



**GENESIS LAND DEVELOPMENT CORP.**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the three and six months ended June 30, 2016

## STRATEGY AND BUSINESS FOCUS

Genesis Land Development Corp. ("Genesis" or the "Corporation") is a land developer and residential home builder in the Calgary Metropolitan Area ("CMA").

Genesis reports its activities as two business segments: land development and home building. Land development acquires land and then plans services and markets residential, commercial and industrial communities. Home building constructs and sells single-family homes and townhouses primarily on lands developed by the land development division.

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

## OVERVIEW OF MARKET AND OPERATING RESULTS

The Alberta economy continues to decline as general economic activity in Alberta reduces due to the sharp drop in oil and natural gas prices over the last few years and is generally expected to continue to be weak for some time.

The Company has carefully controlled costs as volumes decreased and has benefited from its well-located portfolio of entitled residential and mixed-use land, the low level of serviced lot inventory in Calgary and the municipal approvals process which has restricted the supply of new entitled land. Genesis has also benefited from its focus on the entry level and first-time move-up segments, which have been less impacted by the economic slowdown than higher value homes.

With major reductions in operating costs, a focused and creative home selling effort and a strong balance sheet, Genesis has delivered profitable operations and generated significant positive cash flows. During the second quarter of 2016, Genesis reduced its debt by \$23,236 from \$63,819 at December 31, 2015 to \$40,583 at June 30, 2016. Genesis grew its cash on hand from \$11,399 at December 31, 2015 to \$15,359 at June 30, 2016, resulting in a net debt position of \$25,224.

Focussed and creative selling efforts targeting the quick possession home segment resulted in home building work in progress being reduced by \$10,378 from \$30,768 at December 31, 2015 to \$20,390 at June 30, 2016. Genesis also focusses on selling residential lots and developed townhouse sites to third parties.

The results for the six months ended June 30, 2016 are substantially improved relative to the same period in 2015. 2016 revenues included two land parcel sales (\$11,800) with no significant land parcel sales in the same period in 2015 (\$100). Despite a continuing challenging economic environment, the business is delivering strong results. The general margin improvement in the second quarter was due to cost saving initiatives implemented in March 2016. General, administrative and sales expenses for the second quarter of 2016 were reduced by \$923 to \$3,770 compared to \$4,693 in the second quarter of 2015, or by 19.7%.

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 unaudited condensed consolidated interim financial statements and the notes thereto for three and six months ended June 30, 2016 and 2015, prepared in accordance with International Financial Reporting Standards ("IFRS").

The unaudited condensed consolidated interim financial statements and comparative information have been reviewed by the Corporation's audit committee, consisting of three independent directors, and approved by the board of directors of the Corporation. Additional information, including the Corporation's annual information form ("AIF") and the Corporation's MD&A for the year ended December 31, 2015 are available on SEDAR at [www.sedar.com](http://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 August 11, 2016.**

## CORPORATE HIGHLIGHTS

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

	Three months ended June 30, <sup>(1)</sup>		Six months ended June 30, <sup>(2)</sup>	
	2016	2015	2016	2015
<b>Key Financial Data</b>				
Total revenues	26,148	31,822	58,572	47,595
Direct cost of sales	(18,545)	(32,969)	(42,735)	(44,051)
Gross margin	7,603	(1,147)	15,837	3,544
Earnings (loss) before income taxes	3,057	(6,163)	6,126	(6,492)
Net earnings attributable to equity shareholders	2,828	1,333	4,938	1,393
Net earnings per share – basic and diluted	0.06	0.03	0.11	0.03
Cash flows from (used in) operating activities	14,394	(1,324)	26,663	(20,051)
Cash flows from (used in) operating activities per share – basic and diluted	0.33	(0.03)	0.60	(0.45)
<b>Key Operating Data</b>				
Residential lots sold to third parties (units)	22	3	22	6
Residential lots sold through home building business segment (units)	35	27	71	42
Development land sold (acres)	1,653	4	1,667	4
Average revenue per lot sold	176	194	183	189
Homes sold (units)	40	59	82	91
Average revenue per home sold	538	526	533	509
New home orders (units)	46	42	74	61
<b>As at June 30,</b>				
			2016	2015
Homes with firm sale contracts (units)			55	107
<b>As at Jun. 30, As at Dec. 31,</b>				
			2016	2015 <sup>(3)</sup>
<b>Key Balance Sheet Data</b>				
Cash and cash equivalents			15,359	11,399
Total assets			305,978	331,045
Loans and credit facilities			40,583	63,819
Total liabilities			76,865	106,054
Shareholders' equity			216,246	212,125
Total equity			229,113	224,991
Loans and credit facilities ("Debt") to total assets			13%	19%

<sup>(1)</sup> Three months ended June 30, 2016 and 2015 ("Q2 2016" and "Q2 2015")

<sup>(2)</sup> Six months ended June 30, 2016 and 2015 ("YTD 2016" and "YTD 2015")

<sup>(3)</sup> Year ended December 31, 2015 ("YE 2015")

## Highlights

### Volumes and Revenue:

- Genesis sold 40 homes in Q2 2016 with revenues of \$21,533 (Q2 2015 – 59 and \$31,029 respectively). Of the 40 homes, 35 were built on residential lots supplied by Genesis, generating residential lot revenues of \$6,952 (Q2 2015 – 27 and \$5,140 respectively).
- Genesis sold 82 homes in YTD 2016 with revenues of \$43,742 (YTD 2015 – 91 and \$46,330 respectively). Of the 82 homes, 71 were built on residential lots supplied by Genesis, generating residential lot revenues of \$13,956 (YTD 2015 – 42 and \$7,899 respectively).
- Sales of homes, delivered on a quick possession basis, were higher at 15 during Q2 2016 compared to 3 during Q2 2015. YTD sales of quick possession homes were higher at 36 for 2016 compared to 12 during 2015.
- New home orders were 46 during Q2 2016 compared to 42 in Q2 2015. YTD new home orders were 74 during 2016 compared to 61 in 2015.
- The Q2 2016 closing order book of 55 firm home sales contracts compared to 107 at the close of Q2 2015. This year over year decline is believed to be due to home buyers preferring homes that can be delivered on a quick possession basis. Genesis has been successful in delivering quick possession homes in sufficient volumes to offset the decline in pre-sales orders.
- A 1,653 acre non-core development land parcel was sold in Q2 2016 with revenues of \$1,650 (Q2 2015 – \$100). Refer to the Land Development section of this MD&A for additional information.

### Net Earnings:

- Net earnings were \$2,828 for Q2 2016 compared to \$1,333 in Q2 2015 and \$4,938 for YTD 2016 compared to \$1,393 for YTD 2015.

### Cash Flows from Operating Activities:

- Cash inflows from operating activities on a quarterly basis were \$14,394 (inflows of \$0.33 per share) at Q2 2016 compared to cash outflows of \$1,324 (outflows of \$0.03 per share) at Q2 2015. Cash inflows from operating activities were \$26,663 (inflows of \$0.60 per share) YTD compared to cash outflows of \$20,051 (outflows of \$0.45 per share) at Q2 2015.

### Loans and credit facilities:

- Loans and credit facilities at June 30, 2016 were \$40,583, compared to \$63,819 at December 31, 2015, a reduction of \$23,236.
- The components of loans and credit facilities related to land servicing and home building (excludes the vendor-take-back mortgage and a loan held by a limited partnership) amount to \$4,845 which is a reduction of \$8,271 since March 31, 2016 and \$16,528 since December 31, 2016.
- Genesis made repayments, net of advances, of \$8,340 during Q2 2016 compared to \$2,499 during Q2 2015 and \$16,669 during YTD 2016 compared to \$8,031 during YTD 2015. In addition, Genesis made a payment of \$8,000 as the first installment of a \$40,000 VTB.
- Refer to note 4 of the condensed consolidated interim financials for the three and six months ended June 30, 2016 and 2015 which analyzes the components.

### Continued cost reductions:

- Genesis continues to review its business with a focus on cost reductions, particularly as long term contractual commitments end and, if necessary to operations, can be replaced with lower cost, shorter term arrangements.

Legal proceedings:

- On May 27, 2016, two former employees of the Corporation filed a claim against the Corporation alleging wrongful dismissal. Genesis denies all allegations made against it and intends to vigorously defend the lawsuit.

## Land Development

The following factors affect the results of operations, particularly in land development:

- 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 for how long the Corporation has owned the land.
- Developed lots sold to Genesis' home building business segment defer the related revenues and earnings from those lots until the sale of the home and lot.
- Seasonality results in higher lot and home building revenues in the summer and fall months when home building sales peak.

	Three months ended June 30,			Six months ended June 30,		
	2016	2015	% change	2016	2015	% change
<b>Key Financial Data</b>						
Residential lot sales <sup>(1)</sup>	10,017	5,834	71.7%	16,986	9,064	87.4%
Development land sales	1,550	100	N/R <sup>(4)</sup>	11,800	100	N/R <sup>(4)</sup>
Direct cost of sales	(6,929)	(2,311)	199.8%	(19,682)	(3,871)	N/R <sup>(4)</sup>
Gross margin	4,638	3,623	28.0%	9,104	5,293	72.0%
Gross margin (%) <sup>(2)</sup>	40.1%	61.1%		31.6%	57.8%	
Write-down of real estate held for development and sale	-	(11,261)	N/R <sup>(4)</sup>	-	(11,261)	N/R <sup>(4)</sup>
Equity (expense) income from joint venture	(58)	600	N/R <sup>(4)</sup>	86	772	(88.9%)
Other expenses <sup>(3)</sup>	(2,236)	(2,635)	(15.1%)	(4,571)	(5,094)	(10.3%)
Earnings (loss) before taxes	2,344	(9,673)	N/R <sup>(4)</sup>	4,619	(10,290)	N/R <sup>(4)</sup>
<b>Key Operating Data</b>						
Residential lots sold to third parties	22	3	N/R <sup>(4)</sup>	22	6	N/R <sup>(4)</sup>
Residential lots sold through home building business segment	35	27	29.6%	71	42	69.0%
Total residential lots sold	57	30	90.0%	93	48	93.8%
Development land sold (acres)	1,653	4	N/R <sup>(4)</sup>	1,667	4	N/R <sup>(4)</sup>
Average revenue per lot sold	176	194	(9.3%)	183	189	(3.2%)

<sup>(1)</sup> Includes residential lot sales to third parties and to the home building business segment and other revenue

<sup>(2)</sup> Gross margin amount divided by the sum of residential lot sales and development land sales

<sup>(3)</sup> Other expenses includes general and administrative, selling and marketing and net finance expense

<sup>(4)</sup> Not reflective due to percentage increase

## Volumes and Revenues

Revenues were higher for Q2 2016 and YTD 2016 compared to the same periods in 2015 due to higher volumes of residential lot sales made to third parties and through the home building business segment. In addition, the sale of a 14 acre development land site through a limited partnership was recognized in the first quarter of 2016 and the sale of a 1,653 acre development land parcel closed in Q2 2016.

Residential lots are sold to the home building business segment at market prices.

## Gross margin by source of revenue

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Residential lot sales <sup>(1)</sup>	10,017	5,834	16,986	9,064
Direct cost of sales	(5,396)	(2,072)	(9,000)	(3,632)
Gross margin	4,621	3,762	7,986	5,432
Gross margin (%)	46.1%	64.5%	47.0%	59.9%
Development land sales <sup>(2)</sup>	1,550	100	11,800	100
Direct cost of sales	(1,533)	(239)	(10,682)	(239)
Gross margin	17	(139)	1,118	(139)
Residential lot and development land gross margin	4,638	3,623	9,104	5,293

<sup>(1)</sup> Includes other revenue

<sup>(2)</sup> Includes rebate of \$100 on early closing of the 14 acre development land parcel

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, based on the nature of the development work to be undertaken before the lots are ready for sale and for how long the Corporation has owned the land.

The development land sales referenced in the table above were for a 14 acre multi-family site in Airdrie sold in the first quarter of 2016 for \$10,150 and a 1,653 acre non-core land parcel in British Columbia sold in Q2 2016 for \$1,650.

The 14 acre sale transaction for \$10,150 involved one of the Genesis limited partnerships. Genesis owned a 10% direct interest of \$1,015 in the sale of this parcel. The details of the amounts attributed to each of Genesis and the limited partnership are explained in note 3 in the condensed consolidated interim financial statements for the three and six months ended June 30, 2016 and 2015. The transaction closed in June 2016.

## Equity income from joint venture

The community developed by the joint venture is complete and 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 result 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 Q2 2016 compared to 21 homes in Q2 2015 and sold 6 homes in YTD 2016 compared to 26 homes in YTD 2015.

## Other expenses

Other expenses were lower for Q2 2016 and YTD 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 Q2 2016. These decreases were partially offset by sales commissions incurred for the sale of two development land parcels.

## Home Building

	Three months ended June 30,			Six months ended June 30,		
	2016	2015	% change	2016	2015	% change
<b>Key Financial Data</b>						
Revenues <sup>(1)</sup>	21,533	31,029	(30.6%)	43,742	46,330	(5.6%)
Direct cost of sales	(18,568)	(25,316)	(26.7%)	(37,009)	(38,101)	(2.9%)
Gross margin	2,965	5,713	(48.1%)	6,733	8,229	(18.2%)
Gross margin (%)	13.8%	18.4%		15.4%	17.8%	
Other expenses <sup>(2)</sup>	(2,252)	(2,981)	(24.5%)	(5,226)	(5,714)	(8.5%)
Earnings before taxes	713	2,732	(73.9%)	1,507	2,515	(40.1%)
<b>Key Operating Data</b>						
Homes sold ( single-family units)	40	59	(32.2%)	82	91	(9.9%)
Average revenue per single-family home sold	538	526	2.3%	533	509	4.7%
New home orders (units)	46	42	9.5%	74	61	21.3%
Homes with firm sales contracts (units)				55	107	(48.6%)

<sup>(1)</sup> Revenues include residential home sales and other revenue

<sup>(2)</sup> Other expenses includes general and administrative, selling and marketing and net finance expense

### Volumes and revenues

The decrease in revenue for Q2 2016 and YTD 2016 compared to the same periods in 2015 is due to lower volumes. This decrease is partially offset by higher average revenue per home sold, as set out in the table above.

New home orders increased to 46 for Q2 2016 compared to 42 for Q2 2015. New home orders for YTD 2016 increased to 74 compared to 61 in YTD 2015.

Genesis builds homes after receiving a firm sale contract and also on a "spec" basis in advance of receiving a firm sale contract to meet the market demand from those buyers seeking quick possession. Genesis has seen growth in quick possession orders (29 in Q2 2016 compared to 21 in Q2 2015 and 64 in YTD 2016 compared to 30 in YTD 2015) and a decline in pre-construction orders (11 in Q2 2016 compared to 38 in Q2 2015 and 18 in YTD 2016 compared to 61 in YTD 2015). The year over year closing book of firm sales contracts also reflects this shift (55 at June 30, 2016 compared to 107 at June 30, 2015).

### Townhouse Sites Listed for Sale

Genesis has listed or is in the process of listing four large townhouse sites for sale, resulting in certain early stage planning costs amounting to \$992 being expensed in Q2 2016.

### Other expenses

Other expenses for the home building division decreased by 24.5% for Q2 2016 compared to Q2 2015 and by 8.5% for YTD 2016 compared to YTD 2015. These decreases were achieved due to the restructuring in March 2016 resulting in savings in corporate administrative expenses, compensation and benefits, finance expense and advertising expenses.

## Finance Expense

	Three months ended June 30,			Six months ended June 30,		
	2016	2015	% change	2016	2015	% change
Interest incurred	261	284	(8.1%)	597	677	(11.8%)
Finance expense relating to VTB <sup>(1)</sup>	546	658	(17.0%)	1,092	1,318	(17.1%)
Financing fees amortized	74	57	29.8%	149	461	(67.7%)
Interest and financing fees capitalized	(125)	(47)	166.0%	(314)	(482)	(34.9%)
	<b>756</b>	<b>952</b>	<b>(20.6%)</b>	<b>1,524</b>	<b>1,974</b>	<b>(22.8%)</b>

<sup>(1)</sup> Vendor-take-back mortgage ("VTB") related to 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.

The weighted average interest rate of loan agreements with various financial institutions was 6.0% (YE 2015 – 4.75%) based on June 30, 2016 balances. The weighted average interest rate of loan agreements was 4.10% (YE 2015 – 3.82%), based on Q2 2016 balances after excluding \$8,325 relating to a limited partnership. This loan is guaranteed by Genesis and secured by lands held by the limited partnership.

## SEGMENTED BALANCE SHEET

	June 30, 2016						December 31, 2015
	Land Development			Home Building	Inter-segment Eliminations	Consolidated	Consolidated
	Genesis	LPs	Intra-segment eliminations				
<b>Assets</b>							
Real estate held for development and sale	205,355	39,312	(4,194)	20,617	(227)	260,863	288,291
Amounts receivable	17,746	44	-	80	-	17,870	17,234
Cash and cash equivalents	5,834	7,396	-	2,129	-	15,359	11,399
Other assets	38,487	156	(24,878)	2,491	(4,370)	11,886	14,121
<b>Total assets</b>	<b>267,422</b>	<b>46,908</b>	<b>(29,072)</b>	<b>25,317</b>	<b>(4,597)</b>	<b>305,978</b>	<b>331,045</b>
<b>Liabilities</b>							
Loans and credit facilities	30,162	8,285	-	2,136	-	40,583	63,819
Provision for future development costs	18,228	-	-	1,708	-	19,936	18,926
Other liabilities <sup>(1), (2)</sup>	13,022	26,272	(26,195)	7,617	(4,370)	16,346	23,309
<b>Total liabilities</b>	<b>61,412</b>	<b>34,557</b>	<b>(26,195)</b>	<b>11,461</b>	<b>(4,370)</b>	<b>76,865</b>	<b>106,054</b>
<b>Net assets</b>	<b>206,010</b>	<b>12,351</b>	<b>(2,877)</b>	<b>13,856</b>	<b>(227)</b>	<b>229,113</b>	<b>224,991</b>

<sup>(1)</sup> Other liabilities under the home building business segment includes \$2,934 (December 31, 2015 - \$9,095) due to the land development segment related to land and lot purchases, overhead costs and general and administrative expenses.

<sup>(2)</sup> Other liabilities under the LPs segment is comprised of \$26,195 (December 31, 2015 - \$26,704) of accounts payable and accrued liabilities due to Genesis.



## LIQUIDITY AND CAPITAL RESOURCES

Genesis has significant unutilized debt capacity, 55 homes with firm sales contracts at the end of Q2 2016, and a portfolio of entitled land. Genesis commenced a normal course issuer bid (“NCIB”) in 2015. At Q2 2016, 363,100 common shares (0.82% of common shares outstanding at the beginning of the year) had been purchased and cancelled under the NCIB for a total cost of \$893 (average \$2.46 per share).

	June 30,	December 31,	% change
	2016	2015	
VTB	27,413	34,321	(20.1%)
Other loans and credit facilities	4,845	21,373	(77.3%)
Loan relating to a limited partnership	8,325	8,125	2.5%
Total loans and credit facilities	40,583	63,819	(36.4%)
Total liabilities to equity <sup>(1)</sup>	34%	47%	
Loans and credit facilities (“Debt”) to total assets	13%	19%	

<sup>(1)</sup> Calculated as total liabilities divided by total equity

Genesis regularly reviews credit facilities and manages requirements in accordance with project development plans and operating requirements. Genesis and its subsidiaries were in compliance with all covenants currently and at all period ends.

### Real Estate Held for Development and Sale

	June 30,	December 31	% change
	2016	2015	
Real estate held for development and sale	319,022	351,397	(9.2%)
Provision for write-downs	(58,159)	(63,106)	(7.8%)
	260,863	288,291	(9.5%)

Real estate held for development and sale decreased by \$27,428 at Q2 2016 compared to YE 2015. This reduction in land inventory was due to the sale of two development land parcels with a net carrying value of \$10,682, the sale of residential lots through the home building business segment and the sale of residential homes. This decrease was partially offset by land development and home building development activities. Refer to note 3 in the condensed consolidated interim financial statements for the three and six months ended June 30, 2016 and 2015 which details gross book value, provision for write-downs and net book value of real estate held for development and sale.

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 June 30, 2016.

Land development segment	Land under development			Land held for future development		Total		
	Net carrying value	Acres <sup>(1)</sup>	Lots	Net carrying value	Acres <sup>(1)</sup>	Net carrying value	Acres <sup>(1)</sup>	Lots
<b>Residential</b>								
Airdrie <sup>(2)</sup>	36,841	169	276	8,736	90	45,577	259	276
Calgary NW <sup>(3)</sup>	28,715	34	90	-	-	28,715	34	90
Calgary NE <sup>(4)</sup>	11,897	4	143	5,769	33	17,666	37	143
Calgary SE <sup>(5)</sup>	-	-	-	44,270	349	44,270	349	-
	<b>77,453</b>	<b>207</b>	<b>509</b>	<b>58,775</b>	<b>472</b>	<b>136,228</b>	<b>679</b>	<b>509</b>
Mixed use <sup>(6)</sup>	52,512	71	-	4,020	312	56,532	383	-
Other assets <sup>(7)</sup> – non-core	-	-	14	12,595	1,810	12,595	1,810	14
<b>Total land development segment</b>	<b>129,965</b>	<b>278</b>	<b>523</b>	<b>75,390</b>	<b>2,594</b>	<b>205,355</b>	<b>2,872</b>	<b>523</b>
<b>Home building business segment<sup>(8)</sup></b>						<b>20,390</b>	<b>-</b>	<b>23</b>
<b>Total land and home building segments</b>						<b>225,745</b>	<b>2,872</b>	<b>546</b>
Limited Partnerships <sup>(9)</sup>						35,118	2,373	-
<b>Real estate held for development and sale</b>						<b>260,863</b>	<b>5,245</b>	<b>546</b>

	Acres <sup>(1)</sup>	Developed Lots	To be Developed - Estimated Equivalent			Total
		Single-family (units)	Single-family (lots)	Townhouse/multi-family (units)	Commercial (acres)	Single- and townhouse/multi-family (units)
<b>Residential</b>						
Airdrie <sup>(2)</sup>	259	276	1,208	570	-	2,054
Calgary NW <sup>(3)</sup>	34	90	34	1,869	2	1,993
Calgary NE <sup>(4)</sup>	37	143	258	78	-	479
Calgary SE <sup>(5)</sup>	349	-	1,245	834	-	2,079
	<b>679</b>	<b>509</b>	<b>2,745</b>	<b>3,351</b>	<b>2</b>	<b>6,605</b>
Mixed use <sup>(6)</sup>	383	-	-	2,450	319	2,450
Other assets <sup>(7)</sup> – non-core	1,810	14	1,867	-	-	1,881
<b>Total land development segment</b>	<b>2,872</b>	<b>523</b>	<b>4,612</b>	<b>5,801</b>	<b>321</b>	<b>10,936</b>
<b>Home building business segment</b>	-	<b>23</b>	-	-	-	<b>23</b>
<b>Total land and home building segments</b>	<b>2,872</b>	<b>546</b>	<b>4,612</b>	<b>5,801</b>	<b>321</b>	<b>10,959</b>
Limited Partnerships <sup>(9)</sup>	2,373	-	2,621	606	441	3,227
<b>Real estate held for development and sale</b>	<b>5,245</b>	<b>546</b>	<b>7,233</b>	<b>6,407</b>	<b>762</b>	<b>14,186</b>

<sup>(1)</sup> Acres comprises townhouse /multi-family, commercial acres and land not yet subdivided into single-family lots

<sup>(2)</sup> Airdrie comprises the communities of Bayside, Bayview and Canals

<sup>(3)</sup> Calgary NW comprises the community of Sage Meadows

<sup>(4)</sup> Calgary NE comprises the community of Saddlestone

<sup>(5)</sup> Calgary SE comprises southeast lands acquired in 2015

<sup>(6)</sup> Mixed use comprises North Conrich and Sage Hill Crossing

<sup>(7)</sup> Other assets are non-core and actively being marketed for disposal. These assets represent 6.1% (YE 2015 – 6.6%) of Genesis' land portfolio with a carrying value of \$12,595 (YE 2015 - \$14,113).

<sup>(8)</sup> Housing projects under development comprise \$4,728 in lots and \$15,662 of work-in-progress.

<sup>(9)</sup> 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 June 30, 2016:

### Land Development

Project	Lots at Jan. 1, 2016	Additions made during 2016	Sold to third-party builders	Sold to Home Building	Lots at June 30, 2016
<b>Airdrie</b>					
Bayside and Bayview	300	-	(22)	(12)	266
Canals	10	-	-	-	10
	310	-	(22)	(12)	276
<b>Calgary NW</b>					
Sage Meadows	90	-	-	-	90
<b>Calgary NE</b>					
Saddlestone	120	82	-	(59)	143
<b>Brooks (non-core)</b>	14	-	-	-	14
<b>Total</b>	534	82	(22)	(71)	523

### Home Building

Project	Lots at January 1, 2016	Lots purchased in 2016	Homes sold in 2016	Lots at June 30, 2016	Price range of homes sold
<b>Airdrie</b>					
Bayside and Bayview	3	12	(12)	3	\$413-\$607
	3	12	(12)	3	\$413-\$607
<b>Calgary NW</b>					
Evansridge	22	-	(5)	17	\$514-\$574
Kinwood	9	-	(6)	3	\$458-\$562
	31	-	(11)	20	\$458-\$574
<b>Calgary NE</b>					
Saddlestone	-	59	(59)	-	\$360-\$736
<b>Total</b>	34	71	(82)	23	\$360-\$736

### Amounts Receivable

	June 30,	December 31,	% change
	2016	2015	
Amounts receivable	17,870	17,234	3.7%

Genesis generally retains title to lots and homes until full payment from the home builder is received in order to mitigate credit exposure. The change in amounts receivable was a nominal increase of \$636.

## Cash Flows from Operating Activities

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Cash flows from (used in) operating activities	14,394	(1,324)	26,663	(20,051)
Cash flows from (used in) operating activities per share – basic and diluted	0.33	(0.03)	0.60	(0.45)

The \$46,714 year over year increase in cash flows from operating activities consists of the following:

Lower cash outflows from home building activity	16,747
Lower cash outflows for land acquisition	10,000
Lower cash outflows for land servicing	7,862
Higher cash inflows from residential lot and development land sales	7,196
Lower cash outflows for income tax installments	2,880
Lower cash outflows for other operating costs	4,505
Lower cash inflows from sale of residential homes	(2,476)
<b>Total change in cash flows</b>	<b>46,714</b>

Lower cash outflows for home building activity was by drawing down the investment in home building inventory from \$30,768 at December 31, 2015 to \$20,390 at June 30, 2016. This inventory reduction is a component of the drive for efficiency and effectiveness of the Corporation. YTD 2015 cash outflows included \$10,000 for the acquisition of 349 acres in SE Calgary listed in the table on page 9 of this MD&A and which was classified as an operating activity. The balance of the cost of that acquisition was financed by the VTB loan listed in the Liquidity and Capital Resources table of this MD&A. An \$8,000 payment on the VTB loan made in YTD 2016 was classified as a financing activity.

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 10 of this MD&A and also included a significant portion of the costs for the 82 lots added during the first quarter of 2016. This explains most of the lower cash outflows for land servicing between YTD 2016 and YTD 2015 and again is a component of the drive for efficiency and effectiveness of the Corporation. Lower cash inflows from the sale of residential homes is consistent with the lower volumes.

## LIABILITIES AND SHAREHOLDERS' EQUITY

The following table presents Genesis' liabilities and equity:

	June 30,		December 31,	
	2016	% of Total	2015	% of Total
Loans and credit facilities	40,583	13%	63,819	19%
Customer deposits	2,293	1%	3,820	1%
Accounts payable and accrued liabilities	14,053	5%	19,219	6%
Provision for future development costs	19,936	7%	18,926	6%
Income taxes payable	-	-	270	-
Total liabilities	76,865	26%	106,054	32%
Non-controlling interest	12,867	4%	12,866	4%
Shareholders' equity	216,246	70%	212,125	64%
	305,978	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:

	June 30, 2016	December 31, 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	16,673	45,524
Repayments from the proceeds of land and home sales	(41,142)	(42,719)
Interest and financing fees incurred	1,545	4,276
Interest and financing fees paid	(312)	(1,475)
Balance, end of period	40,583	63,819

The following is a summary of drawn and outstanding loan and credit facility balances as at Q2 2016 and as at the end of the previous four quarters:

	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Vendor-take-back mortgage	27,413	26,867	34,321	33,663	33,006
Land loans	1,410	9,807	16,609	90	577
Land loan relating to a limited partnership	8,325	8,125	8,125	7,850	7,850
Home building loans	2,148	3,670	5,194	5,545	8,028
Demand operating line	1,580	-	-	-	-
	40,876	48,469	64,249	47,148	49,461
Unamortized deferred financing fees	(293)	(361)	(430)	(80)	(74)
Balance, end of period	40,583	48,108	63,819	47,068	49,387

Total liabilities to equity follows:

	June 30, 2016	December 31, 2015
Total liabilities	76,865	106,054
Total equity	229,113	224,991
Total liabilities to equity <sup>(1)</sup>	34%	47%

<sup>(1)</sup> Calculated as total liabilities divided by total equity

Genesis has four land project loan facilities authorized for \$52,327. 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. \$1,410 was drawn against these facilities as at Q2 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 \$1,580 as at Q2 2016 (YE 2015 - Nil).

The home building business segment 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 June 30, 2016 was Nil (YE 2015 - \$1,427). In addition, a capital project loan at an interest rate of prime +1.5% per annum is also available to the home building business segment with \$2,148 drawn as at June 30, 2016 (YE 2015 - \$3,767).

Genesis assumed a VTB on the purchase of the southeast lands in January 2015. The \$40,000 VTB has an outstanding balance of \$32,000 with an unamortized discount of \$4,587 as at June 30, 2016 (YE 2015 -\$40,000 and \$5,679 respectively) and is payable in five equal installments of \$8,000 each, commencing January 2016 and ending in January 2020. The first installment of \$8,000 was paid in January 2016.

Genesis guarantees an \$8,325 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 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 the acquisition of serviced lots. This line has a financial covenant requiring that Genesis Builders Group Inc. 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 Q2 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 credit facilities and manages requirements in accordance with project development plans and operating requirements.

### Provision for Future Development Costs

Genesis sells lots and homes for which it is responsible to pay for future development costs known as "costs-to-complete". For the home building business segment, costs-to-complete estimates are the costs likely to be incurred on seasonal work and estimated warranty charges over the one year warranty period. For the land segment, provision for future development costs represents the remaining costs expected to be incurred for each project phase currently under development in proportion to the amount of such phase that has been sold. The provision includes all direct construction costs and indirect costs expected to be incurred during the remainder of the construction period net of expected recoveries of certain development costs. The cost of the remaining development work is recognized as a liability when the related revenue is recognized.

Provision for future development costs were \$18,226 and \$1,710 for the land and home building business segments respectively at June 30, 2016 an increase of \$1,010 over YE 2015 amounts of \$17,064 and \$1,862 for the land and home building business segments respectively. This change was due to normal sales activity in land and in home building and the increase was partially offset by completion of previously recognized cost-to-complete liabilities on residential lots and on residential homes.

### Income Tax (Recoverable) Payable

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

	June 30, 2016	December 31, 2015
Balance, beginning of period	270	4,433
Provision for current income tax	2,650	5,671
Net payments	(2,995)	(9,834)
Balance, end of period	(75)	270

The decrease in income tax payable is due to net payments made during Q2 2016.

### Shareholders' Equity

As at August 11, 2016, the Corporation had 43,923,502 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.

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.

	Three months ended June 30, 2016	Six months ended June 30, 2016
Number of shares purchased and cancelled	104,400	363,100
Total cost	285	893
Average price per share purchased	2.74	2.46
Beginning of period	April 1, 2016	January 1, 2016
Shares cancelled as a % of common shares outstanding at beginning of period	0.24%	0.82%

No shares were purchased during the three and six months ended June 30, 2015 as the NCIB had not commenced.

The Corporation repurchased for cancellation an additional 42,400 common shares for \$117 between July 1, 2016 and August 11, 2016. As of the date of this MD&A, there are 1,212,212 common shares remaining for purchase under the NCIB.

Return on equity, calculated on a rolling 12 month basis, was 6.8% as at Q2 2016 (YE 2015 – 5.2%). Return on equity is calculated by dividing net earnings by average shareholders' equity.

## 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 Q2 2016 were as follows:

	Loans and Credit Facilities <sup>(1)</sup>	Naming Rights	Lease Obligations	Total
Current	11,406	700	947	<b>13,053</b>
July 2017 to June 2018	16,830	700	137	<b>17,667</b>
July 2018 to June 2019	6,556	500	34	<b>7,090</b>
July 2019 and thereafter	6,084	1,000	-	<b>7,084</b>
Current	40,876	2,900	1,118	<b>44,894</b>

<sup>(1)</sup> Excludes deferred financing fees

Genesis signed a memorandum of understanding in 2012 to contribute \$5,000 for the naming rights for 10 years 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 were paid up to and through to the end of June 2016.

Genesis entered into an agreement with the City of Airdrie, to contribute \$2,000 for the naming rights for 10 years to “Genesis Place”, a recreation complex in the City of Airdrie (\$200 each year, terminating in 2017). The first eight installments totaling \$1,600 were paid up to and through to the end of June 2016.

Genesis’ lease agreement with Morguard Real Estate Investment Trust (“Morguard”) for Genesis’ office commenced on August 1, 2012 and terminates on July 31, 2017. The basic rent per annum was \$349 in the first year, which increases progressively to \$426 in the fifth year. The lease includes an option in favor of Genesis to extend the term for an additional five-year period at market rent. Genesis also has other minor operating leases.

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 7 of the condensed consolidated interim financial statements for the three and six months ended June 30, 2016 and 2015.

### Current Contractual Obligations

	June 30, 2016	December 31, 2015
Loans and credit facilities, excluding deferred financing fees	<b>11,406</b>	13,184
Accounts payable and accrued liabilities	<b>14,053</b>	19,219
Total short-term liabilities	<b>25,459</b>	32,403
Commitments <sup>(1)</sup>	<b>1,647</b>	1,708
	<b>27,106</b>	34,111

<sup>(1)</sup> Commitments comprise naming rights and lease obligations.

At the end of Q2 2016, Genesis had obligations due within the next 12 months of \$27,106, of which \$11,406 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 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 Q2 2016, these letters of credit totalled approximately \$5,715 (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 Q2 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.

## SUMMARY OF QUARTERLY RESULTS

	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Revenues	26,148	32,424	36,575	34,918	31,822	15,773	28,509	32,984
Net earnings <sup>(1)</sup>	2,828	2,110	5,365	4,256	1,333	60	2,858	4,366
EPS <sup>(2)</sup>	0.06	0.05	0.13	0.09	0.03	0.00	0.07	0.09

<sup>(1)</sup> Net earnings attributable to equity shareholders

<sup>(2)</sup> Net earnings per share - basic and diluted

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) compared to no residential lots to third parties, a development land parcel for \$10,150 and 42 homes (all single-family) in the first quarter of 2016 ("Q1 2016"). The development land sale in Q1 2016 resulted in higher revenues in the first quarter of 2016 compared to Q2 2016, but this was partially offset by the higher volume of residential lot sales in Q2 2016. Genesis also incurred \$992 of cost of sales expense in Q2 2016 relating to townhouse projects that are not going to proceed. These were the main factors resulting in higher net earnings and EPS during Q2 2016 compared to Q1 2016.

During the fourth quarter of 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 the third quarter of 2015 Genesis sold 13 residential lots and 67 homes (56 single-family and 11 townhouses). Net earnings in the second quarter of 2015 were affected by a write-down of real estate held for development and sales. Revenues and net earnings were low in the first quarter of 2015 due to lower residential lot and residential home sales.

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

## RELATED PARTY TRANSACTIONS

Transactions occurred in the three and six months ended June 30, 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 June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Paid to Underwood for the services of Stephen J. Griggs as interim CEO	159	-	223	-
Reimbursement of travel and other costs incurred by the two entities	8	-	28	-
	167	-	251	-

## CONSOLIDATED ENTITIES

The Corporation is the general partner in four limited partnership arrangements and a 50% partner in a joint venture. Refer to note 9 of the condensed consolidated interim financial statements for the three and six months ended June 30, 2016 and 2015 for summarized financial information concerning the joint venture.

## SUBSEQUENT EVENTS

Genesis Limited Partnership #6 paid a partial distribution of \$6,039 to its unit holders subsequent to June 30, 2016.

## SUMMARY OF ACCOUNTING CHANGES

The Corporation adopted no new IFRSs and interpretations during 2016.

## 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 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 Q2 2016 and Q2 2015. Refer to note 2(q) in the consolidated financial statements for the years ended December 31, 2015 and 2014 for additional information on judgments and estimates.

### Provision for Future Development Costs

Changes in the estimated future development costs 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 valuation conducted by independent real estate appraisers and in light of 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 amounts becoming overdue and any known issues about the financial condition of debtors are taken into account when estimating recoverability.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

The interim CEO and interim CFO have evaluated the design of Genesis' Disclosure Controls and Procedures ("DC&P") and Internal Control over Financial Reporting ("ICFR") and concluded that Genesis' DC&P and ICFR were effective as at June 30, 2016.

There were no changes in the Corporation's ICFR during the three months ended June 30, 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 are 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, environmental risk and government regulations.

### Development and Construction Costs

Genesis may experience loss due to inflation causing higher prices of labor and consulting fees, and costs of materials. Costs of development and building have fluctuated over the past several years and are typically passed on to the customer through higher pricing. Any significant increase that Genesis cannot pass on to the customer may have a negative material impact on profits.

### Credit and Liquidity Risk

Credit risk arises from the possibility that 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 and renew existing credit facilities or secure additional financing, it will impact the Corporation's ability to meet its obligations as they become due. 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 obtain required capital, its ability to achieve these goals could be impacted. In order to reduce finance risk, Genesis endeavors to match the term of financing with 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 for violations of securities laws, breach of fiduciary duty by its directors and from other operating activities. 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.

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, 2015 available on SEDAR at [www.sedar.com](http://www.sedar.com)

## OTHER

Additional information relating to the Corporation can be found on SEDAR at [www.sedar.com](http://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 specifically Alberta economy; changes in the number of 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, the activity levels and operations of the joint venture, the ability to close the book of homes with firm sales contracts 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 or unanticipated impact of general economic conditions in Canada, the United States and globally; the impact of election of governments in Alberta and Canada and the direction of policy which could impact the overall pace of economic growth; 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](http://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.*