GENESIS LAND DEVELOPMENT CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months and year ended December 31, 2016

The Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Genesis Land Development Corp. ("Genesis", "the Corporation", "we", "us", or "our") should be read in conjunction with consolidated financial statements and the notes thereto for year ended December 31, 2016 and 2015, prepared in accordance with International Financial Reporting Standards ("IFRS").

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

All amounts are in thousands of Canadian dollars, except per share amounts or unless otherwise noted. This MD&A is dated as of March 21, 2017.

STRATEGY AND 2017 BUSINESS FOCUS

Strategy

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

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

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

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

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

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

2017 Business Plan

The business plan for 2017 includes:

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

OVERVIEW OF MARKET AND 2016 OPERATING RESULTS

Alberta Real Estate Market Likely Hits Bottom

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

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

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

2016 – A Transformation Year

New Strategy

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

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

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

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

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

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

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

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

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

Changes in leadership structure

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

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

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

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

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

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

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

Significant cost reductions in 2016

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

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

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

Focused on obtaining entitlements or improving existing entitlements

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

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

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

Solid 2016 results for Genesis Builders Group

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

Monetization of non-core lands

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

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

Net earnings down – impacted by non-cash write downs

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

CORPORATE HIGHLIGHTS

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

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

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

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

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

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

Land Development

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

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

Gross margin by source of revenue

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

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

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

Volumes and Revenues

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

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

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

Equity income from joint venture

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

Write-down of real estate held for development and sale

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

Other expenses

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

Factors Affecting Results of Operations

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

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

Home Building

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

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

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

Volumes and revenues

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

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

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

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

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

Townhouse sites listed for sale

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

Other expenses

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

Finance Expense

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

[1] VTB related to Calgary southeast lands acquisition

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

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

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

SEGMENTED BALANCE SHEET

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

(1) Segmented liabilities under the Genesis land segment include $287 due to the home building segment (December 31, 2015 - $9,095 due from the home building segment to the land development segment)
(2) Other liabilities under the LPs segment is comprised of $27,543 (December 31, 2015 - $26,704) of accounts payable and accrued liabilities due to Genesis.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

(1) Calculated as total liabilities divided by total equity

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

Real Estate Held for Development and Sale

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

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

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

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

See accompanying footnotes on page 15.

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

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

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

Land Development

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

Home Building

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

Amounts Receivable

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

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

Cash Flows from Operating Activities

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

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

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

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

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

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

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

LIABILITIES AND SHAREHOLDERS' EQUITY

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

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

Loans and Credit Facilities

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

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

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

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

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

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

Total liabilities to equity follows:

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

(1) Calculated as total liabilities divided by total equity

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

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

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

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

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

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

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

Provision for Future Development Costs

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

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

For the land development segment, the provision for future development costs represents the estimated remaining construction costs related to and/or allocated to sold land. This includes all direct construction costs and indirect costs expected to be incurred during the remainder of the construction period, net of expected recoveries, allocable to the portions of the development that have already been sold. The provision is reviewed periodically and when the estimate is known to be different from the actual costs incurred or expected to be incurred, an adjustment is made to the provision for future development costs and a corresponding adjustment is made to land under development and/or cost of sales.

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

Income Tax Payable

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

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

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

Shareholders’ Equity

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

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

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

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

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

Contractual Obligations and Debt Repayment

Contractual obligations excluding accounts payable, accrued liabilities, income taxes payable, customer deposits and provision for future development costs, at the end of YE 2016 were as follows:

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

(1) Excludes deferred financing fees

In 2012, Genesis entered into a memorandum of understanding with the Northeast Community Society contribute $5,000 over 10 years for 15-year naming rights to the “Genesis Centre for Community Wellness”, a recreation complex in northeast Calgary ($500 each year, terminating in 2021). The first five installments totaling $2,500 had been paid as at December 31, 2016. Genesis paid the sixth installment of $500 in February 2017.

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

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

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

Current Contractual Obligations

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

[1] Commitments comprise naming rights and lease obligations.

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

OFF BALANCE SHEET ARRANGEMENTS

Letters of Credit

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

Lease Agreements

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

SELECTED ANNUAL INFORMATION

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

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

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

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

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

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

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

SUMMARY OF QUARTERLY RESULTS

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

(1) Net earnings attributable to equity shareholders
(2) Net earnings per share - basic and diluted

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

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

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

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

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

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

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

CONSOLIDATED ENTITIES

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

SUBSEQUENT EVENTS

Since December 31, 2016, the Corporation has:

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

SUMMARY OF ACCOUNTING CHANGES

The Corporation adopted no new IFRSs and interpretations during 2016.

RECENT ACCOUNTING PRONOUNCEMENTS

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

IFRS 15, “Revenue from contracts with customers”

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

IFRS 9, “Financial instruments”

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

IFRS 16, “Leases”

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date for the land development and the home building business segments. On an ongoing basis, management evaluates its judgments and estimates in relation to revenues, expenses, assets and liabilities. Management uses historical experience, third party appraisals and reports and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. There were no material changes made to the critical accounting estimates for YE 2016 and YE 2015. Refer to note 2(q) in the consolidated financial statements for the years ended December 31, 2016 and 2015 for additional information on judgments and estimates.

Provision for Future Development Costs

Changes in the estimated future development costs of land previously sold directly impact the amount recorded for the future development liability, cost of sales, gross margin and, in some cases, the value of real estate under development and held for sale. This liability is subject to uncertainty due to the longer time frames involved, specifically in land development.

Impairment of Real Estate Held for Development and Sale

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

Valuation of amounts receivables

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

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

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

RISKS AND UNCERTAINTIES

In the normal course of business, Genesis is exposed to certain risks and uncertainties inherent in the real estate development and home building industries. Real estate development and home building are cyclical businesses. As a result, Genesis profitability could be adversely affected by external factors beyond the control of management. Risks and uncertainties faced by Genesis include industry risk, competition, supply and demand, geographic risk, development and construction costs, credit and liquidity risks, finance risk, interest risk, management risk, mortgage rates and financing risk, general uninsured losses, cyber-security and business continuity risk, environmental risk and government regulations.

Development and Construction Cost Risk

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

Credit and Liquidity Risk

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

Finance Risk

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

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

Litigation Risk

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

Cybersecurity and Business Continuity Risk

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

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

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

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

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

TRADING AND SHARE STATISTICS

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

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

OTHER

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

ADVISORIES

Forward-Looking Statements

This MD&A contains certain statements which constitute forward-looking statements or information ("forward-looking statements") within the meaning of applicable securities legislation, including Canadian Securities Administrators' National Instrument 51-102 'Continuous Disclosure Obligations', concerning the business, operations and financial performance and condition of Genesis. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

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

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to the nature of development lands held and the anticipated inventory and development potential of such lands, anticipated general economic and business conditions, the anticipated impact on Genesis' development and home building activities, Genesis' ongoing review of its business, including cost reductions, expected closings of land sales and listing of townhouse sites including the sale of 1,476 acres of non-core land, the activity levels and operations of the joint venture, the ability to close the book of homes (with lots) subject to firm sale contracts, the Alberta real estate cycle, the wind-up of Genesis Limited Partnership #6 and Genesis Limited Partnership #7, Genesis' business plan for 2017, the Corporation's cost reductions and operating efficiencies, progress of rezoning projects, the continuing role of GBG in the sale of Genesis lots, the marketing of non-core lands, the closing of a sale of land near Delacour, Alberta, the expected level of new serviced lot inventory available to builders and the ability of GBG to sell homes on a quick possession basis and the ability to continue to renew or repay financial obligations and to meet liabilities as they become due. Although Genesis believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements because they involve *assumptions, known and unknown risks, uncertainties and other factors many of which are beyond the Corporation's control, which may cause the actual results, performance or achievements of Genesis to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Accordingly, Genesis cannot give any assurance that its expectations will in fact occur and cautions that actual results may differ materially from those in the forward-looking statements.*

Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to: the impact of contractual arrangements and incurred obligations on future operations and liquidity; local real estate conditions, including the development of properties in close proximity to Genesis' properties; the uncertainties of real estate development and acquisition activity; fluctuations in interest rates; ability to access and raise capital on favourable terms; not realizing on the anticipated benefits from transactions or not realizing on such anticipated benefits within the expected time frame; labour matters, governmental regulations, stock market volatility and other risks and factors described from time to time in the documents filed by Genesis with the securities regulators in Canada available at www.sedar.com, including this MD&A under the heading "Risks and Uncertainties" and the AIF under the heading "Risk Factors". Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and, except as required by applicable law, Genesis does not undertake any obligation to publicly update or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise.