



Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2012 and 2011
(Unaudited)

Genesis Land Development Corp.

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2012 and 2011
(Unaudited)

Contents

| | |
|---|------|
| Condensed Consolidated Interim Balance Sheets | 3 |
| Condensed Consolidated Interim Statements of Comprehensive Income | 4 |
| Condensed Consolidated Interim Statements of Changes in Equity | 5 |
| Condensed Consolidated Interim Statements of Cash Flows | 6 |
| Notes to the Condensed Consolidated Interim Financial Statements | 7-12 |

Genesis Land Development Corp.
Condensed Consolidated Interim Balance Sheets
(In thousands of Canadian dollars)

| | Note | March 31, 2012 | December 31, 2011 |
|---|-------------|---------------------------|------------------------------|
| | | (Unaudited) | |
| Assets | | | |
| Real estate held for development and sale | 3 | 294,859 | 299,916 |
| Amounts receivable | | 50,280 | 43,451 |
| Other operating assets | | 20,284 | 20,942 |
| Deferred income taxes | | 476 | 2,859 |
| Cash and cash equivalents | | 4,809 | 10,850 |
| Total assets | | 370,708 | 378,018 |
| Liabilities | | | |
| Financings | | 81,908 | 88,231 |
| Customer deposits | | 7,953 | 7,582 |
| Accounts payable and accrued liabilities | | 7,691 | 16,415 |
| Income taxes payable | | 12,915 | 12,970 |
| Land development service costs | | 17,668 | 16,201 |
| Total liabilities | | 128,135 | 141,399 |
| Commitments and contingencies | 6 | | |
| Equity | | | |
| Share capital | 4 | 55,573 | 55,122 |
| Contributed surplus | | 4,941 | 4,950 |
| Retained earnings | | 125,968 | 119,776 |
| Shareholders' equity | | 186,482 | 179,848 |
| Non-controlling interest | | 56,091 | 56,771 |
| Total equity | | 242,573 | 236,619 |
| Total liabilities and equity | | 370,708 | 378,018 |

Related party transactions (note 9)

See accompanying notes to the condensed consolidated interim financial statements

Genesis Land Development Corp.
Condensed Consolidated Interim Statements of Comprehensive Income
(Unaudited)
(In thousands of Canadian dollars except per share amounts)

| | Note | Three months ended March 31, | |
|---|-------------|-------------------------------------|---------------|
| | | 2012 | 2011 |
| Revenues | | | |
| Residential lot sales | | 14,520 | 15,091 |
| Development land sales | | 3,600 | 7,644 |
| Residential home sales | | 3,858 | 5,008 |
| Other revenue | | 160 | 128 |
| | | <u>22,138</u> | <u>27,871</u> |
| Cost of sales | | | |
| Residential lots | | 5,122 | 10,471 |
| Development lands | | 2,749 | 4,657 |
| Residential homes | | 2,836 | 3,940 |
| | | <u>10,707</u> | <u>19,068</u> |
| Gross margin | | | |
| | | 11,431 | 8,803 |
| General and administrative | | 2,821 | 2,596 |
| Other expense | | 431 | 211 |
| | | <u>3,252</u> | <u>2,807</u> |
| Operating earnings from continuing operations | | | |
| | | 8,179 | 5,996 |
| Finance income | | 225 | 154 |
| Finance expense | | (564) | (1,273) |
| | | <u>7,840</u> | <u>4,877</u> |
| Earnings before income taxes | | | |
| | | 7,840 | 4,877 |
| Income taxes | | | |
| | | 2,328 | 1,311 |
| Net earnings being Comprehensive Income | | | |
| | | <u>5,512</u> | <u>3,566</u> |
| Attributable to: | | | |
| Equity holders of the parent | | 6,192 | 3,523 |
| Non-controlling interest | | (680) | 43 |
| | | <u>5,512</u> | <u>3,566</u> |
| Net earnings being Comprehensive Income | | | |
| Net earnings per share attributable to common shareholders - basic and diluted | | | |
| | | <u>0.14</u> | <u>0.08</u> |

See accompanying notes to the condensed consolidated interim financial statements

Genesis Land Development Corp.
Condensed Consolidated Interim Statements of Changes in Equity
For the three months ended March 31, 2012 and 2011

(Unaudited)

(In thousands of Canadian dollars except number of shares)

| | <u>Common shares - Issued</u> | | <u>Contributed surplus</u> | <u>Retained Earnings</u> | <u>Total shareholders' equity</u> | <u>Non-controlling Interest</u> | <u>Total Equity</u> |
|--|-------------------------------|---------------|----------------------------|--------------------------|-----------------------------------|---------------------------------|---------------------|
| | <u>Number of shares</u> | <u>Amount</u> | | | | | |
| At December 31, 2010 | 44,379,448 | 54,798 | 4,575 | 108,716 | 168,089 | 58,922 | 227,011 |
| Share-based transactions | 83,301 | 260 | 109 | - | 369 | - | 369 |
| Net earnings being comprehensive income for the period | - | - | - | 3,523 | 3,523 | 43 | 3,566 |
| At March 31, 2011 | <u>44,462,749</u> | <u>55,058</u> | <u>4,684</u> | <u>112,239</u> | <u>171,981</u> | <u>58,965</u> | <u>230,946</u> |
| At December 31, 2011 | 44,484,287 | 55,122 | 4,950 | 119,776 | 179,848 | 56,771 | 236,619 |
| Share-based transactions | 175,625 | 451 | (9) | - | 442 | - | 442 |
| Net earnings being comprehensive income for the period | - | - | - | 6,192 | 6,192 | (680) | 5,512 |
| At March 31, 2012 | <u>44,659,912</u> | <u>55,573</u> | <u>4,941</u> | <u>125,968</u> | <u>186,482</u> | <u>56,091</u> | <u>242,573</u> |

See accompanying notes to the condensed consolidated interim financial statements

Genesis Land Development Corp.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(In thousands of Canadian dollars)

| | Three months ended March 31, | | |
|---|-------------------------------------|----------------|--------------|
| | Note | 2012 | 2011 |
| Operating activities | | | |
| Cash receipts from residential lot and development land sales | | 14,831 | 9,515 |
| Cash receipts from residential home sales | | 4,110 | 5,023 |
| Other cash receipts | | 1,661 | 211 |
| Cash paid to suppliers for land development | | (10,421) | (6,014) |
| Cash paid to suppliers for residential home construction | | (4,707) | (3,403) |
| Cash paid to other suppliers and employees | | (3,551) | (2,685) |
| | | <u>1,923</u> | <u>2,647</u> |
| Interest received | | 225 | 114 |
| | | <u>2,148</u> | <u>2,761</u> |
| Investing activities | | | |
| Acquisition of property and equipment | | - | (20) |
| Change in restricted cash | | (859) | 506 |
| | | <u>(859)</u> | <u>486</u> |
| Financing activities | | | |
| Advances from financings | | 6,455 | 13,958 |
| Repayments of financings | | (13,087) | (9,576) |
| Interest and financing fees paid | | (1,040) | (1,918) |
| Issue of share capital | | 342 | 198 |
| | | <u>(7,330)</u> | <u>2,662</u> |
| Change in cash and cash equivalents | | <u>(6,041)</u> | <u>5,909</u> |
| Cash and cash equivalents, beginning of period | | <u>10,850</u> | <u>2,455</u> |
| Cash and cash equivalents, end of period | | <u>4,809</u> | <u>8,364</u> |

See accompanying notes to the condensed consolidated interim financial statements

Genesis Land Development Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2012 and 2011

(Unaudited)

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

1. DESCRIPTION OF BUSINESS

Genesis Land Development Corp. (the “Corporation” or “Genesis”) was incorporated as Genesis Capital Corp. under the Business Corporation Act (Alberta) on December 2, 1997 and Genesis Land Development Corp. resulted from an amalgamation on January 1, 2002.

The Corporation is engaged in the acquisition, development, subdivision, construction, sale and leasing of land, residential lots and homes and commercial property in Alberta and British Columbia. The Corporation reports its activities as two business segments: land development and home building, both operating in one geographic area. All business activities of Genesis are conducted in Western Canada.

The unaudited condensed consolidated interim financial statements of the Corporation for the three months ended March 31, 2012 were authorized for issue in accordance with a resolution of the directors on May 8, 2012.

The Corporation is listed for trading on the Toronto Stock Exchange under the symbol “GDC”. The registered office of the Corporation is located at Centennial Place, East Tower, 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3. The Corporation’s head office is located at 200, 3115 - 12th Street N.E., Calgary, Alberta T2E 7J2.

2. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies of the Corporation are the same as those applied in the Corporation’s annual audited consolidated financial statements for the years ended December 31, 2011 and 2010. These policies have been consistently applied to each of the periods presented, unless otherwise indicated.

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

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

The Corporation changed its depreciation method for property and equipment from declining balance method to straight-line basis ranging from 3 to 7 years useful life depending on asset category. The change is effective January 1, 2012. This change was made to better reflect the systematic amortization of the assets over the economic useful life and their consumption by the Corporation. Under IFRS, this change is considered a change in accounting estimate and accounted for prospectively by amortizing the cumulative changes over the remaining useful life of the related assets. At January 1, 2012, property and equipment decreased by \$232 as a result of this change.

These unaudited condensed consolidated interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the years ended December 31, 2011 and 2010.

Genesis Land Development Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2012 and 2011

(Unaudited)

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

3. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

| | Gross | Provision for write-down | Net |
|-------------------------------------|----------------|-------------------------------------|----------------|
| Land held for future development | 146,094 | (6,727) | 139,367 |
| Land under development | 147,580 | (4,439) | 143,141 |
| Housing projects under construction | 12,351 | - | 12,351 |
| Balance - March 31, 2012 | <u>306,025</u> | <u>(11,166)</u> | <u>294,859</u> |
| Land held for future development | 147,295 | (6,696) | 140,599 |
| Land under development | 153,246 | (4,058) | 149,188 |
| Housing projects under construction | 10,129 | - | 10,129 |
| Balance - December 31, 2011 | <u>310,670</u> | <u>(10,754)</u> | <u>299,916</u> |

During the period ended March 31, 2012, interest of \$1,108 (2011 - \$759) and other carrying costs of \$14 (2011 - \$62), respectively, were capitalized.

As at March 31, 2012, land held for future development of \$67,961 (December 31, 2011 - \$67,952) and land under development of \$10,203 (December 31, 2011 - \$10,584) are held in the limited partnerships controlled by Genesis.

During the period ended March 31, 2012, the Corporation recognized write-downs of \$412 (2011 - \$37) relating to impairment of carrying value of certain real estate held for development and sale of which \$381 (2011 - Nil) is related to lands held under a limited partnership.

4. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares
 Unlimited number of preferred shares

(b) Weighted average number of shares

The following table sets forth the weighted average number of common shares outstanding for the net earnings per share calculation purposes for the periods ended March 31, 2012 and 2011:

| | Three months ended | |
|---|---------------------------|-----------------------|
| | March 31, 2012 | March 31, 2011 |
| Basic | 44,526,148 | 44,418,147 |
| Effect of dilutive securities - stock options | 164,418 | 431,504 |
| Diluted | <u>44,690,566</u> | <u>44,849,651</u> |

In calculating diluted earnings per share for the period ended March 31, 2012, the Corporation excluded 1,124,500 options (2011 - 851,500) as the exercise price was greater than the average market price of its shares during those periods.

Genesis Land Development Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2012 and 2011

(Unaudited)

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

4. SHARE CAPITAL (continued)

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

The options must be issued at not less than the fair market value of the common shares at the date of grant and are issued with terms generally not exceeding 5 years from the date of grant.

5. STOCK OPTIONS

Details of outstanding stock options are as follows:

| | Three months ended | | | |
|-----------------------------------|----------------------|--|----------------------|--|
| | March 31, 2012 | | March 31, 2011 | |
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding - beginning of period | 1,788,221 | \$ 3.60 | 2,262,934 | \$ 3.73 |
| Options granted | 100,000 | \$ 3.21 | - | - |
| Options exercised | (175,625) | \$ 1.95 | (83,301) | \$ 2.38 |
| Options expired | (66,500) | \$ 4.40 | (55,000) | \$ 4.02 |
| Options forfeited | (87,875) | \$ 3.76 | (45,249) | \$ 3.16 |
| Outstanding - end of period | 1,558,221 | \$ 3.72 | 2,079,384 | \$ 3.79 |
| Exercisable - end of period | 1,127,293 | \$ 3.98 | 991,514 | \$ 4.13 |

| Range of Exercise Prices (\$) | Outstanding | | Exercisable | | Weighted Average Remaining Contractual Life in Years |
|-------------------------------------|--------------------------------|---------------------------------------|--------------------------------|---------------------------------------|--|
| | Number at March 31, 2012 | Weighted Average Exercise Price | Number at March 31, 2012 | Weighted Average Exercise Price | |
| 0.00 - 2.00 | 50,000 | \$ 1.17 | 50,000 | \$ 1.17 | 2.15 |
| 2.01 - 4.00 | 1,218,221 | \$ 2.96 | 787,293 | \$ 2.92 | 3.12 |
| 4.01 - 8.00 | 195,000 | \$ 6.60 | 195,000 | \$ 6.60 | 0.56 |
| 8.01 - 11.00 | 95,000 | \$ 8.86 | 95,000 | \$ 8.86 | 0.58 |
| | 1,558,221 | \$ 3.72 | 1,127,293 | \$ 3.98 | 2.62 |

Genesis Land Development Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2012 and 2011

(Unaudited)

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

5. STOCK OPTIONS (continued)

The fair value of each option granted was estimated on the date of grant using the Black-Scholes Option-Pricing Model with the following assumptions:

| | 2012 | 2011 |
|--|--------|------|
| Risk-free interest rate | 1.12% | N/A |
| Estimated term period prior to exercise (years) | 2.50 | N/A |
| Volatility in the price of the Corporation's common shares | 51.40% | N/A |
| Forfeiture rate | 19.42% | N/A |
| Dividend yield rate | 0.00% | N/A |

6. COMMITMENTS AND CONTINGENCIES

Other than the commitments and contingencies discussed below and in the notes to the audited consolidated financial statements for the years ended December 31, 2011 and 2010, there were no other material commitments or contingencies as at March 31, 2012.

In 2009, the Corporation was served with a statement of claim in the amount of \$250 asserting that the Corporation did not take steps to prevent the spread of dust and soil to the plaintiffs' property. The parties have reached a settlement agreement in the amount of \$135. The Corporation has accrued the amount of settlement during the period ended March 31, 2012.

During the three months ended March 31, 2012, the Corporation entered into an offer to lease new premises for new office space. The lease period starts from July 1, 2012 and ends on June 30, 2017. The lease commitment for rent amounts to \$1,939 and additional commitment related to operating costs would amount to \$1,293. The lease includes a tenant improvement allowance of \$291.

7. JOINT VENTURE

| | Assets | Liabilities | Revenue | Earnings (Losses) | CASH FLOW FROM (USED IN) | | |
|--|--------|-------------|---------|----------------------|--------------------------|-------------------------|-------------------------|
| | | | | | Operating Activities | Investing Activities | Financing Activities |
| As at and for the three months ended March 31, 2012 | 30,264 | 9,738 | 3,600 | 104 | (2,363) | - | 2,363 |
| As at December 31, 2011 | 29,232 | 8,827 | - | - | - | - | - |
| For the three months ended March 31, 2011 | - | - | - | - | (119) | - | 115 |

The amounts in the above table include the Corporation's proportionate share of the assets, liabilities, revenue, earnings and cash flow information of a joint venture ("JV") that is proportionately consolidated in these financial statements. The Corporation's proportionate interest of this joint venture is 50% ownership.

The JV sold 30 lots in December 2011 to Genesis Builders Group Inc. ("GBG"), a wholly owned subsidiary of the Corporation, for \$4,853. The Corporation's accounts payable and accrued liabilities as at March 31, 2012 include \$1,941 (December 31, 2011 - \$1,941) representing the proportionate amount owed to the JV for the lots purchased.

The Corporation deferred \$13,167 when it contributed its share of land to the JV. As at March 31, 2012, the Corporation has realized \$3,424 of that amount as a result of sales to third parties. \$1,015 (2011 - Nil) has been recognized during the three months ended March 31, 2012. The remaining amount of \$9,743 will be realized on the future sale and development of lots and lands by the JV.

Genesis Land Development Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2012 and 2011

(Unaudited)

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

8. SEGMENTED INFORMATION

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

The income producing business units of the Corporation report the following activities for the three months ended March 31, 2012 and 2011:

| Three months ended | Land development segment | | | Home building segment | Corporate and other segment | Intersegment elimination | Total |
|--|--------------------------|---------|----------|-----------------------|-----------------------------|--------------------------|----------|
| | Genesis | LP | Total | | | | |
| March 31, 2012 | | | | | | | |
| Revenues | 19,491 | 38 | 19,529 | 3,904 | - | (1,295) | 22,138 |
| Cost of sales | (8,225) | (14) | (8,239) | (3,367) | - | 1,298 | (10,308) |
| Write-down of real estate | (18) | (381) | (399) | - | - | - | (399) |
| Other expenses ⁽¹⁾ | (1,863) | (366) | (2,229) | (1,359) | - | (3) | (3,591) |
| Earnings (loss) before income taxes and non-controlling interest | 9,385 | (723) | 8,662 | (822) | - | - | 7,840 |
| Segmented assets (as at March 31, 2012) | 269,238 | 83,208 | 352,446 | 20,689 | 4,809 | (7,236) | 370,708 |
| Segmented liabilities (as at March 31, 2012) | 113,137 | 7,777 | 120,914 | 16,873 | - | (9,652) | 128,135 |
| Three months ended March 31, 2011 | | | | | | | |
| Revenues | 17,919 | 6,448 | 24,367 | 5,013 | - | (1,509) | 27,871 |
| Cost of sales | (10,772) | (5,214) | (15,986) | (4,558) | - | 1,513 | (19,031) |
| (Write-down) Recovery of real estate | (65) | 28 | (37) | - | - | - | (37) |
| Other expenses ⁽¹⁾ | (2,390) | (436) | (2,826) | (1,096) | - | (4) | (3,926) |
| Earnings before income taxes and non-controlling interest | 4,692 | 826 | 5,518 | (641) | - | - | 4,877 |
| Segmented assets (as at December 31, 2011) | 272,151 | 83,787 | 355,938 | 17,435 | 10,851 | (6,206) | 378,018 |
| Segmented liabilities (as at December 31, 2011) | 131,156 | 7,749 | 138,905 | 12,769 | - | (10,275) | 141,399 |

⁽¹⁾ Other expense items include general and administrative, other expense, and finance income and expense.

Genesis Land Development Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2012 and 2011

(Unaudited)

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

9. RELATED PARTY TRANSACTIONS

Remuneration of the directors and other members of the key management personnel was as follows:

| | Three months ended | |
|----------------------|---------------------------|-----------------------|
| | March 31, 2012 | March 31, 2011 |
| Short-term benefits | 385 | 396 |
| Share-based payments | 83 | 99 |
| | <u>468</u> | <u>495</u> |

The Advisory Services Agreement ('ASA') with a former officer to provide support and advisory services on an as-needed basis during the strategic alternatives evaluation process ended March 31, 2012. The amount of payments made to the former officer under the ASA for the three months ended March 31, 2012 were \$29 (2011 - Nil).

During the year ended December 31, 2011, the Corporation's Corporate Controller entered into a contract with the Corporation for the purchase of a single-family home for \$693 representing terms offered to employees. The contract was terminated during the three months ended March 31, 2012.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.