14,235	37,614	75,027
Receipts from residential home sales		29,079	17,653	70,278	50,600
Other receipts		242	56	545	313
Paid to suppliers for land development		(3,542)	(10,714)	(11,183)	(26,224)
Paid to suppliers for residential home construction		(18,954)	(11,778)	(38,333)	(27,255)
Paid to other suppliers and employees		(7,610)	(4,393)	(17,461)	(15,704)
Interest received		106	110	307	349
Income taxes recovered (paid)		234	(2,631)	(2,735)	(3,727)
Cash flows from operating activities		7,976	2,538	39,032	53,379
Investing activities					
Acquisition of property and equipment		(193)	(143)	(585)	(166)
Change in restricted cash		(268)	(239)	(962)	(513)
Distribution received from joint venture		3,000	1,500	3,000	4,500
Cash flows from investing activities		2,539	1,118	1,453	3,821
Financing activities					
Advances from loans and credit facilities		7,450	18,897	15,844	31,858
Repayments of loans and credit facilities		(11,060)	(17,997)	(50,762)	(80,637)
Interest and fees paid on loans and credit facilities		(316)	(646)	(1,135)	(2,158)
Distributions to unit holders of limited partnerships		-	(4,250)	-	(4,750)
Cash settlement of options		(22)	(23)	(71)	(215)
Dividends paid		-	-	(5,386)	-
Issue of share capital		-	-	40	211
Cash (used in) financing activities		(3,948)	(4,019)	(41,470)	(55,691)
Change in cash and cash equivalents		6,567	(363)	(985)	1,509
Cash and cash equivalents, beginning of period		10,126	11,877	17,678	10,005
Cash and cash equivalents, end of period		16,693	11,514	16,693	11,514

See accompanying notes to the condensed consolidated interim financial statements

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

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013

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

1. DESCRIPTION OF BUSINESS

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

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

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

The condensed consolidated interim financial statements of Genesis were approved for issuance by the Board of Directors on November 6, 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Corporation are the same as those applied in the Corporation's annual audited consolidated financial statements for the years ended December 31, 2013 and 2012 except as stated in note 3. These policies have been consistently applied to each of the periods presented, unless otherwise indicated.

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

The Statements have been prepared under historical cost convention except for the financial assets classified as fair value through profit or loss that have been measured at fair value.

These Statements do not include all of the information required for annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements for the years ended December 31, 2013 and 2012.

3. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS EFFECTIVE JANUARY 1, 2014

The Corporation adopted new IFRSs and interpretations as of January 1, 2014, as noted below:

i) IFRIC 21, "Levies"

In May 2013, the IASB issued IFRIC 21, "Levies" ("IFRIC 21") which provides guidance on accounting for levies in accordance with the requirements of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". The interpretation clarifies that an entity is to recognize a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is to be accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014 and requires retrospective application.

The Corporation has analyzed the impact of IFRIC 21 and concluded that this standard does not have an impact on the Corporation's financial position or performance.

ii) IAS 36, "Impairment of Assets" – Amendments to IAS 36

The amended standard requires entities to disclose the recoverable amount of an impaired cash generating unit (CGU). The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014 and require retrospective application.

The Corporation has analyzed the impact of the amended standard and concluded that this standard does not have a material impact on the Corporation's financial position or performance.

GENESIS LAND DEVELOPMENT CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013

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

**3. STANDARDS AND AMENDMENTS TO EXISTING STANDARDS EFFECTIVE JANUARY 1, 2014
(continued)**

iii) IFRS 2, "Share-based payment"

"Annual Improvements to IFRSs 2010–2012 Cycle" was issued in December 2013. The definitions of 'vesting conditions' and 'market condition' were amended and the definitions of 'performance condition' and 'service condition' were added. An entity is required to prospectively apply that amendment to share-based payment transactions for which the grant date is on or after 1 July 2014. The Corporation is prospectively applying the revised standard on share-based payment transactions, if any, made on or after July 1, 2014. The Corporation has analyzed the impact of the amended standard and concluded that this standard does not have a material impact on the Corporation's financial position or performance.

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 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 was to be effective for annual periods beginning on or after January 1, 2015. In February 2014, the IASB tentatively decided the mandatory effective date of the final IFRS 9 would now be January 1, 2018. 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 yet not considered the impact of IFRS 9 on its financial statements.

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, 2017, with early adoption permitted. The standard outlines a single comprehensive model for entities for revenue recognition arising from contracts with customers. The Corporation has yet not considered the impact of IFRS 15 on its financial statements.

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

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013*(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)***4. REAL ESTATE HELD FOR DEVELOPMENT AND SALE**

	Land Under Development	Land Held for Future Development	Home Building	Total	Limited Partnerships	Consolidated Total
Gross book value						
As at December 31, 2013	140,162	71,950	30,895	243,007	74,595	317,602
Transfers	(7,814)	(2,973)	10,787	-	-	-
Development	22,645	2,005	49,359	74,009	-	74,009
Sold	(39,480)	-	(57,048)	(96,528)	-	(96,528)
As at September 30, 2014	115,513	70,982	33,993	220,488	74,595	295,083
Provision for write-downs						
As at December 31, 2013	5,791	27,040	-	32,831	27,351	60,182
Sold	(4,115)	-	-	(4,115)	-	(4,115)
(Recovery) of write-downs	(1,030)	-	-	(1,030)	(3,331)	(4,361)
As at September 30, 2014	646	27,040	-	27,686	24,020	51,706
Net book value						
As at December 31, 2013	134,371	44,910	30,895	210,176	47,244	257,420
As at September 30, 2014	114,867	43,942	33,993	192,802	50,575	243,377

The Corporation obtained third party appraisals on its real estate held for development and sale on June 30, 2014 resulting in the recovery of previous write-downs made.

During the three and nine months ended September 30, 2014, interest of \$364 and \$1,442 (2013 - \$1,088 and \$2,721) respectively was capitalized.

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

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013*(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)***5. LOANS AND CREDIT FACILITIES**

	September 30, 2014	December 31, 2013
Secured by real estate held for development and sale and agreements receivable		
I. Land project loans, payable on collection of agreements receivable, bearing interest at rates ranging from prime +1.25% to prime +2.5%, secured by real estate held for development and sale with a carrying value of \$72,672, due between February 1, 2015 and October 30, 2015.	8,938	32,759
Secured by housing projects under development		
II. 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.	457	2,305
III. Project loans, payable on collection of closing proceeds, bearing interest of prime +1.5%, secured by home building projects with a carrying value of \$6,938 (2013 - \$13,369) due by September 11, 2015.	-	8,716
	9,395	43,780
Secured by land held for future development - Limited Partnership		
IV. Land loan, bearing interest at the greater of 7.5% or prime +4.5% per annum, secured by land held for future development and sale with a carrying value of \$15,121 maturing March 1, 2016.	7,850	7,850
	17,245	51,630
Deferred loans and credit facilities fees	(726)	(1,257)
	16,519	50,373

The weighted average interest rate of loan agreements was 6.16% (December 31, 2013 – 5.83%), based on September 30, 2014 balances.

During the three months and nine months ended September 30, 2014, the Corporation received advances of \$7,450 and \$15,844 (2013 - \$18,897 and \$31,858) relating to various new and renewed loan facilities secured by real estate held for development and sale, and agreements receivable, bearing interest ranging from prime + 1.25% to prime + 2.0% per annum, with due dates ranging from December 1, 2014 to October 30, 2015.

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):

October 1, 2014 to September 30, 2015	6,364
October 1, 2015 to September 30, 2016	10,881
	17,245

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

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013*(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)***5. LOANS AND CREDIT FACILITIES (continued)**

The Corporation has various covenants in place with its lenders with respect to certain contracted credit facilities. Such covenants include: other 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. This line has a financial covenant requiring that Genesis Builders Group Inc., ("GBG") maintain a net worth of at least \$11.5 million at all times. Net worth, a non-GAAP financial measure, is defined as "Retained Earnings plus Shareholders Loans plus Due to Related Parties (excluding lot payables to related parties) minus Due from Related Parties". As at September 30, 2014 and as at December 31, 2013, the Corporation and its subsidiaries were in compliance with all covenants.

6. SHARE CAPITAL**(a) Authorized**

Unlimited number of common shares

Unlimited number of preferred shares

(b) Weighted average number of shares

The following table sets forth the weighted average number of common shares outstanding for the three and nine months ended September 30, 2014 and 2013:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Basic	44,881,200	44,861,200	44,868,966	44,830,718
Effect of dilutive securities – stock options	603,603	88,724	391,941	68,613
Diluted	45,484,803	44,949,924	45,260,907	44,899,331

In calculating diluted earnings per share for the three and nine months ended September 30, 2014, the Corporation did not exclude any options (2013 – 235,000) as their exercise prices was less than the average market price of the Corporation's shares during those periods.

The Corporation has not issued any preferred shares.

GENESIS LAND DEVELOPMENT CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013

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

7. STOCK OPTIONS

The Corporation has established a stock option plan for employees, officers, and directors of the Corporation to purchase common shares. Vesting provisions and exercise prices are set at the time of issuance by the Board of Directors. Options vest over a number of years on various anniversary dates from the date of the original grant.

The options must be issued at not less than the fair market value of the common shares at the date of grant and are issued with terms not exceeding five years from the date of grant.

Regular options

Details of outstanding regular options were as follows:

	Nine months ended September 30,			
	2014		2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding – beginning of period	1,060,500	\$3.32	1,231,722	\$3.21
Options granted	-	-	225,000	\$3.49
Options exercised	(20,000)	\$2.01	(95,472)	\$2.21
Options expired	-	-	(60,000)	\$6.97
Options forfeited	-	-	(61,500)	\$3.45
Options settled in cash	(64,250)	\$2.75	(356,000)	\$2.84
Outstanding – end of period	976,250	\$3.39	883,750	\$3.27
Exercisable – end of period	761,249	\$3.39	648,750	\$3.20

No regular options were granted during the three and nine months ended September 30, 2014 (2013 – 150,000 and 225,000 with an average fair value of \$0.88 and \$0.86 per option).

Range of Exercise Prices (\$)	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
	Number at September 30, 2014	Weighted Average Exercise Price	Number at September 30, 2014	Weighted Average Exercise Price	
0.01 – 3.00	5,500	\$2.01	5,500	\$2.01	0.14
3.01 – 4.00	970,750	\$3.40	755,749	\$3.40	2.79
	976,250	\$3.39	761,249	\$3.39	2.78

GENESIS LAND DEVELOPMENT CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013

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

7. STOCK OPTIONS (Continued)

Performance options

The Corporation granted performance options to the senior executives of the Corporation in respect of long term compensation. These performance options would reward the executives only if the Corporation's share price achieves and sustains certain prescribed levels. Performance options vest on a time basis, equally over three years commencing from January 1, 2015.

Details of outstanding performance options were as follows:

	Nine months ended September 30,			
	2014		2013	
	Number of Options	Exercise Price	Number of Options	Exercise Price
Outstanding – beginning of period	-	-	-	-
Options granted	1,272,000	\$3.35	-	-
Outstanding – end of period	1,272,000	\$3.35	-	-
Exercisable – end of period	-	-	-	-

Exercise Price (\$)	Outstanding		Exercisable		Weighted Average Remaining Contractual Life in Years
	Number at September 30, 2014	Exercise Price	Number at September 30, 2014	Exercise Price	
3.35	1,272,000	\$3.35	-	-	4.25

There were nil and 1,272,000 performance options granted during the three and nine months ended September 30, 2014 (2013 – Nil) respectively, with a fair value of \$0.30 per option (2013 - \$Nil) and an exercise price of \$3.35 per option. The fair value of each performance option granted was estimated on the date of grant using the Black-Scholes Option-Pricing Model incorporating the Monte Carlo simulation.

The following assumptions were used in estimating the fair value of options granted:

	2014	2013
Risk-free interest rate	1.10%	0.99-1.24%
Estimated term period prior to exercise (years)	2.50	2.50
Volatility in the price of the Corporation's common shares	31.88%	37.52-38.27%
Forfeiture rate	24.22%	24.22%
Dividend yield rate	0.00%	0.00%

GENESIS LAND DEVELOPMENT CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013

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

8. COMMITMENTS AND CONTINGENCIES

Other than the commitments and contingencies discussed below and in the notes to the annual audited consolidated financial statements for the years ended December 31, 2013 and 2012, there were no other material commitments or contingencies as at September 30, 2014.

- (a) 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 of September 30, 2014, the letters of credit amounted to \$2,828 (December 31, 2013 – \$6,279).
- (b) Pursuant to the terms of a participating mortgage that was repaid during 2002, the former mortgage holders have the right to a 20% participation in the profits from the development of approximately 39 acres of land under development. A liability for the payment has been recorded. The Corporation is selling lots in the last phase covered under this development. The payout will be made on completion of the sale of lots in the last phase and collection of all related proceeds along with an accounting of all related costs.
- (c) The Corporation has office and other operating leases with the following annual payments: not later than one year - \$929; later than one year but not later than five years - \$1,825; and later than five years - \$Nil.

9. FINANCIAL INSTRUMENTS

Fair value measurements recognized in the condensed consolidated interim balance sheet 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).

For financial assets and liabilities not measured at fair value at September 30, 2014, the following table compares their carrying value with their estimated fair value:

	September 30, 2014	
	Carrying Value	Estimated Fair Value
Loans and receivables		
Amounts receivable	22,002	21,368
Other financial liabilities		
Accounts payable and accrued liabilities	25,830	25,830
Loans and credit facilities, excl. deferred loans and credit facilities fees (note 5)	17,245	17,188

Cash and cash equivalents, deposits, and restricted cash are classified under Level 1 of the hierarchy and their fair value approximates the carrying value due to the short term nature of the financial instruments.

The fair values of the Corporation's amounts receivable and 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 three and nine months ended September 30, 2014 and 2013, no transfers were made between the levels in the fair value hierarchy.

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

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013*(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)***10. JOINT VENTURE**

The Corporation formed a joint venture ("JV") on April 30, 2010, for the purpose of acquiring, developing and selling certain real estate.

The following tables summarize the financial information of the JV and reconcile the summarized financial information to the carrying amount of the Corporation's interest in the JV, which is accounted for using the equity method.

	September 30, 2014	December 31, 2013
Assets		
Real estate held for development and sale	6,935	22,478
Amounts receivable	24,600	25,272
Cash and cash equivalents	2,604	656
Total assets	34,139	48,406
Liabilities		
Accounts payable and accrued liabilities	1,494	4,228
Provision for future land development costs	11,806	20,640
Total liabilities	13,300	24,868
Net assets		
Corporation's share of net assets (50%)	10,420	11,769
Deferred gain	(2,166)	(3,875)
Carrying amount on the consolidated balance sheets	8,254	7,894

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

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013*(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)***10. JOINT VENTURE (Continued)**

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Revenues	3,887	12,290	15,890	18,346
Cost of sales	(2,765)	(10,248)	(12,684)	(15,984)
	1,122	2,042	3,206	2,362
General and administrative	(88)	(86)	(162)	(186)
Finance income	143	114	257	350
Earnings being comprehensive earnings	1,177	2,070	3,301	2,526
Corporation's share of earnings and comprehensive earnings (50%)	589	1,035	1,651	1,263
Deferred gain recognized	374	1,019	1,709	1,727
Deferred margin recognized on JV lots sold	95	(249)	317	(165)
Amount on condensed consolidated interim statements of comprehensive income	1,058	1,805	3,677	2,825

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Cash flows from operating activities	1,914	9,910	7,948	24,946
Cash flows used in financing activities	(6,000)	(4,000)	(6,000)	(19,036)
Net change in cash and cash equivalents	(4,086)	5,910	1,948	5,910

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

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013*(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)***10. JOINT VENTURE (Continued)**

	Investment in JV	Income from JV
At December 31, 2013	7,894	
Share of net income in JV	1,651	1,651
Deferred gain recognized	1,709	1,709
Deferred margin from JV on lots sold	-	317
Distribution received	(3,000)	-
At September 30, 2014	8,254	3,677
<hr/>		
At December 31, 2012	10,680	
Share of net income in JV	1,263	1,263
Deferred gain recognized	1,727	1,727
Deferred margin from JV on lots sold	-	(165)
Distribution received	(4,500)	-
At September 30, 2013	9,170	2,825

The Corporation's transactions with the JV are limited to the purchase of home building lots. During the three and nine months ended September 30, 2014 the JV sold 11 and 32 lots at \$2,324 and \$5,998 respectively (2013 – 17 and 19 lots at \$3,027 and \$3,433) to GBG, a wholly owned subsidiary of the Corporation. The Corporation's accounts payable and accrued liabilities as at September 30, 2014 included \$8,497 (December 31, 2013 - \$6,477), 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 September 30, 2014, the Corporation had realized \$11,001 (2013 – \$7,332) of that amount as a result of sales through its home building business segment and directly to third parties. The remaining amount of \$2,166 will be realized on future sale and development of lots and lands by the JV.

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(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013*(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)***11. SEGMENTED INFORMATION**

The Corporation operates in two reportable segments, land development and home building, which represent separately managed strategic business units with aligned but distinct strategies. The Corporation evaluates segment performance based on earnings or loss before income taxes. Inter-segment sales are accounted for as if the sale were to third parties at current market prices. Internal lot sales from the land segment to the home building business segment or a limited partnership have been eliminated and are not included in consolidated results until the home is sold to a third party purchaser.

The income producing business units of the Corporation reported the following activities for the three months and nine months ended September 30, 2014 and 2013:

Three months ended September 30, 2014	Land Development Segment			Home Building Segment	Intersegment Elimination	Total ⁽²⁾
	Genesis	LP	Total			
Revenues	8,204	29	8,233	29,320	(4,569)	32,984
Cost of sales	(4,524)	(3)	(4,527)	(24,103)	4,957	(23,673)
Gross margin	3,680	26	3,706	5,217	388	9,311
Income from JV	1,058	-	1,058	-	-	1,058
G&A, selling & marketing, other expenses ⁽¹⁾	(1,340)	(535)	(1,875)	(3,013)	-	(4,888)
Earnings (loss) before income taxes and non-controlling interest	3,398	(509)	2,889	2,204	388	5,481

Three months ended September 30, 2013	Land Development Segment			Home Building Segment	Intersegment Elimination	Total ⁽²⁾
	Genesis	LP	Total			
Revenues	7,905	21	7,926	16,915	(5,107)	19,734
Direct cost of sales	(4,958)	(2)	(4,960)	(14,304)	5,107	(14,157)
Write-down of real estate	(6,885)	(4,256)	(11,141)	-	-	(11,141)
Gross margin	(3,938)	(4,237)	(8,175)	2,611	-	(5,564)
Income from JV	1,805	-	1,805	-	-	1,805
G&A, selling & marketing, other expenses ⁽¹⁾	(4,111)	(417)	(4,528)	(2,201)	-	(6,729)
Earnings (loss) before income taxes and non-controlling interest	(6,244)	(4,654)	(10,898)	410	-	(10,488)

⁽¹⁾ Includes other expenses, finance expense and finance income

⁽²⁾ Cash and cash equivalents are no longer managed as a corporate asset and are now presented under the relevant segment. The Corporate segment has therefore been removed.

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

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013

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

11. SEGMENTED INFORMATION (Continued)

Nine months ended September 30, 2014	Land Development Segment			Home Building Segment	Intersegment Elimination	Total ⁽²⁾	
	Genesis	LP	Intrasegment Elimination				
Revenues	54,777	80	-	54,857	68,197	(17,318)	105,736
Cost of sales	(36,856)	(8)	-	(36,864)	(56,578)	14,959	(78,483)
Recovery of real estate write-down	1,030	3,331	-	4,361	-	-	4,361
Gross margin	18,951	3,403	-	22,354	11,619	(2,359)	31,614
Income from JV	3,677	-	-	3,677	-	-	3,677
G&A, selling & marketing, other expenses ⁽¹⁾	(4,462)	(1,508)	-	(5,970)	(8,329)	-	(14,299)
Earnings before income taxes and non-controlling interest	18,166	1,895	-	20,061	3,290	(2,359)	20,992
Segmented assets	250,460	56,432	(23,555)	283,337	50,763	(30,684)	303,416
Segmented liabilities ^{(3),(4)}	48,457	31,374	(23,555)	56,276	43,297	(25,181)	74,392
Segmented net assets ^{(3),(4)}	202,003	25,058	-	227,061	7,466	(5,503)	229,024

Nine months ended September 30, 2013	Land Development Segment			Home Building Segment	Intersegment Elimination	Total ⁽²⁾	
	Genesis	LP	Intrasegment Elimination				
Revenues	32,994	70	-	33,064	46,902	(10,220)	69,746
Direct cost of sales	(19,204)	(10)	-	(19,214)	(40,124)	10,220	(49,118)
Write-down of real estate	(7,871)	(4,256)	-	(12,127)	-	-	(12,127)
Gross margin	5,919	(4,196)	-	1,723	6,778	0	8,501
Income from JV	2,825	-	-	2,825	-	-	2,825
G&A, selling & marketing, other expenses ⁽¹⁾	(7,881)	(1,119)	-	(9,000)	(6,661)	-	(15,661)
Earnings (loss) before income taxes and non-controlling interest	863	(5,315)	-	(4,452)	117	-	(4,335)
Segmented assets as at December 31, 2013	243,288	53,596	(21,998)	274,886	47,338	(8,378)	313,846
Segmented liabilities as at December 31, 2013 ^{(3),(4)}	50,050	30,431	(21,998)	58,483	42,354	(4,917)	95,920
Segmented net assets ^{(3),(4)}	193,238	23,165	-	216,403	4,984	(3,461)	217,926

⁽¹⁾ Includes other expenses, finance expense and finance income

⁽²⁾ Cash and cash equivalents are no longer managed as a corporate asset and are now presented under the relevant segment. The Corporate segment has therefore been removed

⁽³⁾ Segmented liabilities under the home building segment include \$22,328 (December 31, 2013 - \$19,187) due to the land development segment

⁽⁴⁾ Segmented liabilities under the LP segment comprises customer deposits and accounts payable and accrued liabilities and includes \$23,555 (December 31, 2013 - \$21,998) due to Genesis

GENESIS LAND DEVELOPMENT CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013

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12. RELATED PARTY TRANSACTIONS

There were no related party transactions for the three months and nine months ended September 30, 2014 (2013 - \$448 and \$1,244).

The Corporation is the general partner in four limited partnership arrangements (note 14) and a 50% partner in the joint venture (note 10).

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. For the three and nine months ended September 30, 2013, the Corporation re-classed \$353 and \$1,007 from direct cost of sales to selling and marketing expenses and \$24 and \$198 of other expenses to general and administrative expenses as this reflects the classification of expense more accurately.

14. CONSOLIDATED ENTITIES

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

Subsidiaries 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, and unrealized gains and losses resulting from intra-group transactions and dividends 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 condensed consolidated interim statement of comprehensive income and within equity in the condensed consolidated interim balance sheet. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. There are no significant restrictions on the Corporation's, or its subsidiaries' ability, to access or use the assets, and settle the liabilities.

LPLP 2007 has a loan amounting to \$22,697 (2013 - \$21,167) 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.

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(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013*(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)***14. CONSOLIDATED ENTITIES (Continued)**

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

Name	% equity interest as at	
	September 30, 2014	December 31, 2013
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%
Polar Hedge Enhanced Income Trust	100%	100%
New View Consulting Ltd.	100%	100%
No. 114 Corporate Ventures Ltd.	100%	100%
Buena Vista Ranches Ltd.	100%	100%
Home Building		
Single-Family		
Genesis Builders Group Inc.	100%	100%
Multi-Family		
The Breeze Inc.	100%	100%
Generations Group of Companies Inc.	100%	100%
Life at Solana Inc.	100%	100%
Life at Waterstone Inc.	100%	100%
Montura Inc. (previously Life at Skye Inc.)	100%	100%
Joint Venture		
Kinwood Communities Inc.	50%	50%
Limited Partnerships		
LP 4/5 Group		
Genesis Limited Partnership #4	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	0.23%	0.23%
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%	0%
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%

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(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013

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

14. CONSOLIDATED ENTITIES (Continued)

The following tables summarize the information relating to the Corporation's subsidiaries that have material non-controlling interests before any intra-group eliminations:

BALANCE SHEETS

	September 30, 2014				
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	Total
Assets					
Real estate held for development and sale	7,922	8,212	4,219	35,603	55,956
Other operating assets	-	-	1	1	2
Cash and cash equivalents	-	439	1	34	474
Total assets	7,922	8,651	4,221	35,638	56,432
Liabilities					
Loans and credit facilities	-	-	-	7,794	7,794
Customer deposits	-	-	-	2	2
Accounts payable and accrued liabilities	-	-	-	23	23
Due to related parties	157	209	492	22,697	23,555
Total liabilities	157	209	492	30,516	31,374
Net assets	7,765	8,442	3,729	5,122	25,058
Non-controlling interest (%)	100%	88.25%	100%	100%	

	December 31, 2013				
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	Total
Assets					
Real estate held for development and sale	7,922	6,615	4,219	33,870	52,626
Other operating assets	-	418	-	-	418
Cash and cash equivalents	-	439	1	112	552
Total assets	7,922	7,472	4,220	33,982	53,596
Liabilities					
Loans and credit facilities	-	-	-	7,843	7,843
Customer deposits	-	-	-	2	2
Accounts payable and accrued liabilities	-	418	-	169	587
Due to related parties	160	201	470	21,167	21,998
Total liabilities	160	619	470	29,181	30,430
Net assets	7,762	6,853	3,750	4,801	23,166
Non-controlling interest (%)	100%	88.25%	100%	100%	

GENESIS LAND DEVELOPMENT CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013

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

14. CONSOLIDATED ENTITIES (Continued)

SUMMARIZED INCOME STATEMENTS

	Three months ended September 30, 2014				Total
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	
Revenues	-	-	-	29	29
Net loss being comprehensive loss	(2)	(5)	(13)	(489)	(509)
Non-controlling interest (%)	100%	88.25%	100%	100%	

	Three months ended September 30, 2013				Total
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	
Revenues	7	51	-	13	71
Net earnings (loss) being comprehensive income (loss)	6	(1,550)	(312)	(2,799)	(4,655)
Non-controlling interest (%)	100%	88.25%	100%	100%	

SUMMARIZED STATEMENT OF CASH FLOWS

	Three months ended September 30, 2014				Total
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	
Cash flows (used in) operating activities	-	(290)	-	(6)	(296)
Net (decrease) in cash and cash equivalents	-	(290)	-	(6)	(296)

	Three months ended September 30, 2013				Total
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	
Cash flows from operating activities	-	4,900	-	8	4,908
Cash flows used in financing activities	-	(4,484)	-	-	(4,484)
Net increase in cash and cash equivalents	-	416	-	8	424

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

(Unaudited)

For the three months and nine months ended September 30, 2014 and 2013*(All tabular amounts and amounts in footnotes to tables are in thousands of Canadian dollars except number of shares)***14. CONSOLIDATED ENTITIES (Continued)****SUMMARIZED INCOME STATEMENTS**

	Nine months ended September 30, 2014				Total
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	
Revenues	9	-	-	71	80
Net earnings (loss) being comprehensive income (loss)	3	1,589	(19)	322	1,895
Non-controlling interest (%)	100%	88.25%	100%	100%	

	Nine months ended September 30, 2013				Total
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	
Revenues	16	265	-	53	334
Net earnings (loss) being comprehensive income (loss)	12	(1,339)	(328)	(3,661)	(5,316)
Non-controlling interest (%)	100%	88.25%	100%	100%	

SUMMARIZED STATEMENT OF CASH FLOWS

	Nine months ended September 30, 2014				Total
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	
Cash flows from (used in) operating activities	-	-	-	(78)	(78)
Net increase (decrease) in cash and cash equivalents	-	-	-	(78)	(78)

	Nine months ended September 30, 2013				Total
	LP 4/5	LP 6/7	LP 8/9	LPLP 2007	
Cash flows from operating activities	-	5,135	-	24	5,159
Cash flows (used in) financing activities	-	(5,009)	-	-	(5,009)
Net increase in cash and cash equivalents	-	126	-	24	150

15. SUBSEQUENT EVENTS

On October 14, 2014, the Corporation announced that it had entered in to a firm purchase and sale agreement for the acquisition of approximately 350 acres of land located in southeast Calgary along the Bow River for \$52,500. The Corporation will pay for the acquisition from its general cash resources, with a total of \$12,500 million due on closing (scheduled for January 6, 2015), and the remainder to be paid at \$8,000 per year without interest on the anniversary of the closing date over five years.